# AMERICANS FOR FINANCIAL REFORM

# This Week in Wall Street Reform – Mar. 21-27, 2015

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## CONSUMER FINANCE & THE CFPB

**Feds target abusive payday collection practices**
**Jim Mitchell, Dallas Morning News, 3/30/15**
The Consumer Financial Protection Bureau is taking its long-awaited whack at curbing payday lending abuses. The ideas are noteworthy.

In Texas and other states, consumer activists have focused on reforming the length of payday loans, the fees charged and other elements of the loan agreement that bury borrowers in heavy debt. In Texas, Dallas is a leader in payday lending reform and this bill in Austin would protect the right of cities to regulate payday abuses and extend those tougher provisions statewide.

But one area has remained the Wild West for payday lenders – collection practices. Now the CFPB is proposing rules to become the new sheriff in town on collections.

**The Government Is Finally Cracking Down on Legal Loan Sharks**
**David Dayen, Fiscal Times, 3/27/15**

**CFPB Unveils Proposed Payday Loan Reform**
**Toni Lapp, BankNews,**
Although **Americans for Financial Reform** applauded the action, [it] said that the CFPB's proposal provides "worrisome gaps" to the ability-to-repay provisions. "These exceptions would invite continuing abuse, while putting state protections at risk and undermining the push to end the debt-trap business model."

**The vicious cycle of payday loans**
**Michelle Singletary, Washington Post, 3/27/15**

**Payday loan plan protects borrower**
**Josh Boak, Associated Press, 3/27/15**

**Regulators launch major crackdown on payday lenders**
**Jim Puzzanghera, Los Angeles Times, 3/28/15**

**Consumer Financial Protection Bureau Proposes New Payday Lending Rules**
**Ben Walsh, Huffington Post, 3/26/25**

See Prepared Remarks of CFPB Director Richard Cordray at Field Hearing in Richmond

See [White House Fact Sheet: Progress Toward Building a Safer, Stronger Financial System and Protecting Consumers from Unfair Practices]

See statements by [AFR and allied organizations].

**[Going Halfway in Reining in the Payday Predators]**

**Editorial, St. Louis Post-Dispatch, 3/30/15**

"Last week the federal government took some modest, long-overdue steps toward regulating the payday loan industry. The Consumer Financial Protection Bureau [issued drafts of regulations] for the industry. Among other things, before issuing a loan, lenders would have to determine whether a customer could realistically hope to repay it.

It doesn't sound like much, and it's not. The entire $46 billion short-term, high-interest loan industry should be summarily dismantled. It traps as many as 12 million Americans a year in a relentless cycle of debt. The industry has been allowed to unconscionably prey on the poor in defiance of admonitions against usury by the world's great religions and America's founding fathers.

**[Progress on Payday Lending]**

**Editorial, NY Times, 3/28/15**

The Consumer Financial Protection Bureau took the most important step in its brief four-year history this week when it issued a preliminary proposal aimed at protecting the working poor from the payday lending industry, which bills itself as a source of "easy" short-term loans but earns its profits by luring borrowers into debt traps…

The agency… released a startling study of 12 million payday loans issued all across the country that thoroughly debunked the industry's claim that the loans were necessary to help people make it to the next payday — customarily two weeks away — at which point they could comfortably pay off what they owed. It turned out that only 15 percent of borrowers could find the money to repay the full debt without borrowing again within 14 days, which meant they were hit with more fees.

One in five borrowers eventually defaulted on the loan; nearly two-thirds ended up renewing a loan, some more than 10 times, turning what began as a short-term loan into a long-term debt trap. The debt typically grew as the borrowers moved from one loan to the next, instead of being paid down, as happens with a traditional bank loan. In three-fifths of the cases studied, the fees ended up exceeding the original amount of the loan.

**[Something to agree with Obama about]**

**Editorial, Tuscaloosa News, 3/29/15**

We believe in a free market. But we also believe that society has an obligation to make sure people aren't taken advantage of. The interest rates being charged by payday loan businesses are excessive and predatory. Short-term lenders say they are necessary if their businesses are to make a profit. If that's the case, we agree with Obama: They need a better business model. (March 29, 2015).

