AMERICANS FOR FINANCIAL REFORM

THIS WEEK IN WALL STREET REFORM
NOV. 15 – 21, 2014

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CONSUMER FINANCE & CFPB

Faith Leaders Join Consumer Advocates to Push for Lower Payday Loan Rates
Adele M. Banks, Washington Post, 11/19/14
Dozens of faith leaders and consumer advocates are pressing Congress to create a national interest rate cap for payday lenders instead of the exorbitant three-digit rates currently charged to people in several states.

Eighty activists from 22 states came to Washington in hopes of shaping new regulations that are expected from the Consumer Financial Protection Bureau. Many of their congregations are surrounded by payday loan businesses that they say prey on poor residents by charging high interest rates and creating a cycle of debt.

Faith Leaders and Consumer Advocates Mobilize Against Debt-Trap Lending
Marvin Silver, AFR Blog, 11/17/14

Christian Leaders Condemn Payday Lenders Who Con the Poor, Call For New Controls
Michael Gryboski, Christian Post, 11/21/14

See **compilation of social media posts** by faith and consumer advocates.

Ohio General Assembly Drops the Ball on Payday, NHS picks it up
David Rothstein, Crain's Cleveland, 11/14/14
Five years ago, Ohio passed the most robust payday lending regulation in the country in response to the revelation that there were more payday lenders in Ohio than the three most common fast-food chains combined… So why are more than 1,000 outlets still charging 391% interest rates?

The payday lenders are now using mortgage licenses and credit service arrangers to evade Ohio's usury cap while selling the same predatory loans… The Ohio Supreme Court recently ruled that using the mortgage lending law seems inappropriate, but the General Assembly needs to address it. And so the circle continues.

Payday Lenders Rarely Cough up Despite Flurry of Complaints to Regulator
Ned Resnikoff, Al Jazeera English, 11/17/14
Figures from the Consumer Financial Protection Board's database show that the regulator followed up on 1,579 complaints since payday loan customers were first allowed to file grievances with the board last November.

Of the 1,490 complaints that have been successfully closed, just 11 percent resulted in relief for the complainant. About 5 percent resulted in financial recompense, and 6 percent concluded with the consumer receiving some kind of nonmonetary relief, such as changes to the person's credit report.

Limits on Way for Nashville Pawnshops, Payday Loan Stores
Joey Garrison, Tennessean, 11/18/14

US Prosecutor Probes Payday Lending in Debt Scam Crackdown
Nate Raymond, Reuters, 11/20/14

See **Boston FED Study on Payday Lending**

Unscrupulous Lenders Still Target Military Families
Beverly Brown Ruggia, Trenton Times, 11/17/14

Department of Defense Announces New Payment Protections for Servicemembers
Factsheet, Department of Defense, 11/21/14

Consumer Federation of America Applauds New DOD Protections for Servicemembers
Press release, CFA, 11/21/14

Consumer Financial Protection Bureau Issues Broader than Expected Prepaid Card Proposal
Jeffery Werthan, National Law Review, 11/17/14

This Is Why Prepaid Cards Are Still Risky
Kara Brandeisky, Time, 11/13/14

Wells Fargo, PNC Draw Protest of Arbitration Clauses
Colin Wilhelm, American Banker, 11/20/14
Consumer activists are targeting the use of arbitration clauses at Wells Fargo and PNC Financial Services Group.

The activists hand-delivered protest petitions Thursday that, they said, contained 67,000 signatures. Arbitration clauses put consumers at an unfair disadvantage in disputes with their banks, the groups said. The Consumer Financial Protection Bureau has an ongoing study into the effects of arbitration clauses on consumers and **released initial data in December of last year**. The study was mandated by the Dodd-Frank Act; if the bureau determines that arbitration clauses harm the public, it has the authority to end them going forward.

"Forced arbitration is a secret weapon America's biggest banks are using to deny basic rights to citizens," Alexis Goldstein, communications director of Other98.com, said in a news release.

Consumer Action, **Americans for Financial Reform**, Public Citizen, The Other 98%, Alliance for Justice, the American Association for Justice and the National Association of Consumer Advocates helped organize the petitions.

