Americans for Financial Reform

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CONSUMER FINANCE & THE CFPB

Conservative Group Launches Ad Campaign Attacking Consumer Finance Watchdog
Patrick O'Connor, Wall St. Journal, 11/9
The American Action Network, a right-leaning advocacy group that has spent heavily to elect Republicans, plans to blanket the Fox Business airwaves during the debate, which is co-sponsored by The Wall Street Journal, with a new ad criticizing the agency created in the wake of the 2008 financial crisis.

The spot is set in a cavernous Soviet-style building in which rows of uniformed bureaucrats stamp "denied" on one loan application after another and a long line of borrowers receive the news. Red banners at the back of the room show pictures of CFPB director Richard Cordray and Democratic Massachusetts Sen. Elizabeth Warren, who helped launch the government-sponsored consumer watchdog agency.

Why that Orwellian Anti-CFPB Ad Could Backfire
Rachel Witkowski and Rob Blackwell, American Banker, 11/10
[T]he underlying point it wants to make – the CFPB will deny "that car loan you needed, your mortgage, that personal loan" – isn't backed up by any evidence. Though lenders will often argue it is harder to make loans in the current regulatory environment, credit is still flowing. September had the largest growth rate in consumer credit this year, at a 10% annual growth rate and almost double the 5.6% growth in August, according to the Federal Reserve's most recent consumer credit report… Political ads have a way of helping to galvanize the opposition more than enlisting supporters. That could easily be the case here.

Lobbyists Use GOP Debate Ads to Smear Agency Investigating Their Client
Lee Fang, The Intercept, 11/10
The American Action Network, the sponsor of the advertisement, is led by a team of lobbyists employed to beat back consumer protection regulations on behalf of industry clients. American Action Network board member Vin Weber is a lobbyist at Mercury LLC, where he is registered to work as a Navient lobbyist. On his registration forms, Weber says he specifically works on matters related to the CFPB…

In August, Navient informed investors that the CFPB, after a multi-year investigation of the firm, had found evidence that Navient is in violation of consumer protection laws and may soon face a lawsuit from the agency. Separate investigations have faulted Navient for misleading borrowers on a range of issues, while seeking to maximize penalties and late fees.

Soviet-Themed Anti-Elizabeth Warren Ad Will Air During Republican Debate
Patrick Caldwell, Mother Jones, 11/10

Elizabeth Warren Mocks 'Commie Dictator' Portrayal In Ridiculous Ad
Daniel Marans, Huffington Post, 11/10

[Supreme Court to examine group lawsuits brought by workers and consumers]

E. Tammy Kim, Al Jazeera, 11/9

Last month, the Consumer Financial Protection Bureau (CFPB) proposed eliminating mandatory arbitration clauses in the various products it oversees, including auto and student loans, credit cards, bank accounts and money-transfer services. This recommendation follows a report the Bureau released in March, which found that individual consumers with grievances were extremely unlikely to pursue either litigation or arbitration. The Arbitration Fairness Act, which would roll back the decision in AT&T Mobility v. Concepcion, was introduced in the House of Representatives earlier this year but has little chance of succeeding.

Jim Lardner, communications director of the left-leaning non-profit, **Americans for Financial Reform**, hopes that the CFPB proposal might safeguard consumers' ability to access the courts. "The idea of forced arbitration as an alternative to court goes back to the 1920s, but it was, for most of its history, a practice between businesses," he said. "The idea of telling consumers that the only way for them to resolve claims against large corporations is through forced arbitration is a more recent practice which has spread insanely fast."

[Arbitration vs. Litigation: It's Not an Either-Or Proposition]

Daniel Fisher, Forbes, 11/8

[Curb Ohio payday lenders who continue to defy voters' will]

Editorial, Cleveland Plain Dealer, 11/11

In 2008, appalled by the gouging that payday lenders were inflicting on Ohioans, almost 3.4 million Ohio voters decided to cap, at 28 percent, the annual percentage rate that payday lenders could charge the state's borrowers. That should have settled the matter. But it didn't.

Payday lenders (represented today in Columbus by more than 20 Statehouse lobbyists) found a way to ignore that 2008 vote. The 2008 APR limit applied to one then-widely-offered type of payday lending, so-called "check-cashing" lending. But the 28 percent cap didn't apply to two other kinds of lending that loophole-seeking lenders now use: Payday lenders can, and do, still charge Ohioans triple-digit interest rates by operating as second-mortgage lenders or purporting to be so-called credit service organizations. Last year, the Ohio Supreme Court upheld payday lenders' use of the state's second-mortgage loan law to evade the 28 percent APR that voters set.