**[Payday lending is ripe for rules]**

**Editorial, Washington Post, 3/29/15**

Payday lending is capitalism at its unloveliest… [H]ow you feel about this business depends on how free you think both borrowers and lenders ought to be to assume very high risks in a situation where the former are more than ordinarily desperate and the latter are seeking — well, let's just call it above-market rates of return. Is this something consenting adults should be allowed to do, or is it an inherently exploitative transaction?

President Obama and the [Consumer Financial Protection Bureau] [say it's the latter], and therefore high time for government to tip the balance in favor of the payday borrower… [W]hat the bureau proposes would be a new way of doing business: Basically, it mandates the kind of underwriting that payday lending characteristically avoids. This could go a long way toward ending, or at least reducing, payday-lending horror stories. But this benefit will probably come at the cost of precluding some mutually advantageous transactions that would otherwise have occurred. Lenders will exit the business. Here and there families will curtail consumption — which is a plus, insofar as it encourages them to live within their means, or a minus, if they have to skip meals. Just as inevitably some high-interest, short-term lending that now occurs legally will be driven into the underground economy.

More editorials from The Kansas City Star, The Aniston Star, and The Gadsen Times

**Federal regulators need to protect Americans from predatory lenders**
**Wade Henderson, Harrisburg Patriot-News, 3/27/15**
Unfortunately, communities of color and other economically vulnerable populations have long been subjected to abusive financial services practices that have undermined this security.

They have gone from experiencing redlining and other forms of overt lending discrimination to, in more recent years, predatory and deceptive mortgage and consumer lending - often under the guise of "easy access to credit" - with the most devastating consequences resulting from the abusive mortgage lending practices that led to the 2008 financial crisis and Great Recession.

**State joins efforts to curb payday debt traps**
**Carol Hazard, Richmond Times-Dispatch, 3/26/15**

**"Hey, At Least We're Not the Mafia."**
**Alexis Goldstein, Bull Market, 3/30/15**

**"No to Loan Sharks!" in Arizona, Community, Faith Leaders Say**
**Elizabeth Stuart, Valley Fever, 3/23/15**

**Online lenders seek customers in need; advocates warn of risks**
**Lindsay Wise, McClatchy, 3/13/15**

**An (updated) illustrated history of payday lending in Ohio: Plain Dealing**
**Sheryl Harris, The Plain Dealer, 3/24/15**

**Auto Title Loan Market Plagued by Problems**
Report, Pew Charitable Trusts, 3/25/15

**Critics decry Arizona payday lending bill**
**Russ Wiles, Arizona Republic, 3/20/15**

**Durbin, Boxer, Senators Introduce Bill to Crack down on Predatory Lending**
**Press Release, Office of Senator Dick Durbin, 3/24/15**
The bill - introduced today in the House of Representatives by U.S. Representatives Matt Cartwright (D-PA) and Steve Cohen (D-TN) - would create an interest rate and fee cap of 36% for all consumer credit transactions, putting an end to the excessive rates which can top 300%. The 36% cap is similar to usury laws already enacted in many states and is the same as the cap already in place for military personnel and their families.

The Protecting Consumers from Unreasonable Credit Rates Act is supported by 70 national and state groups, including the **Americans for Financial Reform**, Consumer Federation of American, Public Citizen, the Center for Responsible Lending, and Consumers Union.

**Dems: Senate budget would 'diminish and degrade' consumer bureau**
**Peter Schroeder, The Hill, 3/25/15**

**CFPB Study Proves Forced Arbitration Harms Consumers; Agency Should Prohibit the Practice Wherever It Can**
**Nan Aron, HuffPost Politics, 3/20/15**
For starters, the overwhelming majority of Americans don't even know they've signed away their rights. That's by design. Forced arbitration clauses are buried in the fine print of those long, complex "terms of service" we all agree to in

order to obtain a loan or a credit card, open a bank account, or purchase cellphone service. They're even in the terms of service we click to use online services like Spotify, Netflix and Instagram. CFPB found that only 7 percent of Americans subject to those terms know they've given up their right to take a company that wrongs them to court.

