This Week in Wall Street Reform | Nov 11 - 17, 2017

Please share this weekly compilation with friends and colleagues.
To subscribe, email info@ourfinancialsecurity.org, with "This Week" in the subject line.

CORDRAY RESIGNATION

Richard Cordray's Exit From Consumer Bureau Gives Trump an Opening I NY Times
Established six years ago as part of the Dodd-Frank Act, the agency has unusually broad power to combat abuses in a wide variety of financial products, including mortgages, credit cards, bank accounts and student loans.

Mr. Cordray, 58, pursued that mission with zeal… "The agency has gotten a lot done," said Lisa Donner, the executive director of **Americans for Financial Reform**, a liberal advocacy group. "The mission of the bureau and the work it has done is incredibly popular, across party lines, with the public."

Scary thought: Trump now gets to pick the country's top consumer watchdog I LA Times (David Lazarus)
Trump and Republican lawmakers have long characterized Cordray as an enemy of the people — a bureaucrat run amok, imposing his autocratic will on gentle, kindhearted businesses that only want to compete freely and fairly for people's patronage.

"They've been saying he's a disaster, and that his agency is a catastrophe, for years and years," said Lisa Donner, executive director of the advocacy group **Americans for Financial Reform**. "And people who don't understand what the bureau does might believe that.
"But if you describe the bureau's work to people," she told me, "they overwhelmingly support it."
For instance:

Richard Cordray is stepping down as head of CFPB I Washington Post
Republicans had become increasingly exasperated that Cordray, whose term does not end until next summer, had not stepped aside when Trump took office, and instead continued to press for aggressive rules disliked by the business community. Trump has on at least two occasions griped about Cordray in private and wondered what to do about his tenure, according to two financial industry executives who attended the meetings. Under the agency's current structure, Trump could only fire Cordray for cause...

Cordray "held big banks accountable. He is a dedicated public servant and a tireless watchdog for American consumers–and he will be missed," said Sen. Elizabeth Warren (D-Mass.), who helped established the bureau. "The new Director of the CFPB must be someone with a track record of protecting consumers and holding financial firms responsible when they cheat people. This is no place for another Trump-appointed industry hack."

Consumer protections may wither as CFPB head Cordray departs, observers say I CNBC

Financial reform's strongest consumer champion will quit, leaving Trump to pick new watchdog I ThinkProgress

Cordray's abrupt departure comes after years of work by Wall Street's allies in Congress to strip the agency of its independence, an effort for which the CFPB's director was a natural lightning rod. Republican members and allied groups have varyingly (and falsely) accused Cordray of running a modern gestapo and channeling Soviet tendencies toward micromanaging commerce, among other smears.

A handful of Democratic electeds have sabotaged the agency's work in a less overt but more substantive fashion as well. Sen. Mark Warner (D-VA) is looking to knock the legs out from under CFPB's effort to rein in payday lending nationwide, for one recent example…

"Obtaining $12 billion in relief for over 29 million Americans is a great accomplishment," **Americans for Financial Reform's** Lisa Donner said in a statement. "Director Cordray did exemplary work on behalf of the American public, often under extremely tough circumstances, ably advancing this vitally important mission."

US consumer agency head Cordray to leave by end of month I Reuters

In the immediate future, Cordray's exit clears the way for an industry-friendly replacement to take a softer approach when it comes to enforcement and supervision of financial institutions. Rewriting existing CFPB rules would take much longer.

"The good news is they just can't make the rules go away by waving a wand," said Lisa Donner, executive director of the **Americans for Financial Reform** coalition. "There's a process to write them, and there would need to be a process to undo them."

CFPB Chief Richard Cordray to Step Down I Consumer Reports

It's unclear whether the White House will attempt to restructure the CFPB, which would require Congressional legislation. But a new acting commissioner appointed by President Trump may be enough to change the tone and direction of the agency, some consumer advocates worry.

"The acting director may be less aggressive in advocating for consumers and instead try to work with a framework that is more favorable to businesses," says Lisa Donner, executive director of **Americans for Financial Reform**, a nonprofit coalition of consumer and other citizen groups.

CFPB director stepping down could affect your money — here's how I Mic

"The guy has done amazing work," said Carter Dougherty, communications director at **Americans for Financial Reform**. "It's the first federal agency dedicated solely to looking after consumers, and they have obtained [about] $12 billion in relief for consumers."

Cordray's replacement is likely to be a more pro-business, less-consumer-friendly choice, Bankrate's Mark Hamrick wrote in an email to Mic.

“For President [Donald] Trump, it will be yet another opportunity to put his stamp on a nominee who is friendlier to business and more inclined to deregulate,” Hamrick said. “For consumers, the risk is that they will have fewer advocates working for them in the federal government.”

Trump Considers Naming Mulvaney Interim CFPB Director I Bloomberg
Mick Mulvaney once called the Consumer Financial Protection Bureau “a sad, sick joke.” Now, he may get to oversee Elizabeth Warren’s favorite regulator.