[CRL Report: Payday and Car Title Loans Cost Ohioans Over $500 Million a Year]

Center for Responsible Lending, 11/9

Payday and car title loans continue to burden Ohioans with unaffordable, triple-digit interest rate debt, draining millions of dollars a primarily from the state's low-income residents. These findings are the first look at the Ohio payday and car title lending market since Ohio voters went to the polls in 2008 to affirm capping the rate at 28 percent annually, a mandate that lenders have undermined through legal loopholes.

[Veterans Stuck in Debt Traps Need More than Lip Service]

Richard Kitterman, American Banker, 11/5

I have seen firsthand the devastation that payday lending can wreak on responsible soldiers who are doing everything they can to fulfill their duties, take care of their families and get out of debt. One soldier told me it was like being in a black hole. She felt sick to her stomach every time she thought about it.

I can only imagine how that pain is magnified for combat veterans, who upon returning home have experienced higher rates of post-traumatic stress disorder, long-term unemployment and in many cases homelessness. These are complex problems that require in-depth and individualized solutions. But putting an end to abusive high-cost, payday, car title and installment lending is one simple step we can take right now…Repeat borrowing is not a side effect of payday and car title lending. It is the business model.

[Don't Lump in Installment Loans with Payday]

Bill Himpler, American Banker, 11/9

[American Families Are Trapped in a Cycle of Financial Struggle — And It's Not Just the Poor]
Jennifer Tescher, Medium, 11/11

[Bernie Sanders's passion for the prosaic — or why the Post Office is part of what makes America great]
Lisa Rein, Washington Post, 11/9
On the campaign trail, Sanders is calling for an expansion of what the post office does to include basic financial services like banking as an alternative to a predatory lending industry for low-income people. He also wants the Postal Service be permitted to set up Internet cafes, notarize documents, issue licenses and other stuff.

[This Postal Banking Petition Is Important]
Dave Johnson, OurFuture.org, 11/13

[Republicans would let car dealers continue racist practices undeterred]
Cathy O'Neil, Mathbabe, 11/11
The issue centers on the problematic practice of "dealer markups," discretionary fees that brokers slap on after the credit risk of a given borrower has been established. It turns out that these fees vary in size and are consistently bigger for blacks and Hispanics. Which means that if a number of people of different races but a similar credit history walk into a car dealership and buy a car, the minorities will typically end up paying more. This is illegal discrimination under the legal tool called the theory of "disparate impact."

[The Disparate Impact Edition]
Cathy O'Neil, Felix Salmon, and Jordan Weissmann, Slate Money Podcast, 11/11

[Four Groups and 50,000 Petitioners Urge Congress to Oppose Auto Loan Discrimination]
Press Release, AFR, 11/13

[First Amendment Case on Bank Card Fees May Land in Supreme Court]
Carter Dougherty, InsideSources, 11/9

[Consumers Lose If CFPB Overshoots on Overdraft]
David Pommerehn, American Banker, 11/10

[CFPB Must Show Its Cards on Defining 'Abusive']
Benjamin Saul, Kyle Tayman, and Andrew Kim, American Banker, 11/6

DODD-FRANK – ATTACKS AND DEFENSE

["It's like ringing the dinner bell for the Wall Street banks"]
Senator Elizabeth Warren, floor speech (video), 11/11
"It is like ringing the dinner bell for Wall Street banks. The lobbyists are swarming this place. They want to roll back financial regulations, and they're working every contact they can to attach these rollbacks to anything that moves. Now it's a pretty neat trick. They probably can't get a rollback of financial regulations passed out in the open where Americans can see what's happening and see which Senators and which Representatives voted to gut the rules for Wall Street banks. So they slip these rollbacks on 'must-pass' legislation, which gives the financial industry's friends in Congress a lot of cover."

[GOP Candidates Embrace Rhetoric Against Big Banks, but Not Rules]
Ryan Tracy, Wall St. Journal, 11/11
The presidential campaign debate Tuesday showed Republicans are just as willing as Democrats to beat up on big banks. But beneath the rhetoric, the GOP policy agenda remains largely friendlier to Wall Street, particularly in its enduring commitment to scaling back the post-financial crisis regulations that big banks consistently complain about.

Several candidates blamed the Dodd-Frank Act, a sprawling collection of new rules and agencies enacted in 2010, for creating new vulnerabilities in a system it was designed to bolster, and said their main answer is to get to rid of it. With a couple of exceptions, they didn't say what, if any, alternative safeguards should instead be implemented.