[93M prepaid cardholders unprotected]
**Charlene Crowell, Philadelphia Tribune, 3/24/15**

[Prepaid Card Overdraft Fees Cost Consumers over $50 Million]
**Press release, NCLC, 3/24/15**

[Netspend Claims Support of "Thousands of Prepaid Cardholders" In Voicing Concern over Proposed CFPB Rule]
**MarketWatch, 3/24/15**

[Where Credit Report Reforms Fall Short]
**Michael Staten, American Banker, 3/24/15**

[Senator's Budget Amendment Targets 'Reckless' CFPB]
**Samantha Guzman, MReport, 3/24/15**
United States Sen. David Perdue (R-Georgia) said in a press release, the budget amendments would "provide critical congressional oversight" towards the CFPB, which he claims is a rogue agency. "The reckless Consumer Finance Protection Bureau was spawned from the disastrous Dodd-Frank financial regulation law," Perdue said. "Right now, the CFPB is a rogue agency that dishes out malicious financial policy and creates new rules and regulations without any oversight from Congress."

[Why Do Republicans Say a Commission Would Be More Accountable Than a Director?]
**Jeff Sovern, Public Citizen Consumer Law and Policy Blog, 3/21/15**

[FDIC Still Facing Heat Despite Efforts to Calm Choke Point Waters]
**Ian Mckendry, American Banker, 3/24/15**

[Republicans to Government Official: Why Has No One Been Fired Over Choke Point?]
**Kelsey Harkness, Daily Signal, 3/24/15**

[Small business owners victimized by Operation Choke Point decry government overreach]
**Maggie Ybarra, Washington Times, 3/24/15**

[People aren't walking into banks anymore]
**Gigi Douban, Marketplace (NPR), 3/27/15**

[Comptroller of the Currency Discusses Efforts to Protect Seniors from Financial Abuse]
**Remarks, Thomas J. Curry, 3/27/15**

## EXECUTIVE COMPENSATION

[Ways to Put the Boss's Skin in the Game]
**Gretchen Morgenson, NY Times, 3/21/15**

## INVESTOR RIGHTS AND THE SEC

**Rosy View of SEC Regulation at Odds With Reality**
**Barbara Roper, Huffington Post, 3/25/15**
In an increasingly frantic effort to derail new protections for retirement savers, SIFMA, the self-described "voice of the U.S. securities industry," has purchased yet another study that purports to show why a pending Department of Labor (DOL) proposal to require all financial advisors to put their customers first is unnecessary and inappropriate.

With rose-colored glasses firmly in place, the report authors survey the current regulatory scene and conclude that it is pretty much perfect just the way it is.

**SIFMA criticizes White House for ignoring existing regulations while pushing for DOL fiduciary rule**
**Mark Schoeff, Investment News, 3/23/15**
The Securities Industry and Financial Markets Association released a white paper by the law firm Morgan Lewis & Bockius asserting that brokers are already "thoroughly" regulated under current Securities and Exchange Commission and Financial Industry Regulatory Authority Inc. rules. The current standards address conflicts of interest, protect individual retirement account holders and allow investors to choose between investment advisers and brokers, according to the Morgan Lewis assessment.

**Crapo, Warner Say Bipartisanship Possible on JOBS Act Tweaks, Capital Formation Bills**
**Rob Tricchinelli, Bloomberg BNA (paywalled), 3/24/15**
Two top Banking Committee senators said March 24 they are optimistic of the prospects for bipartisan legislation to tweak the Jumpstart Our Business Startups Act and bolster capital formation in the U.S. Sen. Mike Crapo (R-Idaho) said he wants to collaborate with Democrats and "work to move a package of such proposals through the Senate." Crapo spoke during a hearing of the Senate Banking Securities Subcommittee, which he leads.

Sen. Mark Warner (D-Va.), the subcommittee's ranking member, agreed. "It'd be nice to work on some things where we can actually get to yes," he said… Warner said [the changes] are mostly "technical." **Americans for Financial Reform** opposed several, on the grounds that they are too deregulatory.

**Conflicted Retirement Advice Is Center Stage at Hill Forum**
**Congressional Forum, Middle Class Prosperity Project, 3/24/15**

**Don't Make This Mistake With Your Retirement Assets,**
**Teresa Ghilarducci, Huffington Post, 3/25/15**

**SEC chief forges ahead on financial adviser regs**
**Kevin Cirilli, The Hill, 3/23/15**

**Republicans grill SEC chief over financial adviser regs**
**Kevin Cirilli, The Hill, 3/24/15**

**Primer on DOL Fiduciary Standards: Impact and Outlook**
**Insider Online, 3/24/15**

**Wall Street Waging War Against Making Brokers Accountable to Investors**
**Susan Antilla, The Street, 3/24/15**

**New York City Comptroller to Call for New Fiduciary Disclosures by Brokers**
**Jason Zweig, Wall St. Journal, 3/24/15**

