This Week in Wall Street Reform | May 19 – 25

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THE TRUMP ADMINISTRATION, CONGRESS AND WALL STREET

After U.S. Dodd-Frank Law Changes, Lobbyists Fight for More | Reuters
Buoyed by the U.S. Congress passing legislation on Tuesday easing rules on banks, some business groups hope lawmakers will move quickly to change other financial rules they say are hurting Main Street businesses. But with Democrats still smarting from the battle over the rewrite of the 2010 Dodd-Frank financial reform law and mid-term elections on the horizon in November, getting another de-regulation package across the line will be tough, said lobbyists and Congressional sources.

Congress to roll back post-crisis rules as banks post record profits | Washington Post
Banks reported $56 billion in profits during the first quarter of 2018, up 27.7 percent compared to the same period last year, according to the Federal Deposit Insurance Corporation. Even without the corporate tax cuts President Trump and congressional Republicans passed last year, the banks would have still reported a 12 percent jump in quarterly profits to $49.4 billion...

"When lawmakers vote for banking deregulation even though banks are raking in record profits, it exposes what is really at work," said Lisa Donner, executive director of **Americans for Financial Reform**. "The bank lobby has flooded the political system with money, and is getting a return on its investment. The result is legislation that makes the financial system less safe and less fair, and puts consumers at greater risk of abuse."

Dodd-Frank Misdirection Hides a Pressure Point | Bloomberg (Stephen Gandel)
There is a general consensus among regulators and those who write the rules that only big banks can cause financial crises. That was true the last time around. But the time before that, the savings and loan crisis stemmed from the absence of rules that would have prevented the nation's smallest banks from going overboard. The result was more than a thousand bank failures in the early 1990s that significantly damaged the economy. The point of bank regulation should be to anticipate and avert as many financial crises as possible, not just a repeat of the last one.

Dodd-Frank Rollback: What It Means for Consumers | NerdWallet
The bill, formally known as the Economic Growth, Regulatory Relief and Consumer Protection Act, also rolls back some high-profile rules implemented after the last financial crisis and aimed at the banking industry…

Consumer groups see these changes as removing needed scrutiny from banks. "Banks (with between $50 billion and $250 billion in assets) played a role in the financial crisis 10 years ago," says Carter Dougherty, communications director of **Americans for Financial Reform**, a nonprofit coalition of more than 200 organizations advocating for financial regulation.

It’s too soon to tell how the new regulations would affect financial institutions — and trickle down to consumers — but consumer advocates aren’t optimistic. “At a time when banks are making record profits … that’s not the time when you should be handing out favors,” Dougherty says.

Wall Street hopes we've forgotten about the financial crisis; we haven't | The Hill (Brad Miller)
I authored the amendment to the Dodd-Frank Act to limit examination of smaller banks and credit unions to reduce compliance costs. I got some grief from my usual allies at the time, but I thought then and think now that the different examination rules made sense and do not expose borrowers to predation. But a patchwork of different rules for different lenders will inevitably cause confusion and worse. Community banks generally were not guilty of the worst lending practices in the last decade, but if they are excused from important rules that apply to every other lender, then they will be the next time. Every crooked lender in America will want to own or control a community bank. That’s likely not a bug but a feature: The legislation also enables more bank consolidation, so the real beneficiaries of the indulgences supposedly given community banks will often not be the community banks, and certainly not their customers, but the large lenders that will swallow community banks. No bank of any size should make loans with predatory, equity-stripping terms like the subprime mortgages of the last decade. Some rules should apply to all lenders, without exception.

Trump to sign partial Dodd-Frank repeal: A financial win or the start of a new crisis? | WJLA-TV
For medium-sized institutions and regional banks with between $100 billion and $250 billion in assets, S. 2155 will have "tailored" stress tests based on their involvement in risky activities.

According to Carter Dougherty, a spokesman for **Americans for Financial Reform**, this class of financial institutions was the real target of the new bill and the banking industry's record-breaking lobbying effort on Capitol Hill.