"In Dodd-Frank, you have actually codified too-big-to-fail," said Florida Sen. Marco Rubio. "This is an outrage. We need to repeal Dodd-Frank as soon as possible."

Democrats may clash with Warren on financial rules
Zachary Warmbrodt, Politico, 11/12
Elizabeth Warren is warning Democrats not to use an upcoming spending bill to soften the banking regulations that were part of the landmark Dodd-Frank law passed after the 2008 financial crisis. But a group of moderate Democrats is quietly negotiating with Republicans who want to do just that, risking the wrath of Warren and a fired-up liberal base that wields considerable power over the party.

The group — including Joe Donnelly of Indiana, Heidi Heitkamp of North Dakota, and Jon Tester of Montana — has been talking with Senate Banking Chairman Richard Shelby of Alabama, who is trying to include the regulatory overhaul in a fiscal 2016 appropriations bill.

GOP contenders try to channel Warren on Wall Street
Ben White, Politico, 11/11
Marco Rubio argued that "these banks go around bragging" that they are now labeled by Wall Street regulators as systemically important. In fact, big banks hate this label and the tougher capital requirements it brings. MetLife is suing the government over being labeled as a systemically significant institution.

Ben Carson mixed issues when discussing Wall Street policy, arguing that "some of the monetary and Fed policies that we are using makes it very easy" for Wall Street and other companies to "buy back their stock and drive that price up artificially. Those are the kinds of things that led to the problem in the first place." No one has ever suggested that corporate stock buybacks were a cause of the financial crisis.

Republicans Are Obsessed With Deregulating Wall Street
Zach Carter, Huffington Post, 11/11
On Tuesday night, one Republican presidential hopeful after another lined up to offer coded oaths of fealty to Wall Street donors, pledging to empower the nation's biggest banks to wreak havoc-for-profit on the American economy. They were rhetorically deft, sending signals that Washington bank lobbyists surely recognized, but which were almost certainly lost on the overwhelming majority of Americans who don't regularly monitor House Financial Services Committee hearings.

Marco Rubio, Jeb Bush, Ted Cruz, Carly Fiorina, Chris Christie and Rick Santorum all issued calls to repeal, dismantle, hamstring or perform political acts of torture upon Dodd-Frank -- the financial reform law designed to curb the big bank abuses that spawned the worst recession since the Great Depression.

What's Up With Jeb Bush's Weird, Wonky, Totally Wrong Riff on Dodd-Frank?
Kevin Drum, Mother Jones, 11/11
Jeb Bush said a peculiar thing last night: "What we ought to do is raise the capital requirements so banks aren't too big to fail. Dodd-Frank has actually done the opposite, totally the opposite, where banks now have higher concentration of risk in assets and the capital requirements aren't high enough. If we were serious about it, we would raise the capital requirements and lessen the load on the community banks and other financial institutions."

The is peculiar for two reasons. First, it's unlikely that most viewers had the slightest idea what he was talking about. Second, he has things exactly backward. In fact, Dodd-Frank mandates higher and safer capital levels, and it does so largely because of a *Republican* amendment to the act.

Republicans Take Aim at Dodd-Frank. Could it be Repealed?
Avi Mizahi Finance Magnates, 11/12

EXECUTIVE PAY

[Bond traders miss out in bankers' pay rise]
Ben McLannahan and Kadhim Shubber, Financial Times, 11/11

[How Much to Pay a Director? There's No Clear Answer]
Steven Davidoff Solomon, NY Times, 11/10
The issue is front and center because of litigation brought against the Internet behemoth Facebook, claiming that Facebook's directors voted to pay themselves too much by raising the average compensation of outside directors to $461,265 for 2013.

[Japanese CEO pay roughly 10% that of US counterparts]
Nikkei, 11/13

FEDERAL RESERVE

[Republicans raid the Federal Reserve]
Editorial, Washington Post, 11/7
[T]he six-year bill cobbles together financing from expedients: one-time strategic petroleum sales; ostensibly improved tax compliance; and, most dubiously, a raid on the Federal Reserve's capital. The Fed returns the vast majority of earnings on its portfolio (swollen by recession-fighting expansive monetary policy) to the treasury. But it retains some each year, matched by payments from banks, as a buffer against losses. The practice strengthens the Federal Reserve's balance sheet and thus increases public confidence in its ability to weather a crisis, albeit marginally. It is part of what makes the Fed a credible, independent central bank.