**Waters Unveils Legislation to Reform Waiver Process at the SEC**
**Press Release, House Committee on Financial Services Democrats, 3/24/15**

**Shareholder 'No' Votes on Directors Rise**
**Matthew Heller, CFO, 3/23/15**

**BofA joins 'proxy access' trend with new director-nomination rules**
**Reuters, 3/20/15**

**SBIA Seeks Regulatory Relief for Small Business Investors**
**InsuranceNews.net, 3/24/15**

## MORTGAGES & HOME LOANS

**Banks Keep Loans Close to Home**
**John Carney, WSJ, 3/22/15**
Several things appear to be driving the increase in the amount of loans banks hold for their own portfolios—rather than packaging them into securities to be sold off to investors that are often guaranteed by the mortgage-finance giants. The Urban Institute points to the growth of jumbo loans, which exceed Fannie and Freddie's loan limits, to 19% of all originations from 14% in 2013.

**Freddie Mac Selling $1 Billion of Soured Debt in Largest Deal**
**Heather Perlberg and John Gittelsohn, Bloomberg, 3/20/15**

## POLITICAL INFLUENCE OF WALL STREET AND FINANCIAL INDUSTRY

**Upset by Warren, U.S. banks debate halting some campaign donations**
**Emily Flitter, Reuters, 3/27/15**
Big Wall Street banks are so upset with U.S. Democratic Senator Elizabeth Warren's call for them to be broken up that some have discussed withholding campaign donations to Senate Democrats in symbolic protest, sources familiar with the discussions said.

Representatives from Citigroup, JPMorgan, Goldman Sachs and Bank of America, have met to discuss ways to urge Democrats, including Warren and Ohio Senator Sherrod Brown, to soften their party's tone toward Wall Street, sources familiar with the discussions said this week.

**Did JPMorgan Try to Bribe Dem Power-Brokers? (Depends What Your Definition of 'Bribe' Is)**
**Ari Rabin-Havt, The American Prospect, 3/30/15**
Will JPMorgan face any investigation, let alone penalty, for their attempted bribe? It would be naïve to think so. Yet the only defense for this sort of corruption seems to be that it happens all the time.

Our media and political culture have limited the definition of corruption to gifts of Rolex watches, bundles of cash in the freezer, or falsely reporting mileage expenses. While obviously those committing these offenses should be held accountable, the banks' action here is far more damaging in the long term to our politics because its acceptance ensures their success in manipulating the public policy process.

**Wall Street's 15 Biggest Spenders on Lobbying in Washington**
**Think Advisor, 3/24/15**
Wall Street banks, companies and trade associations continued to spend big bucks--$1.4 billion--to influence policymaking in Washington during the 2013-2014 election cycle.

According to **Americans for Financial Reform**'s recently released "Wall Street Money in Washington," the financial sector is the largest source of campaign contributions to federal candidates and parties, and the second largest spender on lobbying.

The $1.4 billion in spending during the two-year period amounts to more than $1.9 million a day, and represents an average of about $2.6 million spent to elect or influence each of the 535 members of the Senate and House of Representatives, or about $3,600 per day for each member of Congress.

More than 340 financial sector companies and trade associations spent at least $500,000 each during this period, the report states.

**For Clintons, a Hedge Fund in the Family**
**Matthew Goldstein & Steve Eder, 3/22/15**

## STUDENT LOANS & FOR-PROFIT SCHOOLS

**Largest for-profit university in U.S. loses hundreds of thousands of students**
**Valerie Strauss, Washington Post, 3/26/15**

**Should feds crack down on student loans at for-profit colleges?**
**Editorial, Palm Beach Post, 3/18/15**

**MN AG: Globe U. pushed high-cost loans, misled students on job hopes**
**Alex Friedrich, MPRNews, 3/20/15**

**Managing Student Loan Debt as an Older Adult**
**John F. Wasik, NY Times, 3/19/15**

**For-Profit in Georgia Closes Without Warning**
**Inside Higher Ed, 3/24/15**

**University of Phoenix has lost half its students**
**CNN Money, 3/25/15**

**U.S. Keeps Scrutiny of Risky Colleges Secret**
**Michael Stratford, Inside Higher Ed, 3/26/15**

## SYSTEMIC RISK

**Analyst: Bank of America should consider splitting up**
**Stephen Gandel, Fortune, 3/26/15**
On Thursday, Mike Mayo, a prominent Wall Street analyst and often critic of the big banks, said that he supported a shareholder proposal to force BofA to consider breaking itself up. Mayo said that a number of instances, including the most recent bank stress test, suggest the bank would be better off if it were smaller. Mayo also said his analysis suggests that the bank's divisions, like investment banking and retail branches, would be worth as much as 25% more if they were broken up into separate companies.