Dougherty argued it is "irresponsible" to roll back the oversight of banks between $50 and $250 billion, particularly because of their role in the 2008 crisis. "The banks in that bracket really matter," he said, noting Countrywide Financial, the now-defunct lender at the epicenter of the subprime mortgage crisis, would be exempt from the rigorous stress tests under the new law.

During the bailout, this bracket received nearly $50 billion, he added, "So there's a certain justice in keeping them under careful federal supervision."

Is Congress Getting Nostalgic for Bank Failure? | NY Times (Bill Saporito)
Congress is picking apart the Dodd-Frank Act of 2010, just in time for the 10th anniversary of the Great Recession, the type of economic conflagration the law was supposed to prevent. You remember the Great Recession, don’t you? It consumed trillions of our dollars because banks had overinvested in risky securities that few people really understood, which were tied to the riskier mortgages that they were underwriting.

Apparently, Congress thinks that can’t be repeated. They will probably be proven wrong, like others who have thought economic disasters were one-shot deals. All of that purportedly stifling regulation has taken place when banks are enjoying record profits. As far as access to credit:

Commercial and industrial loan balances reached $2.162 trillion in April, according to the Federal Reserve Bank of St. Louis. Similarly, mortgage debt has surpassed its pre-recession highs. We’ve seen this movie before, when 1982’s Garn-St. Germain Act deregulated the savings and loan industry — small local institutions, essentially — which led, of course, to the savings and loan crisis of the late ’80s and early ’90s. In 1989, there were 534 bank failures, according to the Federal Deposit Insurance Corporation. Legislate. Repeal. Fail. Repeat. Meanwhile the potential damage swells because the global financial system has become ever more tightly linked. Why do we expect a different result from a deregulatory exercise that’s ended in sorrow again and again?

How Congress Rolled Back Banking Rules in a Rare Bipartisan Deal | Wall St. Journal
Mr. Crapo, in the previous Congress, had reached broad agreement on such a package with four moderate Democrats: Sens. Joe Donnelly (D., Ind.), Heidi Heitkamp (D., N.D.), Jon Tester (D., Mont.), and Mark Warner (D., Va.). He wagered he could win their support again, and that they would bring additional members of the Democratic caucus to secure the requisite 60 of 100 Senate votes.

Democratic supporters in the Senate—17 in all—say the legislation is needed to help smaller, community banks unduly affected by post-crisis regulations. “Too big to fail had become too small to succeed,” Ms. Heitkamp said.

Ten of them are also up for re-election in 2018, with seven representing states that Mr. Trump won in 2016.

Congress Rolls Back Part Of Dodd-Frank, Easing Rules For Midsize, Smaller Banks | NPR
The bill that would allow banks with up to $250 billion in assets to escape some of the toughest rules put in place by the Dodd-Frank Act in 2010 to shore up the banking system “$250 (billion) is too much,” says Barney Frank. “One $250 billion bank failing will almost certainly not be a problem, but if two or three failed, that would be a problem.”

Consumer watchdog groups have other problems with the bill. Marcus Stanley is with **Americans for Financial Reform**. “This bill really does so many deregulatory things. It prevents risk controls on commercial real estate lending. It also eliminates consumer protections for people selling mobile homes to poor families all over the country.”

A lot of people heard what Barney Frank said about the new banking law. Few knew he works for a bank. | Washington Post
And though he said he would vote against the measure, Frank said it would not help the biggest Wall Street banks and denied it would increase the risks of another financial crisis. Some Democrats leaned heavily on those words as they pushed back against the plan's liberal critics. But the proponents of the law rarely, if ever, mentioned that Frank is not just the author of the 2010 law, but also sits on the board of New York-based Signature Bank, a financial firm in position to benefit from the new legislation. Dodd-Frank imposed additional regulatory safeguards on banks with more than $50 billion in assets, but the rollback that passed this week, among other things, raises that threshold to $250 billion. Signature Bank has more than $40 billion in assets and can now grow significantly without automatically facing additional regulation. Frank has served on Signature's board for three years and has received more than $1 million in payments from the bank during that time.