Yet the House bill would undermine this long-standing, conservative practice, a version of which other major central banks around the world also follow, by taking $29.3 billion that the Fed has socked away — and forbidding the bank from replenishing it.

[Fed Weighs Tightening Revolving-Door Curb]
Katy Burne, Wall St. Journal, 11/12
The Federal Reserve is weighing new measures to tighten the restraints it imposes on bank examiners who leave the central bank for jobs with financial institutions, following questions of a revolving door between the regulator and Wall Street. The move would enhance a series of existing curbs the Fed places on bank examiners leaving for firms, said people familiar with the proposal, as the central bank is under fresh pressure from lawmakers to improve its transparency and bank-supervisory procedures.

HEDGE FUNDS AND PRIVATE EQUITY FUNDS

[Hensarling Amendment to the Highway Trust Fund Bill]
Eileen Appelbaum, CEPR, 11/9
Financial reform in the wake of the severe financial crisis of 2009 has been a significant step in improving financial stability and reducing the likelihood of similar meltdowns in the future. The economy still has not fully recovered; yet misguided efforts to water down recent reforms are already underway. Congressman Jeb Hensarling has proposed an amendment to the Highway Trust Fund bill that would do precisely this. Passage of the amendment would roll back reforms designed to protect the financial system in a context — the highway bill — that does not allow full debate in Congress and fails to provide an opportunity for citizens to make their views heard.

One of the provisions of the Hensarling amendment would have the effect of excluding some of the larger PE funds from SEC oversight. It would allow private equity funds to exclude Small Business Investment Companies (SBICs) from the assets under management when determining whether the fund must register with the SEC. It would thus allow some PE funds that are currently required to register to escape regulatory oversight. In view of recent findings in SEC examinations of private equity fund advisors, this seems like an especially misguided roll back of financial reform.

[A Tough Year for Hedge Funds? Not That Real Estate Has Noticed]

Alexandra Stevenson and Matthew Goldstein, NY Times, 11/6

A Manhattan penthouse on the Upper East Side with sweeping views of both the Hudson River and the East River was sold this summer for $37.9 million. The person behind the purchase was hidden behind a limited liability company with the cryptic name CRE Acquisition. It turns out that the mystery buyer was not a wealthy foreigner, but a local Wall Street celebrity: Larry Robbins, the hedge fund manager and founder of Glenview Capital Management…

Hedge fund managers own some of the most expensive properties in Manhattan. In September, for example, Kenneth Griffin, founder of Citadel, reportedly spent about $200 million to buy several floors in a new luxury condo tower being built at 220 Central Park South.

HIGH SPEED TRADING AND FINANCIAL TRANSACTION TAX

[Democratic Candidates Take Aim at Wall Street]

Bob Davis, Wall St. Journal, 11/11

Democratic presidential candidates are pushing a Wall Street tax that has been debated since Keynes as a way to corral financial markets, a sign of how much the finance industry remains in the cross hairs seven years after the meltdown of Lehman Brothers. With the next Democratic debate set for Saturday in Iowa, the three candidates planning to take part— Hillary Clinton, Bernie Sanders and Martin O'Malley—are competing for who can be tougher on Wall Street.

While each offers a different version of a financial transactions tax, all three would impose a levy on the sale of securities. Mr. Sanders is pushing a 0.5% tax on the sale of stocks, and smaller levies on bonds and derivatives. That could raise some of the hundreds of billions of dollars, analysts say, that the Vermont senator needs to help pay for his plan of free tuition at public colleges. A similar though smaller tax is favored by Mr. O'Malley, a former Maryland governor. Mrs. Clinton, the Democratic front-runner and former secretary of state, is backing a much more limited levy, aimed at ending certain practices involved in ultrafast computerized trading. Her campaign declined to give details of how big the tax would be and how much it could raise.

[Frequency Trading & Volatility]

Laith Mohammad, The Market Mogul, 11/9

High-Frequency Trading (HFT), a form of electronic trading that uses highly sophisticated and complex algorithms, very specialised order types and an exceptionally short holding period has been criticised and associated with the high volatility affecting many of the financial markets today…. Volatility is associated with HFT for a number of reasons:

The volume of transaction in a market is said to be positively correlated with volatility; HFT immensely increases this volume. HFT is a form of computerized trading and, therefore, has the chance to defect and when it does defect, millions can be lost due to the speed in which these transactions take place. HFT firm Knight Capital experienced a glitch that lost it £6.4 million per minute due to the computer buying a very large amount of a certain stock and then selling it for a loss. Due to the speed and complexity that this transaction was completed at, traders were unable to fix the glitch instantly leading to almost half a billion in losses.