Mulvaney, President Donald Trump’s Office of Management and Budget director, is being considered for a temporary role as interim director of the consumer watchdog after Richard Cordray steps down later this month, according to two people familiar with the matter. Mulvaney would be expected to name someone else or a team of people to run the CFPB on a day-to-day-basis so he could keep his focus on OMB, said one of the people.

Consumers lose I Scranton Times-Tribune (editorial)

Richard Cordray’s CFPB Has Done Its Job Well I Bloomberg View (editorial)

We need a watchdog at Consumer Financial Protection Bureau I Washington Post (Michelle Singletary)

Trump likely to change watchdog agency as Cordray leaves I Columbus Dispatch

Obamas Favorite Abuser of Deep State Power Quits I Long Room

Trump Administration Had 1 Real Wall Street Cop-and He just Quit I The Nation (David Dayen)

See statements by **Americans for Financial Reform, Center for American Progress, Center for Responsible Lending, Consumer Federation of America, Consumers Union, National Association of Consumer Advocates, National Community Reinvestment Coalition, National Consumer Law Center**, and **US PIRG.**

Mick Mulvaney Wanted to Eliminate the Consumer Financial Protection Bureau. Now Trump’s Putting Him in Charge of It. I Slate
The Consumer Financial Protection Bureau is the federal regulator charged with policing the predatory behavior of banks, payday lenders, student loan servicers, and all manner of other financial institutions that have a habit of ripping off customers.

Mick Mulvaney is the deeply conservative and rhetorically inept former congressman from South Carolina who now serves as Donald Trump’s budget director. You may remember him from the time he told reporters that Meals on Wheels “doesn’t work.” Or his flailing attempts to redefine the word compassion to mean cutting programs that help the elderly. He is also, generally, not a fan of regulations or regulators, and especially not the CFPB. “I don’t like the fact that CFPB exists, I will be perfectly honest with you,” Mulvaney once said during a House committee hearing. He also co-sponsored a bill to eliminate the bureau.

The Dismal Future of Trump's Least Favorite Agency I The Atlantic
Who will be the next leader of the Consumer Financial Protection Bureau (CFPB)? This is the agency established in the wake of the 2008 market crash, whose regulatory reach touches countless financial products that Americans use every day—student loans, payday loans, credit cards, mortgages, and so on. Earlier this week, the bureau's current leader, Richard Cordray, announced he will step down by the end of November, likely to pursue the governor's office in Ohio. As early as Friday, according to some reports, President Trump could announce his temporary replacement. The frontrunner for the job is said to be Mick Mulvaney, the current head of the Office of Management and Budget (OMB)—a man who once called the CFPB "a sick, sad joke." If appointed, Mulvaney will have the power to set the agenda for the Bureau's work, but he likely won't direct day-to-day operations.

TRUMP ADMINISTRATION, CONGRESS, AND WALL STREET

Senators Support Rollback of Bank Oversight I Wall St. Journal
Dozens of banks received the biggest signal yet that they may soon be freed from some of the most onerous rules put in place after the financial crisis, as lawmakers from both parties agreed to a plan that would enact sweeping changes to current law...

In what would be the biggest step to ease the financial rule book since Republicans took control of Washington, the proposal could cut to 12 from 38 the number of banks subject to heightened Federal Reserve oversight by raising a key regulatory threshold to $250 billion in assets from $50 billion. The legislation also would ease red tape affecting credit unions and community banks, allowing them to lend more, supporters said...

"This is the first proposal that has a legitimate shot at making it to the president's desk," said Milan Dalal, an attorney at lobbying firm Brownstein Hyatt Farber Schreck in Washington and a former aide to Sen. Mark Warner (D., Va.), who backed Monday's deal.

Senators reach rare, bipartisan deal to ease banking rules I PoliticoPro
The Crapo-Brown talks fell apart weeks ago. Brown said the discussions focused too much on rolling back regulations and not enough on helping consumers — a complaint he repeated Monday when he announced his opposition to the new agreement...

When the negotiations with Brown fell apart, Crapo turned to a handful of moderate Democrats with whom he quickly worked out an agreement. The group included Heitkamp, Jon Tester of Montana and Joe Donnelly of Indiana, who are all up for reelection next year. Mark Warner of Virginia was also at the negotiating table.

Senate Bill Would Reduce Dodd-Frank Oversight I WSHU (Fairfield CT)
According to a summary of the bill, the threshold for which a bank would be required to undergo stress tests would increase sharply. For banks with $100 billion – $250 billion in assets, it would be up to regulators to determine whether or not to test for financial soundness.

Marcus Stanley, with **Americans for Financial Reform**, says, "It sort of opens the door to the new Trump appointees to weaken the rules if they want to. And we know they want to."