1,000 Cuts to Dodd-Frank: Tracking Trump's Wave of Deregulation | CU Times

Congress votes to roll back some bank regulations under Dodd-Frank | ConsumerAffairs

See statements by Allied Progress, Americans for Financial Reform, Better Markets, Center for Responsible Lending, Consumer Federation of America, National Association for Latino Community Asset Builders, National Community Reinvestment Coalition, National Consumer Law Center (on behalf of its low-income clients), Public Citizen, US PIRG, and Woodstock Institute

Dems Who Voted with GOP to Pass Massive Bank Giveaway Have Taken Nearly $19 Million From Wall Street | Allied Progress

Congress Does Wall Street A Favor As Banks Post Record Profits | Huffington Post

Trump wounds but can't kill Obama's Wall Street rules | Politico
[D]espite Trump's promises to "do a big number" on Dodd-Frank, the bipartisan bill that is likely to be approved by the House as early as Tuesday leaves many of the Republicans' most-hated provisions of the law in place, including the foundations of the Consumer Financial Protection Bureau and the government's power to unwind failing megabanks.

Congress is about to loosen the reins on the banking industry. Here's why. | Washington Post
In the Senate, Republicans unanimously supported the measure, the Economic Growth, Regulatory Relief, and Consumer Protection Act (S. 2155); 16 Senate Democrats and Angus King (I-Maine) crossed the aisle to support the GOP push to deregulate. A related bill passed the House almost entirely along party lines, with no Democrats supporting the measure and only one Republican opposing it, and the House is expected to pass the Senate bill along similar lines on Tuesday. Why is Congress unraveling crisis-era reforms so soon? Although the crisis ended less than a decade ago, rolling back tough rules after a crisis is par for the course, here and abroad.

Looking out for Main Street banks | The Hill
Rebeca Romero Rainey began her career in banking by stuffing envelopes and compiling statements for her neighbors in a small town in northeast New Mexico. Now, she leads the nation's largest community bank trade group, representing more than 5,000 banks seeking to loosen federal rules they say strangle their scarce resources and limit their ability to lend. Romero Rainey's ascension comes as bank and credit union lobbying groups push President Trump and Congress to deliver on close to a decade of promises to roll back Dodd-Frank.

Trump's tax cuts help fuel banks' record profits | PoliticoPro
Bank earnings soared to their highest levels ever in the first quarter of 2018 thanks in part to the overhaul of the tax system.

The lenders reported profits totaling $56 billion in the first three months of this year, a 27.5 percent surge from the same period a year earlier, according to the Federal Deposit Insurance Corp.'s quarterly overview of the industry,..

FDIC Chairman Martin Gruenberg cautioned that while the figures painted a rosy picture for banks, they should also prepare for an "inevitable downturn."

[The Art of a Banking Deal](#) | Wall St. Journal (editorial)

[US has more than 5,600 banks. Consolidation is coming](#) | Financial Times
Now, under the administration of Donald Trump, there are clear signs that attitude is changing. Last year, the Federal Reserve made it easier for banks to merge by lifting the combined size threshold that would trigger a much deeper regulatory probe, from $25bn in assets to $100bn .... Another spur to consolidation comes with the new bank-relief bill passed on Tuesday by Congress, which is set to free small and mid-sized lenders from many of the restraints that apply to the trillion-dollar banks such as JPMorgan Chase and Bank of America. All of which suggests that more bank acquisitions are likely. “I think we are at a potential real tipping point,” said Mr Cohen. “You’ve got positive incentives to do deals, and the removal of obstacles to do deals.”

[Jeb Hensarling, the Financial Choice Act, and Wells Fargo](#) | Consumer Law and Policy Blog (Jeff Sovern)
When the Bureau fined Wells Fargo $1 billion, it did so using its power to prohibit unfair practices in 12 USC 5531(c), 5536(a)(1)(B). (see pages 9 and 12 of the consent order). House Financial Services Committee Chair Jeb Hensarling’s Financial Choice Act, passed by the House, would eliminate that power. But don’t take my word for it: the bill’s Executive Summary says it would “Remove the [CFPB’s] opaque and ill-defined ‘unfair, deceptive, or abusive acts and practices’ (UDAAP) authority (emphasis added).” The relevant section of the statute is 736, which provides that the bill would repeal section 5531 altogether and would also repeal subsection 5536(a)(1)(B), the two provisions under which the Bureau proceeded. So I was mystified when Congressman Hensarling praised the $1 billion fine–which would have been impossible under the power the Bureau used if he had gotten his way–as “well-deserved.”