Spoofing: This is one of the many strategies used by HFT firms in order to benefit from the speed advantage they possess. Spoofing occurs when a firm buys a large amount of a specific share and then cancels it microseconds later before anyone has had the chance to match the trade. This is done in the aim of changing the market price to compliment the strategy of the trade.

INVESTOR PROTECTION AND THE SEC

SEC's Mary Jo White rips bill to ease restrictions on BDCs

Mark Schoeff Jr., Investment News, 11/13

Backers of legislation that would ease regulations for business development companies hope that bipartisan momentum will propel it to a House floor vote even as Securities and Exchange Commission Chairman Mary Jo White cautions that the changes could hurt retail investors…

An opponent of the measure said that BDCs are much more expensive for investors than other regulated funds and that BDCs should make internal reforms before turning to Congress. "If they want to grow further, they can reduce their fees, which are way out of line with funds that invest in similar assets," said Marcus Stanley, policy director at **Americans for Financial Reform**.

SEC 'Full-Out Focused' on Fiduciary Proposal: White

Rob Tricchinelli, Bloomberg BNA, 11/10

White didn't say when a rule would be proposed but told reporters that "the staff is fully engaged in formulating a recommendation." In a comment similar to industry groups' criticism of a related proposal by the Labor Department, White also warned that a rule shouldn't prevent retail investors from getting access to "reliable, reasonably priced advice…"

"It is long past time for the SEC to act, so we are delighted to hear they are 'all-out focused' on the issue," Barbara Roper, the director of investor protection at the Consumer Federation of America, told Bloomberg BNA in an e-mail. "But the SEC is going to have to look past industry's well-rehearsed talking points if it hopes to develop a rule that strengthens protections for investors."

Arbitration vs. Class Actions in Investing Disputes

Anna Prior, Wall St. Journal, 11/11

A recent move by the Consumer Financial Protection Bureau to curb mandatory arbitration of individuals' gripes against businesses highlights a big difference between the rules governing consumer-finance disputes and those involving brokerage relationships. When signing up for financial products including credit cards and bank accounts, as well as brokerage accounts, individuals generally are required to agree to settle any disputes with the company through arbitration.

But there is a big difference when it comes to class-action lawsuits, in which a large number of plaintiffs with similar complaints band together. Most financial-product contracts force customers to waive their right to participate in class-action lawsuits against the company. But brokerages aren't allowed to include such waivers in their customer agreements, under rules set by Wall Street's self-regulator, the Financial Industry Regulatory Authority.

SEC's White to testify in House next week

Patrick Temple-West, Politico, 11/10

SEC Chair Mary Jo White is likely to face questions from House Republicans next week about an emerging issue troubling companies: whether or not shareholders should have an easier way to influence corporate boardroom issues.

On Nov. 18, White is scheduled to testify before the House Financial Services Committee, sources said today. In addition to questions about the agency's budget and rulemaking, Republicans are likely to ask White about "universal proxy" ballots, a spokesman for the committee said.

SEC nominees file financial statements

Patrick Temple-West, Politico, 11/9

[Nominee to Oversee Wall Street Works at Think Tank Dedicated to Blocking Regulation]

Lee Fang, The Intercept, 11/12

President Barack Obama recently nominated Hester Maria Peirce to fill a Republican seat on the Securities and Exchange Commission. His [announcement] included her formal title — senior research fellow and director of the Financial Markets Working Group at the Mercatus Center at George Mason University — which sounds a lot like an academic post. But Peirce, new disclosures show, received 98 percent of her salary directly from the Mercatus Center, a "think tank" that provides an academic façade to a radical anti-regulatory agenda. The Center's so-called research reflects the lobbying priorities of its corporate funders — chief among them, Koch Industries.

[Why Investors Should Think Twice About Nontraded REITs]

Micah Hauptman, Wall St. Journal, 11/13

In my view, perhaps the worst culprits among real-estate investments are nontraded real-estate investment trusts, which are advertised as high-yield assets but drain retail investors' hard earned money. Investors purchased at least $116 billion in nontraded REITs over the last 25 years and are at least $45 billion worse off than they would have been if they had merely invested in a diversified portfolio of traded REITs, [according to a recent study] by Craig McCann and his colleagues at the Securities Litigation and Consulting Group.