Brown opposes Crapo banking deal with Democrats I PoliticoPro

Crapo releases banking bill text I PoliticoPro
Senate Banking Chairman Mike Crapo (R-Idaho) has released the text of a bipartisan bill that would relax a range of banking regulations. In addition, two more senators have agreed to support the bill. Jim Risch (R-Idaho) and Michael Bennet (D-Colo.) joined as co-sponsors.

House panel passes 23 financial services bills I PoliticoPro

Senator Crapo's Proposal Is a Threat to Consumers and Financial Stability I Roosevelt Institute (Mike Konczal and Kathryn Milani)
Crapo's proposal will expose consumers and the economy to serious risks from large, regional banks with up to $250 billion in assets—like SunTrusts, Fifth Third, State Street, and American Express—by preventing supervision by the Federal Reserve.

The cornerstone of this proposal is to raise the systemically financial important institution (SIFI) threshold for bank holding companies from $50 billion to $250 billion in asset size, which triggers enhanced safety and soundness standards, including higher capital requirements and oversight from the Federal Reserve. The proposal exempts banks between $50 and $100 billion in asset size from enhanced safety and soundness standards and Federal Reserve oversight, and gives the Federal Reserve regulatory discretion for banks with between $100 and $250 billion in assets.

Moving the threshold to $250 billion would free up 27 banks[2]—many of which are large institutions, like American Express, SunTrust, and BB&T—from the kinds of supervision and regulations that are needed to prevent harm to consumers and the economy at large. Some have made a case for decreasing the threshold to $100 billion, but the $250 billion is much higher than earlier proposals. In fact, Treasury Secretary Steven Munchin proposed the $250 threshold earlier this year—hardly a compromise.

Halloween Over, But Congress Mixing Up Witches' Brew of Bank Rollbacks I US PIRG (Ed Mierzwinski)
Yesterday, the Senate Banking Committee announced a bi-partisan bill designed to weaken big bank regulations in numerous ways… [Today] the House Financial Services Committee votes on nearly two dozen bills. The worst… the so-called Protecting Consumers' Access to Credit Act, would overturn a court decision and allow payday lenders, fintech companies and others seeking to avoid strong state laws with a new rent-a-bank scheme...

In its letter, **Americans for Financial Reform** notes that at least a dozen of the bills to be considered are very harmful: Some of these bills would cause major damage to financial protections, such as HR 4292 and HR 4293 reducing bank capital requirements, HR 1153 and HR 3299 which would harm consumers, HR 4267 and HR 4279 which harm investors, and HR 4015 which would severely damage shareholder opportunities to affect corporate policy.

Trump Administration to Bankers: You're Not the Villain Anymore I Wall St. Journal
President Donald Trump's newly minted financial regulatory team—growing in size with recent confirmations—is sounding a friendlier tone than its predecessor, which restricted the industry following the 2008 bank bailouts.

“Changing the tenor of supervision will probably actually be the biggest part of what it is that I do,” said Randal Quarles, the Federal Reserve’s regulatory chief, in maiden public remarks last week before bankers in New York...

One day after Mr. Quarles’s remark, Keith Noreika, who since May has served as acting comptroller of the currency, criticized Obama-era officials for being too quick to impose harsh sanctions on banks viewed as not meeting the legal requirements to lend in poor communities.

Under Trump, Banking Watchdog Trades Its Bite for a Tamer Stance I NY Times
After the financial crisis in 2008, the Obama administration turned one of the banking industry’s friendliest regulators into one of its toughest. But that agency is now starting to look like its old self — and becoming a vital player in the Trump administration’s campaign to roll back regulations. The regulator, the Office of the Comptroller of the Currency, which oversees the nation’s biggest banks, has made it easier for Wall Street to offer high-interest, payday-style loans. It has softened a policy for punishing banks suspected of discriminatory lending. And it has clashed with another federal regulator that pushed to give consumers greater power to sue financial institutions. The shift, detailed in government memos and interviews with current and former regulators, is unfolding without congressional action or a rule-making process.

In praise of red tape I Washington Post
Republicans on Capitol Hill have employed a device called the Congressional Review Act to repeal 14 regulations from the Obama era (including the CFPB’s)... Little can be done to reverse what Republicans have eliminated legislatively as long as they control Congress. But a significant roadblock still exists in the GOP’s free-market agenda: the enduring power of the administrative state itself.

The rollbacks being ordered via executive action require more than presidential decrees and signing ceremonies. To become concrete policy, they require a deep understanding of the procedures and safeguards ingrained in the administrative state that Trump has pledged to “deconstruct.” But the rules Americans built for government bureaucracy over the 20th century are now an obstacle to its swift deconstruction. In this way, the very red tape Trump wants to cut could end up thwarting his deregulatory agenda.