[Senate confirms new FDIC chairman amid push for bank rule rollbacks](#) | The Hill
The Senate on Thursday voted to confirm President Trump’s nominee to lead the Federal Deposit Insurance Corporation (FDIC), the last financial regulatory agency that had been led by a holdover from the Obama administration. Jelena McWilliams, the executive vice president and chief legal officer of Fifth Third Bank, was confirmed as the next chair of the FDIC by a 69-24 vote. She will play a major role in the Trump administration's efforts to loosen banking rules, including some controversial Dodd-Frank Act regulations.

[Progressives Ask Schumer to Pick Like-Minded Financial Watchdogs](#) | Bloomberg
“This administration has been filling key regulatory positions with people pursuing Wall Street’s agenda at the public’s expense,” the groups wrote in the letter dated May 23. “There is an enormous amount at stake at both the SEC and FDIC.”

Unions, civil rights organizations and so-called netroots political activists all signed onto the letter, aligning with groups like the Consumer Federation of America and Americans for Financial Reform that typically monitor the agencies.

CONSUMER FINANCE AND THE CFPB

Mick Mulvaney must leave as CFPB chief soon, unless Trump nominates somebody — anybody — else for the job | LA Times (Jim Puzzanghera)
As it stands now, Mulvaney must step down from his job temporarily running the bureau next month under the federal law President Trump used to install him in the job last year in a controversial appointment that sparked protests and a lawsuit.

But Mulvaney could stay in the position for months more — to the delight of banks and frustration of consumer advocates — if Trump simply nominates someone to be the permanent director.

Just sending the Senate a nominee triggers a provision in the Federal Vacancies Reform Act that would allow Mulvaney to serve until the Senate confirms or rejects the pick. That process could take a while.

Do the job or depart: Mick Mulvaney should resign from the CFPB | Pittsburgh Post-Gazette (editorial)
Calling for an administration official to resign should never be a reflexively partisan gesture. It is justified only if there is corruption or gross incompetence. A president has the right to appoint people who share his worldview.

But Mr. Mulvaney is grossly incompetent. The twist is that he is intentionally so. He does not believe in the mission of the bureau, so, again and again, he tanks the mission.

Mick Mulvaney Is Having a Blast Running the Agency He Detests | Bloomberg
The ultimate goal, he says, is to move the CFPB beyond the realm of partisan bickering and turn it into what he calls one of the "gold-standard" regulators, like the U.S. Securities and Exchange Commission. To do that, he says he'll have to disassociate the CFPB from its origins. "We are still Elizabeth Warren's child," he laments. "As long as we're identified with that one person, we'll never be taken as seriously as a regulator as we should."

To the financial industry, Mulvaney's a hero. Even if he's not moving to destroy the CFPB, bankers hope he's doing enough to leave it permanently changed. "It's ironic that it's Mick Mulvaney who has become the biggest cheerleader for the continuity of the bureau," says Richard Hunt, president of the Consumer Bankers Association, which lobbies for the nation's biggest banks. To Democrats, especially progressives like Warren, having Mulvaney at the helm of the CFPB is akin to giving your worst enemy the keys to your house.

Real Corruption: Mick "Pay and We'll Talk" Mulvaney | Common Dreams (Richard Eskow)
It's not just that Mick Mulvaney has no scruples; he has no shame. It has become commonplace to see Trump administration officials, up to and including the president, abuse public resources for personal gain and comfort.

But private planes, $31,000 dining room sets, and other lavish expenditures at public expense are the petty rewards of narcissists. The corruption that matters most is the kind that hurts millions of Americans to enrich the tiny class of billionaires that is this regime's true constituency.