Putting Big Banks on Notice for their "License to Steal"
Alexis Goldstein, Other 98%, 11/21/14

[CFPB Provides Guidance to Help Lenders Avoid Discrimination Against Consumers Receiving Disability Income]
Consumer Financial Protection Bureau, 11/18/14

[What Lenders Shouldn't Ask People with Disabilities]
Dina ElBoghdaddy, Washington Post, 11/20/14

[Hard Rain Has Started to Fall, A Product-by-Product Review of the CFPB's First 60 Enforcement Actions]
Jon Eisenberg, JDSupra Business Advisor, 11/14/14

[Consumer Financial Protection Bureau Takes First Action Against Pay Here Auto Dealer]
Consent Order, Consumer Financial Protection Bureau

[What Should Your Bank be Doing to Protect you Online?]
Braden Lammers, Louisville Business First, 11/17/14

See **[Speech by CFPB Director Richard Cordray on Electronic Payment Fraud]** **[Report: 'Serious Control Deficiencies' at Consumer Financial Protection Bureau]**
Jeryl Bier, Weekly Standard, 11/18/14

[Rising Fees Hurt Banks' Image, but Consumers Happy With Credit Unions]
Heather Draper, Denver Business Journal, 11/18/14
Customer satisfaction with banks is down thanks to rising fees, but credit union customers are happy campers, according to a national report released Tuesday by the **[American Customer Satisfaction Index]** (ACSI). Satisfaction with banks dropped 2.6 percent to an ACSI score of 76 (on a 100-point scale). The decline reverses two years of ACSI improvement for retail banks.

[Why Customers are Unhappy With Their Banks]
Kim Peterson, CBS News, 11/19/14

[Advance America Warns Maine Consumers About Bogus Calls]
PR Newswire, 11/13/14

[Will Should Take 3 Items off GOP's List]
Lexlie Eck, Columbus Dispatch, 11/17/14

[6 State AGs Call on CFPB to Issue Rules Banning Forced Arbitration In Consumer Contracts]
Delaware Attorney General's Office, 11/20/14

See **[joint letter]** to CFPB Director Cordray.

[Feds: Georgia Debt Collectors Bullied, Lied]
Larry Neumeister, Associated Press, 11/18/14
The country is facing an epidemic of unscrupulous debt collectors willing to pose as law enforcement and threaten arrest to squeeze dollars out of Americans, a top prosecutor said Tuesday as he announced the arrests of seven people who worked for an Atlanta-area company.

FTC, Illinois, and Ohio Stop Scheme That Offered 'Free' Credit Scores, Then Charged Consumers for Credit Monitoring Programs They Never Ordered
Federal Trade Commission, 11/18/14
The Federal Trade Commission has stopped an online scheme that allegedly lured consumers with "free" access to their credit scores and then billed them a recurring fee of $29.95 per month for a credit monitoring program they never ordered. The three companies have agreed to pay $22 million for consumer refunds under a settlement with the FTC and the state attorneys general in Illinois and Ohio.

More Banks Agree to use NY Database of Illegal Loans
Allissa Kline, Buffalo Business First, 11/13/14

DERIVATIVES, COMMODITIES & THE CFTC

Federal Site Helps Consumers Avoid Financial Fraud
Ann Carrns, NY Times, 11/20/14
Financial fraud is thriving, said Aitan Goelman, director of enforcement for the Commodity Futures Trading Commission, a government financial watchdog. So this week, the commission unveiled a national consumer education campaign and website aimed at helping investors avoid becoming victims.

Named **SmartCheck**, the program's crucial feature is an online tool that consumers can use to check the registrations and disciplinary histories of brokers and other financial professionals.

Now Federal Job-Killers Are Coming After Derivatives
Christopher Giancarlo, Wall Street Journal, 11/19/14

JPMorgan Settles Claims It Cheated Shale-Rights Owners
Margaret Cronin Fisk and Laurel Brubaker Calkins, Bloomberg, 11/16/14

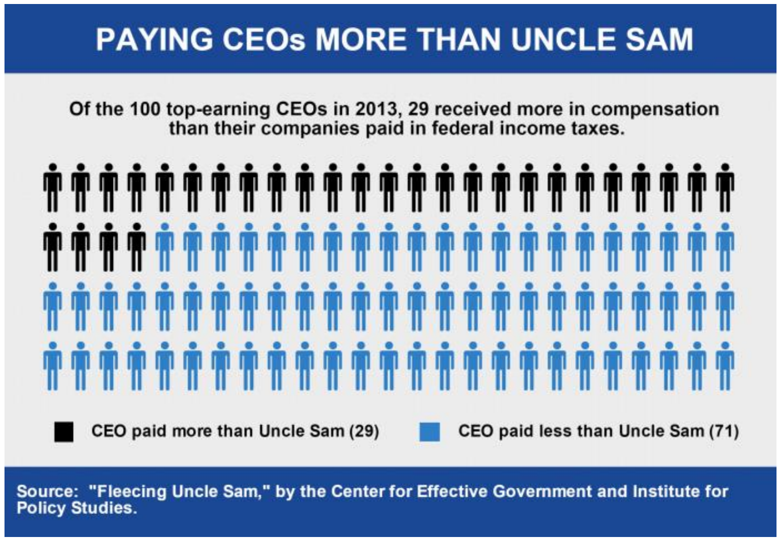
ENFORCEMENT

Goldman Ousts Currencies Trader Connected to Probe
Chiara Albanese, Wall Street Journal, 11/18/14
Goldman Sachs Group Inc., which wasn't punished in last week's foreign-exchange-manipulation settlements with U.S. and British regulators, has ousted a currencies trader who allegedly was involved with the misconduct before he joined the firm.