Trump nominee, once probed by bank regulator, now set to head the agency I PoliticoPro
The Senate voted to confirm Joseph Otting as comptroller of the currency on Thursday, putting the former banker in charge of a regulator he once battled with over his firm's foreclosure practices. The vote was 54-43, with two Democrats voting in favor of President Donald Trump's nominee.

Otting was CEO of OneWest Bank, a lender co-founded by Treasury Secretary Steven Mnuchin that drew criticism over its handling of foreclosures after the financial crisis. The bank was scolded by its federal regulator in 2011 for not properly overseeing the loans of thousands of people at risk of losing their homes and was bound by a consent order for four years. Now, it will be Otting's job to punish such violations by national banks.

CONSUMER FINANCE AND THE CFPB

Mark Warner's "Capitalism 2.0" Is Usury I Splinter
Let's imagine that Mark Warner wakes up tomorrow morning and says, my God, did I really say "Capitalism 2.0" in front of everyone? That wasn't a nightmare? And let's say the other Democrats all say, yes, you're right Mark, you fucked up and we all fucked up, let's settle on a clear message that everyone will love. Let's go with: We're for the people and not the big banks! Main Street not Wall Street! Polling shows you pretty much can't be mean enough about Wall Street to voters: One poll by **Americans for Financial Reform** found 91 percent of Americans say it's important to regulate financial services, and 78 percent say Wall Street should be "held accountable with tougher rules and enforcement."

This Democrat Is About To Give Payday Lenders A Big Boost I Huffington Post (Zach Carter)
A little over a year ago, Sen. Mark Warner (D-Va.) addressed a small audience of political insiders at the Brookings Institution, one of the most prestigious think tanks in the nation's capital. Times were changing, Warner told the crowd, and the old guard from Washington and Wall Street wasn't keeping up with the needs of the modern workforce. The gig economy, outsourcing and automation had created an era of unprecedented "income volatility" for Americans. New financial technology firms had "an opportunity to bridge part of that new social contract," to "lean forward and meet workers where they're working."

Democrats May Deny It, But This Bill Is A Handout To Payday Lenders I Huffington Post
Rep. Gwen Moore (D-Wis.) has a payday lending problem. On Tuesday, HuffPost published an article highlighting an obscure piece of legislation moving through Congress that would help payday lenders and other shady operators skirt predatory lending laws passed by state governments. It's the sort of bill Republicans sponsor all the time. Every now and then, Democrats quietly join them, hoping that a minor bill circling through the House Financial Services Committee will be overlooked in the grand legislative debates over taxes, health care and foreign policy. The bill was introduced by Moore and arch conservative Rep. Patrick McHenry (R-N.C.), and it exploits a weakness in national banking law to provide convoluted but very real aid to predatory lenders.

Senate Democrat is about to take the brakes off predatory payday lenders I Boing Boing
Back in July, Senator Mark Warner introduced S.1642 - The Protecting Consumers' Access to Credit Act of 2017, which bans states from capping the interest rates charged by payday lenders who serve poor and vulnerable people, so long as the payday lenders partner with a national bank.

The bill is nominally about allowing for innovation in finance products, but it has been widely condemned, drawing opposition from Americans for Financial Reform, the Center for Responsible Lending and the Consumer Federation of America, the NAACP and the Southern Poverty Law Center, who've warned that the bill will "open the floodgates to a wide range of predatory actors to make loans at 300% annual interest or higher."

Payday Lenders Try End Run Around State Laws, CFPB Regs I Washington Informer (Charlene Crowell)

Across the country, 15 states as well as in the District of Columbia, with varying geographies, economies and demographics have enacted strong rate cap limits… When voters or legislatures approve rate caps… lenders seek loopholes to evade state requirements. Changing products from payday to car-title loans is one way. Others pose as “loan brokers” or “mortgage lenders” to avoid regulation of payday lending…

The same deception that hides the real cost of predatory, consumer loans is reflected in the title of pending legislation in both the House of Representatives and in the Senate. The Protecting Consumers’ Access to Credit Act of 2017 (H.R. 3299 and S. 1624) would allow payday lenders, high-cost online lenders and other predatory lenders to partner with banks to make loans that surpass existing state interest rate limits.

Fintech critics call it predatory lending I CBS News

350% Interest? Senators Bankrolled by Payday Lenders Can Live With It I Newsweek and International Business Times (Alex Kotch)

A Democratic senator is leading the way to allow payday lenders to escape basic consumer protections. In a rare bipartisan effort in July, Sen. Mark Warner, a former venture capital executive representing Virginia, introduced the Protecting Consumers' Access to Credit Act of 2017 (S.1642) with three cosponsors: two Republicans and one Democrat.

The bill would allow lenders to ignore state interest-rate caps by partnering with a national bank. Most states have interest rate caps of 36 percent, but 15 states have none at all, and the bill could mean that millions of Americans would face rates of 350 percent or more.