When it comes to this kind of deep corruption, which perverts government's role for the benefit of the privileged few, Mick Mulvaney is a master of the art. In fact, he's made it his ideology.

Trump signs repeal of auto-loan policy that targeted racial bias | The Hill
President Trump has repealed auto-lending guidance from the Consumer Financial Protection Bureau (CFPB), revoking a rule that was put in place to protect minority customers from predatory practices. Trump's signature on a congressional resolution erases the CFPB's 2013 guidance targeting "dealer markups," the additional interest that is added to a customer's third-party auto loan as compensation for the dealer. The president signed the resolution in a private White House signing ceremony.

Regulator Urges Banks to Compete With Payday Lenders | NY Times
A handful of large and midsize banks, including Wells Fargo and Regions Bank, once offered so-called deposit advance loans that let customers quickly borrow small sums, which would typically be repaid from their next paycheck. The banks stopped making such loans in 2014, after federal regulators warned banks against providing products that "can trap customers in a cycle of high-cost debt that they are unable to repay."

Mr. Otting's office rescinded that guidance last year. The memo sent on Wednesday formally gave banks the green light to return to the short-term lending market.

Why it's so hard to sell banks on small-dollar lending | American Banker
[E]ven assuming that banks can now offer loans with APRs above 36% without incurring the wrath of the OCC, they may hesitate to enter the market because of the reputational damage they could sustain due to opposition from consumer advocates and congressional Democrats.

"The 36% interest rate cap has a long history going back over 100 years, widespread public support, and increasing acceptance as the dividing line between predatory and mainstream small-dollar loans," Lauren Saunders, associate director of the National Consumer Law Center, said in a statement. "Higher interest rates encourage misaligned incentives, with lenders profiting while consumers default."

NCUA proposes more freedom for credit unions to make payday loans | PoliticoPro

Plenty of payday loan customers have good credit: TransUnion | American Banker

CFPB Gets $21M Default Win In Debt-Relief Services Suit | Law360

DERIVATIVES, COMMODITIES & THE CFTC

Washington Inc. embraces cryptocurrencies | Politico
Bitcoin may end up being a bubble, but cryptocurrencies are fueling real revenue for Washington lobbyists. As digital currencies face a growing threat of government regulation, companies and trade associations are increasingly enlisting help from K Street. For the first time in their lobbying disclosures, three big trade groups have listed cryptocurrency as an issue: the

Association of National Advertisers, the Investment Company Institute and the National Venture Capital Association.

Ethics and Governance in the Blockchain Era | Technology Review (Gary Gensler)

State regulators unveil nationwide crackdown on suspicious cryptocurrency investment schemes | Washington Post
Securities regulators across the United States and Canada announced dozens of investigations Monday into potentially deceitful cryptocurrency investment products, the largest coordinated crackdown to date by state and provincial officials on bitcoin scams. As many as 70 investigations have been opened in the sweep, with more expected in the coming weeks, said the North American Securities Administrators Association, which helped coordinate the probes.

As many as 35 cases are pending or already completed, with some resulting in cease-and-desist letters warning the alleged schemes that their unregistered activity violates state securities law. The enforcement actions, which have not been previously reported, take aim at efforts by groups in more than 40 jurisdictions to attract money from unsuspecting investors. They target unregistered securities offerings that promise lucrative returns without adequately informing investors of the risks, according to state regulators. The state agencies are also pursuing suspicious cases of initial coin offerings, or ICOs, a fundraising technique used by both legitimate and illegitimate cryptocurrency projects in ways that resemble initial public offerings of stock.

About $1.2 Billion in Cryptocurrency Stolen Since 2017: Cybercrime Group | NY Times
Criminals have stolen about $1.2 billion in cryptocurrencies since the beginning of 2017, as bitcoin's popularity and the emergence of more than 1,500 digital tokens have put the spotlight on the unregulated sector, according to estimates from the Anti-Phishing Working Group released on Thursday. The estimates were part of the non-profit group's research on cryptocurrency and include reported and unreported theft.