MORTGAGES & HOUSING

[Real Estate Shell Companies Scheme to Defraud Owners Out of Their Homes]

Stephanie Saul, NY Times, 11/7

In Bedford-Stuyvesant and other pockets of the city, white-collar criminals are employing a variety of schemes to snatch properties from their owners. Often, they use the secrecy afforded to shell companies to rent out vacated properties until they are caught or sell them to third parties. Victims are left groping for redress, unable to identify their predators or even, in some cases, to prove a crime has been committed.

[Kuster: Affordable housing threatened nationwide]

Meghan Pierce, Manchester Union Leader, 11/12

Subsidized housing across the country is facing a funding dilemma, Rep. Ann Kuster (D-NH) said in Peterborough Thursday. The USDA Rural Rental Housing Loans Program was created in the 1970s to provide housing assistance to low-income individuals, elderly and disabled, Kuster said. But once developers pay off the mortgage on their properties, the federal subsidy for renters ends.

Because the program has been operating for more than 30 years, many properties with pre-paid or maturing mortgages will soon lose assistance. This will affect thousands of properties across the country and 88 subsidized housing developments in New Hampshire, according to Kuster.

[Botched Loan Transfers Lay Bare Gaps in Servicing Data]

Austin Kilgore, National Mortgage News, 11/5

[Fannie Mae completes third non-performing loan sale]

Brena Swanson, HousingWire, 11/10

POLITICAL INFLUENCE OF WALL STREET

[A K Street How-To, Courtesy of Wall Street]

Phil Mattingly and Sarah Svoboda, Bloomberg, 11/12

The banking industry just laid out the lobbying roadmap. At issue is a mechanism to help fund the must-pass highway bill. Lawmakers targeted the dividends that the Federal Reserve pays out to banks for holding their cash at the central bank. Currently, the dividend sits at 6 percent. Lawmakers proposed reducing it to 1.5 percent for banks with more than $1 billion in assets—a move that would raise around $17 billion over 10 years to help finance the bill. It would also cut about $1.7 billion each year from the banking industry's revenues. That, banking lobbyists decided, was not acceptable. With the help of Rob Nichols, the president and chief executive of the American Bankers Association, one of the primary drivers of the opposition, here's a look at what happened next…

How the Kochs launched Joni Ernst
Kenneth Vogel, Politico, 11/12

Harry Reid Joins Call For Obama To Take Action On Dark Money
Paul Blumenthal, Huffington Post, 11/11

RETIREMENT SECURITY & FIDUCIARY DUTY RULE

The DOL's "Conflict of Interest" Rule is Good for American Business
Ron Rhoades, Scholarly Financial Planner, 11/7
Employers suffer the consequences for the advice provided to them by insurance companies and broker-dealer firms, while these insurance and brokerage firms are "off the hook" through their use of clever disclaimers and other techniques in which they ensure that the courts will not find them to act as "fiduciaries."

To correct this unfair treatment, in which plan participants are harmed, employers (plan sponsors) are often liable, but the real experts (financial services firms) escape liability, the U.S. Department of Labor has proposed to greatly expand the definition of "fiduciary" with its new "Conflict of Interest" proposed regulation. However, Wall Street and the insurance companies are currently spending tens (if not hundreds) of millions of dollars to attempt to stop the U.S. Department of Labor's proposal to revise its outdated rules. In essence, these financial services firms do not want to be held to account for the advice they provide.

Fiduciary rule under attack in budget process
Brian Mahoney, Politico, 11/13
Lobbyists are telling Bloomberg BNA that among the various GOP appropriations riders to block Obama labor policies, the rider blocking the Labor Department's proposed fiduciary rule has the best chance of becoming law. House Appropriations Committee Republicans are planning to hold "listening and member education sessions" next week on Labor Department appropriations. In June the committee approved a spending bill that included the rider blocking the fiduciary rule. It hasn't yet reached the floor.

Opposition Grows to a Fiduciary Rule That Protects Consumers
Tobie Stanger, Consumer Reports, 11/11

Rep. Scott critical of SEC delay on fiduciary rule
Colin Wilhelm, Politico, 11/10

STUDENT LOANS & FOR-PROFIT EDUCATION

White House urges Congress to protect U.S. troops from aggressive for-profit colleges
Danielle Douglas-Gabriel and Greg Jaffe, Washington Post, 11/11
The White House is urging Congress on Veterans Day to pass a series of bills that would protect U.S. troops from colleges taking advantage of their military benefits without delivering a quality education.Men and women who serve in the military receive $57 billion in federal education funding that has become a stable source of revenue for many schools. Because the money is exempt from a key federal rule that governs the way for-profit colleges are funded, critics say those schools aggressively recruit members of the military and too often fail to prepare them for the workforce.