Payday lenders, with major business before Trump, meet at Trump Doral I Miami Herald

National charities and industry associations are ditching Trump properties like Mar-a-Lago for annual galas and conferences, but at least one association with business before the White House is set to visit Trump National Doral for its annual conference.

The Community Financial Services Association of America, an interest group that represents the payday loan industry, is hosting its four-day annual conference in April 2018 at Donald Trump’s 90-hole golf resort 12 miles west of downtown Miami.

Payday loans are a form of high-interest credit usually taken out by low-income people who aren’t able to borrow from traditional banks. Many consumers access the loans online, and critics say the loans can be predatory.

New Protections on High-Interest, Short Term Loans ‘First Step’ I Pinal Central

Advocacy Groups Press for Restrictions on Payday Lenders I Downey Patriot

On Tuesday,, a group of more than 80 religious and community leaders sent a letter to the Los Angeles County Board of Supervisors, urging the board to take action next month to address high-cost payday and car title lending storefronts in the county. “Predatory lenders target our most vulnerable communities – particularly areas with high family poverty rates, which is why we're asking for the board's help," said Paulina Gonzalez, executive director of the California Reinvestment Coalition.

Speak up to put lid on 'debt trap' payday lenders I Madison Cap Times (Dave Zweifel)

The CFPB's Payday Lending Rule a Grand Slam for Credit Unions I CUInsight

The Republican-run Ohio House needs to rein in payday lending I Cleveland Plain Dealer (editorial)

GOP Congressman Defends Payday Lenders, Denounces "Marxist Ideology" I District Sentinel
Rep. Warren Davidson (R-Ohio) was attacking a proposal to cap consumer interest rates in the United States at 36 percent. The legislation was introduced during a House Financial Services Committee meeting on Wednesday by Rep. Maxine Waters (D-Calif.), the ranking Democrat on the panel.

"That's what they experienced on the other side of this [Berlin] Wall that had held them captive behind a Marxist ideology," Davidson said, linking East German shortages to Waters' proposal. "That's the land of price control, of government rationing, of one-size-fits-all central planning," he added.

Fed Study Ignites Debate Over Online Lending's Impact on Consumers I American Banker

Now's the Time to Fix Payday Lending in Ohio I Dayton Daily News (Kyle Koehler)
Every day, hardworking Ohio families trying to make ends meet take out payday loans to cover basic living expenses. All too often they end up trapped, for months or even years, in a costly cycle of debt, paying fees that are hundreds, or even thousands of dollars more than the original loan. The payday lending problem is exceptionally bad in Ohio. In fact, our state has the highest payday loan prices in the nation, with lenders charging 591 percent interest on average. This is not an area where Ohio should be a leader.

Survey Shows Payday Borrowers Have No Regrets I Credit Union Times

Trapped in Payday Loan Debt? Here's How You Can Escape I USA Today

A New Era in Online Lending I CrowdFund Insider (Timothy Li)
After Operation Chokepoint, OLA rebranded itself as Lend360 aiming to stay away from yesteryears payday lending moniker…

This is the first Lend360 during Trump's presidency. By all accounts, President Trump is pro business and the subprime lending community is lobbying for the end of heavy government regulation and the continuation of vilifying the entire subprime lending industry.

I can sense that most of the folks attending the conference that got hurt by Operation Chokepoint feels a bit vindicated by the latest roll back of many new proposals laid out by the CFPB, Consumer Finance Protection Bureau. Just recently the United State senate overruled the CFPB's arbitration rule. The overruling by CFPB and essentially a no-confidence vote happened about a week after Lend360 concluded in Dallas, Texas.

Will Equifax Ever Be Held Accountable For Its 'Rookie Mistakes'? I Forbes
[I]]in late October, Senate Republicans voted to overturn the newly minted rule by the Consumer Financial Protection Bureau, which gave consumers the right to join class-action lawsuits against banks, credit bureaus and lenders. Now consumers' only recourse is a secret arbitration hearing – which corporations win 93 percent of the time.

"This vote marked a truly shameful moment in Congress, said Amanda Werner, campaign manager for **Americans for Financial Reform** and Public Citizen, who dressed as Monopoly Man to "troll" Equifax CEO Richard Smith during a Senate hearing in October. "Just weeks after holding hearings on scandals of historic proportion, the Senate granted Equifax and Wells Fargo a 'Get Out of Jail Free' card."

Consumers Need Control of Their Financial Data, says Fed Governor I Wall St. Journal
"Consumers should remain in control of the data they provide," Fed governor Lael Brainard said in remarks prepared for a University of Michigan conference. "Consumers need to know and decide who they are contracting with, what data of theirs is being used by whom and for what purpose, how to revoke data access and delete stored data, and how to seek relief if things go wrong."

See joint letter, "**Groups Demand To Know How Much Money Equifax Making Off Data Breach**"

Sens. Murkowski, Sullivan can still get it right on forced arbitration I Juneau Empire (Goriune Dudukgian)
In one recent case, Shane Mathis, a member of the Navy, was kicked out of court when he tried to sue Green Cap Financial, which violated the Servicemembers Civil Relief Act and refused to reduce the interest rate on his auto loan after he entered the service.