EXECUTIVE COMPENSATION

Six C.E.O. Pay Packages That Explain Soaring Executive Compensation | NY Times
As economic uncertainty roils the country, the income gap between top executives and everyday employees continues to grow ever wider. This year, thanks to a rule in the 2010 Dodd-Frank banking regulation law, publicly traded corporations in the United States had to begin comparing the pay of their chief executives to the median compensation of other employees at the company. The results, collected in the Equilar 200 Highest-Paid C.E.O. Rankings, were predictably striking. Here are six pay packages that stand out.

Want to Make Money Like a C.E.O.? Work for 275 Years | NY Times (Andrew Ross Sorkin)
“It's grotesque how unequal this has become,” said Louis Hyman, a business historian at Cornell University. “For C.E.O.s, it's like they are winning the lottery year after year. For a lot of Americans, they don't have any savings. When they lose their job, they lose everything...”

As glaring as the ratios may seem, they tell an incomplete story. Some companies reported very low ratios and relatively high median incomes, but rely on outsourced labor for important tasks. Other companies that reported very high ratios employ many workers overseas where pay is far lower than in the United States. And not all companies have reported their pay ratios.

“As much as these numbers reveal, they also hide,” said Mr. Hyman, who in August will publish “Temp,” a book about gig workers and the proliferation of part-time labor. “It all depends on who you consider to be an employee in this new economy.”

For example, Mattel, the toy company, owns its factories overseas and employs thousands of low-paid workers in Asia. As a result, Mattel reported the second-highest ratio on the Equilar list: The chief executive’s pay was 4,987 times that of the median employee.

INVESTOR PROTECTION, THE SEC, AND RETIREMENT SAVINGS

Clayton: SEC left 'fiduciary' out of new advice rule to avoid investor confusion | Investment News

SEC official addresses criticism of best-interest standard for brokers | Investment News

GOP Senate Aide Considered for SEC Post | Wall St. Journal
The White House is considering nominating a top aide to the Senate Banking Committee chairman for a GOP opening on the Securities and Exchange Commission, according to people familiar with the matter. Elad Roisman, the chief counsel to the banking panel led by Mike Crapo (R., Idaho), is a top contender to succeed Michael Piwowar at the top U.S. markets regulator, these people said. Mr. Piwowar plans to leave the SEC by July. If nominated and confirmed, Mr. Roisman, 37 years old, would join a long list of former banking committee staffers who have filled top slots at the five-member commission, including Mr. Piwowar and two other sitting commissioners: Kara Stein, a Democrat, and Hester Peirce, a Republican.

MORTGAGES AND HOUSING

Behind New York’s Housing Crisis: Weakened Laws and Fragmented Regulation | NY Times
It has the nation’s largest rent-regulation system. On paper at least, it still has some of the most robust tenant protections, bolstered by new city laws designed to fight tenant harassment and give poor tenants free legal representation in housing court. Yet without more fundamental change — especially in the basic laws governing rent increases — regulated apartments in New York are in danger of vanishing, one by one. It is happening already: Since city and state lawmakers started gutting the rent laws in 1993, the city has lost more than 152,000 regulated apartments because landlords have pushed the rent too high. At least 130,000 more have disappeared because of co-op and condo conversions, expiring tax breaks and other factors. And while government officials say the losses have slowed, even regulated apartments are becoming increasingly unaffordable.

HUD pulls tool used to identify segregation in communities | The Hill
The Department of Housing and Urban Development (HUD) announced that it’s pulling a tool designed for communities to identify instances of segregation. The move, announced in a press release Friday, is the latest step by the department targeted at the Obama-era fair housing rules. The press release states that local governments found that the “Local Government Assessment Tool was confusing, difficult to use, and frequently produced unacceptable

assessments.” HUD's Assistant Secretary for Fair Housing and Equal Opportunity Anna Maria Farías said in a statement that the department believes “in furthering fair housing choice in our neighborhoods, but we have to help, not hinder those who have to put our rules into practice.”

‘They answer to their stockholders’: Local family suing Wall Street-backed landlord | St. Augustine Record
The family’s lawsuit alleges that Invitation Homes knew, or should have known, about the leak in the attic and the associated mold and moisture problems. The company breached its contract with the family by failing to “provide habitable living conditions,” the complaint says. It also alleges that the company violated state law by failing to maintain the property by complying with “applicable building, housing and health codes...”