Several veterans groups have championed the changes to the rules governing student aid revenue percentages in recent years, including Iraq and Afghanistan Veterans of America, the largest group representing post-9/11 veterans. Forcing colleges to collect at least 15 percent of their revenue from non-federal sources would be "huge," said Phil Carter, who oversees veterans' issues at the Center for a New American Security, a foreign policy think tank. "It will do a lot to reduce the financial incentives for for-profit schools to target veterans," Carter said.

[Lawmakers must keep faith with vets by doing more than making promises]
Sen. Richard Blumenthal, The Hill, 11/9
The simple, stark fact is that in action, as opposed to rhetoric, America is failing to keep faith with our veterans.

Too much of the $2 billion spent last year at for-profit colleges — with poor records of graduation and employment — was squandered and sacrificed. That is why I introduced bipartisan legislation to allow eligible veterans who have lost their post-9/11 GI Bill benefits — wasted at unscrupulous for-profit institutions that unexpectedly closed — to have this hard-earned opportunity reinstated for use at a reputable institution. This critical measure provides peace of mind to our veterans that they will not suffer the loss of educational opportunities they earned simply because a school closes, as we saw recently in the case of Corinthian Colleges.

[Democrats Push Arne Duncan To Aid Defrauded For-Profit College Students]
Shahien Nasiripour, Huffington Post, 11/9
Education Secretary Arne Duncan should stop delaying promised debt relief to defrauded student loan borrowers and use a recent federal court ruling to immediately cancel all federal loans owed by former Corinthian Colleges Inc. students, a group of Democratic lawmakers urged Monday.

A federal judge in Chicago ruled on Oct. 27 that Corinthian violated federal law by defrauding more than 115,000 of its former students when its schools used false job placement rates to deceive them into taking out private student loans. Students typically take out private loans after reaching federal student loan borrowing limits. The company declared bankruptcy in May, eight months after the federal Consumer Financial Protection Bureau alleged it systematically cheated students by advertising "bogus" job prospects to lure them into enrolling and taking out the private loans.

[Common threads in TA actions against Phoenix, Globe]
George Altman, MilitaryTimes, 11/9

[Obama using Veterans Day to prod Congress]
Leo Shane II, Military Times, 11/11
[T]he most controversial legislation Obama is backing is a bill introduced by Sen. Dick Durbin, D-Ill., this week, which would reinstate the 85/15 rule for for-profit colleges. Under the proposal, the schools would not be allowed to collect more than 85 percent of their revenue from federal sources. Currently, that figure is 90 percent, and GI Bill funds do not count against that cap. Critics want to eliminate that exemption, saying it gives schools incentives to over recruit veterans. Obama is backing that idea, one that has proved unpopular with for-profit officials and Republicans in Congress.

[Lawmakers Continue Crusade To Rein In For-Profit Colleges Targeting Servicemembers]
Ashlee Kieler, Consumerist, 11/10

[Obama Takes Steps to Assure Quality of Education Programs That Recruit Veterans]
Kelly Field, The Chronicle, 11/11

[Protecting the integrity of the GI Bill and military tuition assistance]
Matthew Boulay, The Hill, 11/11

[A small victory for veterans]
Foon Rhee, Sacramento Bee, 11/9

[Consumer Agency Takes For-Profit College Accreditor to Court]
C. Ryan Barber, National Law Journal, 11/10

SYSTEMIC RISK

Lawmakers: Dodd-Frank Rollback Kept $10 Trillion in Swaps on Banks' Books

Yuka Hayashi, Wall St. Journal, 11/10

A significant change made last year to the Dodd-Frank financial overhaul law produced new risks to investors by allowing banks to keep nearly $10 trillion in certain derivatives trades on their books, according to a study released Tuesday by two Democratic lawmakers.

The results were released by Sen. Elizabeth Warren of Massachusetts, a leading proponent of tough regulations on Wall Street, and Rep. Elijah Cummings of Maryland, the top Democrat on the House Overnight and Government Reform Committee. The two had asked financial regulators earlier this year to assess the impact of the change and the risks it created for taxpayers. The change curtailed a requirement that banks push certain high-risk swaps trading activities out of bank holding companies that enjoy access to the government safety net.

We were wrong about universal banking

John Reed, Financial Times, 11/11

We now know that there are very few cost efficiencies that come from the merger of functions — indeed, there may be none at all. It is possible that combining so much in a single bank makes services more expensive than if they were instead offered by smaller, specialised players.