Sergeant Charles Beard came home from a tour of duty in Iraq to find his car was illegally repossessed, but his case was thrown out of court due to a forced arbitration clause.

These cases, and countless others like them, made supporting the CFPB's rule an obvious conclusion for servicemember and veteran organizations...

[T]he senators have another chance to do right by Alaskans. They can support the Arbitration Fairness Act, which would bar the use of forced arbitration against consumers, employees and small businesses.

Look Who's Coming to Congress Again? I Huffington Post (video)
"Our primary struggle has just been getting people even to know what forced arbitration is… [Y]ou just say the word 'arbitration' and people's eyes glaze over. So my No. 1 task coming in two years ago, was to try to rebrand it, try to talk about it in a different way…

"I'm Amanda Werner, better known as the Monopoly Man. I'm also the campaign manager for Public Citizen and **Americans for Financial Reform**. I've always been a pretty irreverent person. I've always tried to use humor to make a point."

DERIVATIVES, COMMODITIES, AND THE CFTC

Democratic Regulator at CFTC Signals Openness to Tweaking Some Rules I Wall St. Journal
The lone Democratic member of the Commodity Futures Trading Commission signaled in his first speech in the role on Tuesday that he is open to revising some postcrisis rules, while also vowing to protect the core regime put in place during the Obama administration. Russ Behnam said that although the CFTC's swap rules have mostly worked well, there have been "unintended consequences" that the agency needs to address. "The market has moved swiftly to adapt to the regulatory changes," Mr. Behnam said in a speech at Georgetown University. But the swap rules that were mostly in effect by 2014, he said, have raised "policy concerns such as market fragmentation and liquidity, in addition to some challenging and unexpected issues related to market access and market participant eligibility."

ENFORCEMENT

Credit Suisse to pay New York $135M to settle forex charges I PoliticoPro

HEDGE AND PRIVATE EQUITY FUNDS

A Tax Loophole for the Rich That Just Won't Die I NY Times (James B. Stewart)
After the billionaire investor Warren Buffett exposed the unfairness of a federal tax code that assessed his secretary at a higher rate than him, it was hard to imagine a tax reform plan that would be even less fair. House Republicans have come up with one.

That's not because the plan indiscriminately favors the rich. It's because to a degree unprecedented in American tax history, it favors the investor class, Mr. Buffett prominent among them, at the expense of people who work for a living, like his secretary.

These Wall Street Companies Are Ready to Cash in on Trump's Border Wall I The Intercept
Earlier this year, U.S. Customs and Border Protection chose six companies to build prototypes for the wall in both concrete and "other materials..." All but one of the companies that built prototypes are privately held, but a close look at Sterling Construction Company, a publicly traded company based in Texas, suggests that even investors who have distanced themselves from the president's immigration policies are eager to cash in should the wall actually come to pass.

A **report** on Sterling's Wall Street investors, published today by a coalition of advocacy groups, warns of the "growing alignment" between the financial elite and the nationalist right-wing, and argues that Trump's policies are not just a reflection of hard-line nativist ideology, but also of the economic and financial interests of beneficiaries that have largely been able to deflect scrutiny.

Private equity firm BlackRock — headed by longtime Democrat donor Larry Fink — is the largest investor in Sterling, owning nearly 8 percent of its stock as of November 1. Between March and June of this year, as Sterling prepared to bid on the prototype contract, BlackRock increased its investment in the company by 195 percent. Meanwhile, JPMorgan Chase, whose CEO Jamie Dimon has spoken critically of Trump's immigration policies, invested in Sterling for the first time over that period.

INVESTOR PROTECTION AND THE SEC

SEC Rejects Exchanges' Request to Delay Surveillance Database I Wall St. Journal
Wall Street's top overseer rejected a last-minute request from securities exchanges to delay a vast database of trading information billed as the most advanced defense against manipulation and bouts of market mayhem.

The Securities and Exchange Commission said late Tuesday that it wouldn't agree to delay Wednesday's launch of the Consolidated Audit Trail, a project regulators accelerated after they didn't have enough data to explain a wild trading session in May 2010 known as the flash crash. Exchanges recently launched a lobbying campaign to convince the SEC and lawmakers that the repository would include too much personal information about American investors and would become a target for hackers.

Now what? Clayton's call on market surveillance tool confuses industry I PoliticoPro
The decision by the head of the Securities and Exchange Commission to allow a controversial stock market surveillance tool to move forward resolves concerns that the system would pose a potential cybersecurity threat, a key House Republican said on Wednesday.

Rep. Warren Davidson (R-Ohio), who sponsored legislation to freeze a demand that stock exchanges begin reporting to the so-called consolidated audit trail, said SEC Chairman Jay Clayton's announcement late Tuesday signals "an all-clear on future cybersecurity threats to our securities markets."