Mayo's report follows a shareholder proposal that BofA more seriously consider breaking itself up. The bank fought to exclude that proposal from being put to a vote at its upcoming shareholder meeting. But the SEC ruled that BofA had to include the breakup proposal on its proxy alongside other proposals that the bank's management supported.

**Mayo: BofA Too Big to Succeed**
**Seeking Alpha, 3/27/15**

**Turn Bankers' Pay Into Shareholder Protection: Naylor**
**Interview with Bartlett Naylor, Bloomberg TV, 3/27.15**

**Putting a Breakup of Bank of America to a Shareholder Vote**
**Anthony Currie, NY Times, 3/19/15**

**Regional banks look for new ways to advance agenda in Congress**
**Zachary Warmbrodt, Politico Pro, 3/24/15**
[W]hat once seemed like a good candidate for some bipartisan deal making has been running into more skepticism on Capitol Hill in recent weeks. The banks are hoping the new coalition will help them be more organized as they push back against critics and promote their agenda on the Hill. Their challenge has been making the case for a policy change that won't necessarily help smaller banks, whose agenda most lawmakers support, and that raises red flags for financial reform advocates worried that any easing of Dodd-Frank requirements will be exploited by the biggest banks.

**Sen. Shelby Seeks Democrats' Buy-In on Dodd-Frank Changes**
**Victoria McGrane, Washington Wire via WSJ, 3/25/15**
"Fueling his hope are statements some Democrats have made during recent hearings that suggest issues they're open to changing through legislation, including regulatory relief for small- and medium-sized banks. One example he gave is the exemption Goldman Sachs Inc. and Morgan Stanley enjoy from rules limiting banks' ability to own physical-commodities assets like oil pipelines and metals warehouses, which came up at a recent Senate Banking hearing under questioning by liberal firebrand Sen. Elizabeth Warren (D., Mass.)."

**Despite Regulatory Advances, Experts Say Risk Remains a Danger to Large Banks**
**Mayra Rodriguez Valladares, DealBook at NY Times, 3/23/15**

**Fed Governor Tarullo Volker Rule Thresholds Should Be Raised**
**Ethan Mark, Dodd-Frank.com, 3/22/15**

**Banks push to be excluded from Dodd-Frank Act**
**Mortgage Professional America, 3/25/15**

**Regional Bank Coalition Launches to Support Risk-Based Financial Regulation**
**PRNewswire/USNewswire via IT Business Net, 3/23/15**

**Bernanke: Strengthened Financial Regulation Will Help Prevent Meltdowns**
**Dan Weil, NewsMax, 3/23/2015**

## OTHER TOPICS

**House Budget Proposal Is a Gift to Wall Street, Says AFR**
**Value Walk, 3/23/15**

**Bill sets expiration date for federal rules**
**Lydia Wheeler, The Hill, 3/24/15**

**House bills cracking down on burdensome rules pass committee**
**Lydia Wheeler, The Hill, 3/24/15**

**Volcker Outlines Plan for Overhauling Financial Regulation**
**Ryan Tracy, WSJ, 3/20/15**

**Ohio Sen. Sherrod Brown taking some independent stands on banks**
**Jessica Wehrman, The Columbus Dispatch, 3/24/15**
[Republicans] would like Cordray's role replaced by a board, and they would like the agency's budget to be subject to the congressional appropriations process. "That's not going to happen," said Brown.
Consumer groups, meanwhile, are unabashed in their enthusiasm. "He's totally willing to take on the big guys, and totally willing to take on the hard fights," said **Americans for Financial Reform's** [Lisa] Donner.

**Lawmakers' website to Collect Complaints about Federal Regs**
**Lydia Wheeler, The Hill, 3/26/15**