The story cited a report released by **Americans for Financial Reform**, ACCE Institute, and Public Advocates, that, the story said, painted a picture of life renting from what is essentially a Wall Street firm as one of “aggressive rent hikes, fee gouging, and high rates of eviction.”

Wall Street Comes to Alameda | East Bay Express
Blackstone controls over $450 billion in assets. After the financial crisis a decade ago, mega-landlords like Blackstone bought up large swaths of foreclosed single-family homes and turned them into rentals. A January 2018 report by ACCE Institute, **Americans for Financial Reform**, and Public Advocates, "Wall Street Landlords Turns American Dream into American Nightmare," details the rent increases, surge in evictions, and poor conditions maintained by Wall Street landlords in the single-family rental market. Many of these Wall Street landlords bundled their rentals together and securitized them into "single-family rental bonds." Last May, the Securities and Exchange Commission announced it was investigating whether such bonds used overvalued property assessments.

Over the past year, Blackstone has bought multifamily properties in Seattle, Denver, and in the states of Texas, Illinois, and Florida, expanding the global investment firm's 100,000-unit real estate portfolio.

See ACCE/AFR/Public Advocates report, “**Wall Street and Single-Family Rentals**”

PRIVATE FUNDS

The Hard Truth at Newspapers Across America: Hedge Funds Are in Charge | Bloomberg
A group of journalists protesting outside the offices of a New York City hedge fund recently shined a light on a little-known fact about the state of the local American newspaper: Behind the scenes, financial firms often hold all the cards.

Investors like Alden Global Capital LLC and Fortress Investment Group LLC have acquired ownership stakes in newspapers that have struggled to adapt in an online world, from the Denver Post to the Providence Journal. Funds have brought their cost-cutting know-how to help restructure several newspaper chains in heavy debt after the 2008 financial crisis.

REGULATION IN GENERAL

[Progressive groups launch petition for government to break up Facebook] | The Hill
Left-leaning groups on Monday launched a campaign advocating for the government to break up Facebook. The groups, which include the Content Creators Coalition, Demand Progress and the Open Markets Institute, are urging the Federal Trade Commission (FTC) to force Facebook to do three things: spin off its subsidiaries like Instagram and WhatsApp into separate companies, make it possible to communicate across third-party social media platforms and strengthen its privacy rules. The coalition plans on conducting a six-figure ad buy for its campaign, reports Axios. They intend to purchase ads on Facebook's own platforms, including Messenger and Instagram, as well as Twitter and other mediums encouraging people to sign their petition.

STUDENT LOANS AND FOR-PROFIT COLLEGES

[Predatory Colleges, Freed to Fleece Students] | NY Times (editorial)
Try as they might, the Trump administration and Republicans in Congress cannot disguise that they continue to do the bidding of the for-profit college industry, which has saddled working-class students — including veterans — with crushing debt while providing useless degrees, or no degrees at all. Education Secretary Betsy DeVos claimed ignorance when she was asked during a congressional hearing on Tuesday how many of the college students who told her department that they had been ripped off were complaining about for-profit schools. The widely publicized answer is more than 98 percent. Ms. DeVos seems to have learned nothing from history. Indeed, as The Times reported last week, the Education Department has undermined investigations of the industry by marginalizing or reassigning lawyers and investigators who had been assigned to this matter during the Obama years. Major investigations had been abandoned, including of the DeVry Education Group (now known as Adtalem Global Education), Bridgepoint Education and Career Education Corporation.

[DeVos grilled on civil rights for students] | The Hill
Education Secretary Betsy DeVos struggled in the hot seat before a House committee Tuesday to answer questions from Democrats about the Education Department's Office of Civil Rights and how it plans to protect LGBT students from discrimination and harassment in schools. The New York Times reported in April that the office has begun dismissing hundreds of civil rights complaints, as part of a new efficiency protocol, if the complaint is part of a serial filing or the complaint is overly burdensome. Polis asked DeVos if she had heard of Whitaker v. Kenosha, in which the 7th Circuit Court of Appeals ruled it is sex-based discrimination when a school does not allow a transgender student to use the bathroom that conforms with their gender identity. In one of her first acts in office, DeVos and Attorney General Jeff Sessions rescinded Obama-era guidance that directed schools to let transgender students use the bathroom that corresponds with their gender identity.