On Tuesday night, Clayton rejected a request by the New York Stock Exchange, Nasdaq and CBOE for a 12-month delay in reporting massive amounts of sensitive market information to the CAT. The deadline to begin reporting was Wednesday. Clayton said he wants the exchanges "to meet their responsibilities as promptly as practicable."

His refusal to delay "tells me the SEC and our most sensitive information is fully protected from all future hacker attacks," Davidson said in giving his blessing to the decision. The lawmaker's bill freezing CAT reporting passed the House by a voice vote on Nov. 13.

Shareholder revolt: Activists target Trump with swipe of an app I PoliticoPro

SEC Eyes Rule On Use Of 'Advisor' Title I Financial Advisor

Accounting regulator slashes its budget I PoliticoPro

MORTGAGES AND HOUSING

Billion-Dollar Landlords: Rental home giant once led by Trump ally is under fire from some tenants, critics I ABC News
Bruce and Lisa would soon learn that Starwood Waypoint was in fact a Scottsdale, Arizona-based company that owned tens of thousands of other single-family rental homes throughout the United States, and their landlord was, in effect, a man named Tom Barrack, then the company's billionaire co-chairman.

A close friend and political ally of President Donald Trump, Barrack directed the company to buy bundles of foreclosed homes after the housing market collapsed in 2008 and rather than reselling them, the company rented them to tenants, a business model Barrack once touted as nothing less than a redefinition of the American Dream...

In an interview with ABC News, Aaron Glantz, a senior reporter for Reveal from the Center for Investigative Reporting who has published a series of reports on the home rental business, described the company as "the ultimate, out-of-state, far-removed, absentee landlord" and Barrack as a businessman who prioritizes profits over people.

Through Fannie Mae, US taxpayers provide backing for rental home giants I ABC News
Some renters of homes owned by the "billion-dollar landlords" highlighted in an ABC News investigation might be surprised to learn that they, as taxpayers, have a stake in their corporate landlord's business. That's because of a new initiative by the Federal Housing Finance Agency (FHFA), in which Fannie Mae guarantees mortgage-backed securities on rental homes…

The first deal went to Invitation Homes, founded by financier Stephen Schwarzman, a onetime adviser of President Donald Trump and chairman and CEO of The Blackstone Group private equity firm. In January, it was disclosed that Invitation got $1 billion deal from Fannie Mae to back up its mortgages during the tail end of the Obama administration, thus helping Invitation lower its borrowing costs and acquire more units.

Meanwhile, some of the rental homes in the stable of Starwood Waypoint, a company once led by longtime Trump ally Tom Barrack, are still jointly owned with Fannie Mae in an arrangement that dates to the mortgage meltdown. The company mentions the joint venture in a 2017 filing with the Securities and Exchange Commission.

Study: Reverse mortgage foreclosures surged seven-fold in 2016 I PoliticoPro
Monthly foreclosures against seniors with federally insured reverse mortgages surged 646 percent in the last nine months of 2016 compared to the previous seven years, according to data released today by the California Reinvestment Coalition.

Between April 2009 and March 2016, foreclosures on reverse mortgages averaged 491 a month. Between April and December 2016, that monthly tally jumped more than seven-fold, the coalition said… "HUD appears to be doing little more than rubberstamping foreclosure requests by servicers who should be making every reasonable effort to preserve senior homeownership," Kevin Stein, deputy director at the coalition, said in a statement.

HUD spokesman Brian Sullivan said the spike probably corresponds to a change in the Federal Housing Administration's reverse mortgage program, which required lenders to more immediately address borrowers' failure to pay taxes or insurance, to mitigate future losses.

POLLING AND PUBLIC OPINION

Most Americans Are Liberal, Even If They Don't Know It I American Prospect (Peter Dreier)
[T]he focus on division and bigotry can obscure views that most Americans share, especially when it comes to such matters as economic fairness, protecting the environment, and the drift toward plutocracy. The vast majority of Americans are liberal or progressive when it comes to these matters. Even some Trump supporters, Republicans, and people who call themselves "conservatives" have liberal views on many topics.·

- 59 percent—and 72 percent of likely voters—think Wall Street has too much power and influence in Washington.
- 78 percent of likely voters support stronger rules and enforcement on the financial industry.

RETIREMENT INVESTMENT AND DOL FIDUCIARY RULE

DOL Ready to Enforce Fiduciary Rule: Acosta I ThinkAdvisor
Rep. Robert Scott, D-Va., ranking member on the House Education and Workforce Committee, told Acosta during his Wednesday testimony before the committee that while the best-interest standard, also known as the Impartial Conduct Standards, are "now in effect," as of June 9, "other parts of the rule are not."