The second thing we were wrong about has to do with culture — and this turns out to be very serious. Mixing incompatible cultures is a problem all by itself. It makes the entire finance industry more fragile…

As I have reflected about the years since 1999, I think the lessons of Glass-Steagall and its repeal suggest that the universal banking model is inherently unstable and unworkable. No amount of restructuring, management change or regulation is ever likely to change that.

Beyond Banking: under attack on all sides

Patrick Jenkins and Martin Arnold, Financial Times, 11/10

It is more than seven years since the height of the financial crisis, but the run of disastrous banking news during the past few weeks has revived bad memories. Profit warnings, mass job cuts, share price plunges and defensive capital raisings have abounded.

With the aftershocks of 2008 still hitting the global economy — and central banks in the US and UK shying away from normalising ultra-accommodative monetary policies — banks, formerly seen as the powerhouses of growth, are under pressure on every side. Regulation is piling up. Competitors are stealing business. And many lenders are shrinking fast. Is banking in terminal decline?

Banking may seem down, but it's not out

Brooke Masters, Financial Times, 11/13

[W]ith apologies to Mark Twain, reports of banking's demise are greatly exaggerated. The future of the sector looks very different depending on which bank and even which part of the bank you are looking at. Traditional US lenders that have stuck to their knitting and concentrated on corporate and retail business are thriving. Wells Fargo's share price is more than 50 per cent higher than its 2007 peak, and its assets are up 40 per cent to $1.8tn…

Even within investment and wholesale banking, there are crucial differences. Proprietary traders have largely been forced out of the sector by the US Volcker rule that bans bets with a bank's own money. And fixed income, currencies and commodities divisions are suffering in the midst of tighter scrutiny. These are the business units where the rate-rigging scandals occurred, and they were hit hardest by global reforms that raised capital requirements after the 2008 financial crisis.

But equities trading, which is less capital-intense, has benefited from a strong market rally, and advisory work has been booming on the back of a torrid time for mergers & acquisitions as well as corporate debt issuance.

[Restoring the Safety Net]
Susan Harley, Public Citizen, 11/12
For decades, Glass-Steagall kept banking simple: banks wrote loans for small businesses and mortgages for homebuyers. This plain vanilla commercial banking also helped hard-working families achieve the "American Dream." That's not the case for the high-risk, exotic financial instruments banks are still allowed to use to hedge bets for their wealthy, Big Business customers. And many of the bets turn out be between the mega-banks themselves.
In addition to ensuring that taxpayer-insured deposits are not put at risk from such risky investment banking, reinstating Glass-Steagall would make banks smaller and easier to manage — and likely even more valuable for their shareholders.

[Glass-Steagall takes center stage in 2016]
Peter Schroeder, The Hill, 11/12
The Democratic frontrunner is in a particularly odd spot when it comes to Glass-Steagall, since her husband President Bill Clinton signed the law repealing it in 1999. At the time, he touted the new law as "stimulating greater innovation and competition in the financial services industry."

Since the financial crisis, former President Clinton has stuck by his guns, arguing that there is no evidence Glass-Steagall would have prevented the crisis. Hillary Clinton's campaign has been eager to defend the Dodd-Frank financial reform law, and is pushing higher "risk fees" on large financial institutions and tougher rules on "shadow banks" that fall outside traditional regulatory oversight. But she has not embraced Glass-Steagall specifically, calling the matter too complicated for a single cure-all bill.

OTHER TOPICS

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Sahil Kapur, Bloomberg, 11/12
To bolster their case with the middle class, Republicans argue that regulations serve to empower the rich, rather than protect consumers. Rubio said Tuesday that banking regulations hurt those who cannot "hire the fanciest law firm in Washington or the best lobbying firm to deal with all these regulations." Carson blamed a "stampede of regulations" for raising the cost of goods for "the poor and the middle class."

[We need a new trust-busting movement in America]
Harold Meyerson, Washington Post, 11/10
[T]he unchecked combination of mega-firms tells just half the story of the rising imbalance of wealth and power (both market and political). The other half is the legal obstacle course that makes it effectively impossible for consumers to come together, and for workers to form unions. The New York Times's series last week on the rise of compulsory, company-controlled arbitration when consumers have a grievance made clear that in purchasing the services of a phone, cable, credit card, car rental or many other companies, tens of millions of Americans have signed contracts that forbid them from filing or joining class-action suits. Rather than being able to share the expense of taking a corporate giant to court for widespread abuses, consumers are compelled either to take on those giants and assume the court costs themselves or to submit to company-appointed arbitrators ruling on their complaints.

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Christopher Matthews, Wall St. Journal, 11/10