[For-Profit College Conversions to Nonprofit Entities Attacked as Regulatory Shields] | Inside Sources

[The Defining Higher Ed Abuse of the DeVos Era] | Republic Report (David Halperin)

For-Profit College Probes Fuel Rise in Consumer-Protection Sentiments | Issues in Higher Education (LaMont Jones)

Student Debt Surprise: How Veterans Get Loans Without Knowing It | Bloomberg

SYSTEMIC RISK

Fed Sets May 30 Vote on Proposed Volcker Rule Changes | Wall St. Journal
The Federal Reserve set a May 30 vote on proposed changes to the Volcker rule, the first public step in an expected rewrite of the restrictions that have held back bank trading desks for years. The rule, part of the 2010 Dodd-Frank financial law, bans traders at taxpayer-insured banks from speculating but allows them to buy and sell securities in concert with customers' demand.

Bankers Hate the Volcker Rule. Now, It Could Be Watered Down. | NY Times
It was one of the most significant actions by the federal government to prevent a repeat of the financial crisis. The Volcker Rule, named for the former chairman of the Federal Reserve and signed into law, prohibited banks from making their own risky bets with their customers' deposits. Banks loathed the rule and Republicans vowed to undo it. Now, a decade after the global financial meltdown, banks are on the brink of realizing their dream. The Fed and other federal banking regulators are poised to soften the Volcker Rule, making it easier for giant banks to engage in a wider range of trading that can be highly profitable, but also very risky. The changes, which are expected to be proposed later this month, are emblematic of the larger deregulatory effort underway in Washington.

TAXATION

IRS to issue guidance on state efforts to circumvent tax-law provision | The Hill
The Treasury Department and IRS announced Wednesday that they will issue guidance relating to blue states' efforts to circumvent limits on state and local tax deductions under the GOP-backed tax law. A notice issued by the agencies signaling their intent to propose regulations comes as tax experts and politicians debate whether the IRS would bless the workarounds states are putting forward. Under the new law, the state and local tax (SALT) deduction is capped at $10,000. The new limit on the deduction has been a concern for elected officials in high-tax states such as New York, New Jersey and Connecticut, who worry that it will lead to an increase in their residents' federal income taxes. Politicians in blue states have proposed or enacted measures to provide workarounds to the cap on the SALT deduction. Some of these measures allow residents to make donations to state and local funds in exchange for credits against their state and local taxes. The intention is for the donations to also be deductible as charitable contributions on their federal income taxes, since the charitable deduction wasn't capped in the new tax law.

Acting IRS chief: Agency is 'on track' with tax-law implementation | The Hill

OTHER TOPICS

Banks Adopt Military-Style Tactics to Fight Cybercrime | NY Times
Former government cyberspies, soldiers and counterintelligence officials now dominate the top ranks of banks' security teams. They've brought to their new jobs the tools and techniques used

for national defense: combat exercises, intelligence hubs modeled on those used in counterterrorism work and threat analysts who monitor the internet's shadowy corners. Cybersecurity has, for many financial company chiefs, become their biggest fear, eclipsing issues like regulation and the economy.

The racial wealth gap is where yesterday's injustice becomes today's inequality. And it's growing. | Vox

Small Business Office Ends Controversial Consultants' Contract | Bloomberg
The choice of Jupiter, Fla.-based Interaction Analytics, a limited liability corporation solely managed by the Crains, to conduct the study raised red flags because of their two previous, highly controversial reports: one in 2010 for the Office of Advocacy and a similar one in 2014 for the National Association of Manufacturers.

Critics questioned the data, assumptions, and methodology used in the old reports, and last year, two Democratic senators wrote to the Office of Advocacy expressing concerns about the award of a new contract to the Crains.