He asked Acosta: "What would happen when a retiree has best interest violated — is essentially ripped off? What are the remedies?" Acosta replied: "If companies are not proceeding in good faith [with the best-interest standard] we still have enforcement authority. So if there are willful violations, we do have enforcement authority."

Scott probed further: "Does the individual have any individual remedy?"

"The enforcement authority within ERISA is a federal enforcement authority, not an individual enforcement authority," Acosta responded.

BenefitsPro/EBSA nominee Rutledge: 'I believe in ERISA' I ThinkAdvisor

Advisors Must Act in Customers' Best Interest: DOL Secretary I InvestmentNews

The Fiduciary Rule Delay: Why Does It Matter? I Investopedia

STUDENT LOANS AND FOR-PROFIT SCHOOLS

Behind the Lucrative Assembly Line of Student Debt Lawsuits I NY Times
Student loans have soared over the last decade, becoming the largest source of household debt outside of mortgages. The tide of rising defaults has also turned into a lucrative business, with companies collecting tens of millions of dollars through settlements, wage garnishments and other compelled payments.

Transworld Systems has been one of most prolific debt collectors, filing more than 38,000 lawsuits in the last three years on behalf of a single client, the National Collegiate Student Loan Trusts. But many of the cases were flawed, as the debt collector churned out mass-produced documentation based on scant verification, according to legal filings by a federal regulator and a New York Times analysis of court records from hundreds of cases.

In September, the regulator, the Consumer Financial Protection Bureau, accused National Collegiate and Transworld, in separate complaints, of using sloppy and illegal collections methods. Both parties agreed to settle and pay more than $21 million in penalties and refunds.

SYSTEMIC RISK

Treasury Calls for Overhaul of Systemically Important Designation I Fox Business
The Treasury Department on Friday called for an overhaul of the process for designating financial institutions as systemically important, a postcrisis label that subjects firms to stricter regulatory oversight…

Marcus Stanley, a Dodd-Frank supporter who is policy director for the **Americans for Financial Reform** advocacy group, said the changes would tilt the process in favor of companies. "You're letting companies that could be big and sensitive to the financial system make excuses that claim everything is fine," he said. "I'm sure AIG in 2005 would have come up with a very good argument."

Once the systemic label is applied, companies should be provided with a "clear 'off-ramp' " for getting the designation rescinded, the report added. AIG and GE Capital already have taken an "off-ramp" by persuading regulators to rescind their systemic designations.

Treasury's Phelan to join OFR as acting director I PoliticoPro

TAXES

House passes GOP tax bill, upping pressure on Senate effort I Washington Post
The tax bill Senate Republicans are championing would give large tax cuts to the rich while raising taxes on American families earning $10,000 to $75,000 over the next decade, according to a report released Thursday by the Joint Committee on Taxation, Congress's official nonpartisan analysts.

President Trump and Republican lawmakers have been heralding their bill as a win for hard-working Americans, but the JCT report casts doubt on that claim. Tax increases for households earning $10,000 to $30,000 would start in 2021 and grow sharply from there, JCT found. By 2027, most Americans earning $75,000 a year or less would be forced to pay more in taxes, while people earning more than $100,000 a year would continue to pay less. The report generated intense debate on Capitol Hill.

Senate tax bill would cut taxes of wealthy and increase taxes on families earning less than $75,000 by 2027 I Washington Post

See statement by **Take on Wall Street Campaign**.

Private equity fights on deductibility of interest payments I Financial Times
The sweeping Republican tax reform package first floated two weeks ago has panicked private equity executives who claim the changes will make buying and selling US companies harder and deter some companies from investing in the country.

The reforms are part of a broader package that would lower the corporate tax rate to 20 per cent from 35 per cent and allow companies to immediately deduct the costs of new investments in equipment for a period of five years.

Among the provisions is a proposed cap on the tax deductibility of interest payments exceeding 30 per cent of income, which will hurt buyout firms that primarily use debt to finance acquisitions, and those holding heavily indebted companies.

The Right Way to Cut Corporate Taxes I NY Times (editorial)
Eventually, Congress will need to do more than just patch the tax system. Even without the Republican tax cut plans, the Congressional Budget Office expects the federal deficit to grow to 5.2 percent of gross domestic product in 2027, up from 3.2 percent in 2016, thanks in part to the Bush tax cuts and the Iraq war. Lawmakers will need to consider new sources of revenue, including a value-added tax, a carbon tax and a financial transactions tax.

OTHER TOPICS

Wells Fargo Executive Fired After Complaining About Regulators I Wall Street Journal
Wells Fargo & Co. has fired its head of consumer lending, Franklin Codel, for his communication with a former employee after the employee was dismissed.

Mr. Codel was fired because of disparaging remarks he made about the regulatory system to a previously terminated senior employee, a person familiar with the matter said. The remarks related to how so-called golden parachute payments work, which impacted that employee, the person added.

Can Gov.-elect Murphy Make a Go of His Public Bank? I NJ Spotlight