Will Loretta Lynch End 'Too Big To Jail'?
Nolan McCarty, Washington Post, 11/13/14

The Observer View on the Scandal of Rate-Fixing by Bankers
Opinion, The Guardian, 11/15/14
Where is the anger? Where are the protests and customers queueing up to withdraw their money and deposit it, where feasible, in the nearest credit union? Why aren't there pickets outside the headquarters of our "too big to fail" banks, decrying the despicable way in which traders, unsupervised for years, manipulated the markets? They did so at the expense of clients and our pension funds.

EXECUTIVE COMPENSATION



[Paying CEOs More than Uncle Sam]
Sarah Anderson & Scott Klinger, Institute for Policy Studies, 11/18/14
Of America's 30 largest corporations, seven paid their CEOs more last year than they paid in federal income taxes, according to a report released today by the Institute for Policy Studies and the Center for Effective Government.

The report, Fleecing Uncle Sam, also looks at the 100 highest-paid CEOs in 2013, finding that 29 received more in pay than their company paid in federal income taxes—up from 25 out of the top 100 in our 2010 and 2011 surveys. These 29 companies operate 237 subsidiaries in tax havens.

"Our corporate tax system is so broken that large, profitable firms can get away without paying their fair share and instead funnel massive funds into the pockets of top executives," notes Scott Klinger, Director of Revenue and Spending Policies at the Center for Effective Government and a co-author of the report.

Explaining Stock Buybacks
Nick Hanauer, Politico, 11/17/14
Ever since a former Wall Street CEO in charge of the Securities and Exchange Commission back in 1982 loosened the rules that define stock manipulation… U.S. corporations have increasingly resorted to stock buybacks to prop up share prices. According to a report in the Harvard Business Review by professor William Lazonick—"Profits Without Prosperity"—over the past 10 years, America's largest companies, those making up the S&P 500, have devoted a staggering 54 percent of their profits to buying back shares, reducing the total number outstanding and thus increasing the value of the remaining shares owned by capitalists like me.

A stock buyback, in case you are wondering, is when a public company buys its own shares. "Why on earth would a company do that?" you ask. To push the stock price higher, of course—which benefits senior managers who are all paid in stock—rather than, say, investing in R&D or in building new factories. Or paying you overtime for all those extra hours you work…

[Strategic News Releases in Equity Vesting Months]

European Corporate Governance Institute. August 2014

We show that CEOs strategically time corporate news releases to coincide with months in which their equity vests. These vesting months are determined by equity grants made several years prior, and thus unlikely driven by the current information environment. CEOs reallocate news into vesting months, and away from prior and subsequent months. They release 5% more discretionary news in vesting months than prior months, but there is no difference for non-discretionary news. These news releases lead to favourable media coverage, suggesting they are positive in tone. They also generate a temporary run-up in stock prices and market liquidity, potentially resulting from increased investor attention or reduced information asymmetry. The CEO takes advantage of these effects by cashing out shortly after the news releases.

Pay Pals

Shane Shifflett, Jay Boice, Hilary Fung and Aaron Bycoffe, Huffington Post, 11/17/14

CEO pay is determined by a company's board of directors. Those directors are compensated for the time they spend shaping the company's strategy. Here's what the Fortune 100 executives paid each other from 2008 to 2012.

Trading Desk Bonuses Coming From Grunts, Expenses 'Capped'

John Aidan Bryne, New York Post, 11/15/2015

This haircut really stings for Wall Street's worker bees. The huge swarms who do grunt work for the masters of the universe must rein in costs — because their bank and brokerage employers need more cash for a slimmed-down bonus season, according to financial services pros.

Carney: Bad Bankers Should Risk Salary Losses

Kevin McCoy, USA Today, 11/17/14

Bankers involved in excessive risk-taking or wrongdoing should risk having their fixed salaries cut as well as their bonuses, the head of the G20's global financial monitor said Monday.

FEDERAL RESERVE

Senators Challenge N.Y. Fed's Bank Oversight

Paul Davidson, USA Today, 11/21/14

In a sharply contentious Senate hearing, New York Federal Reserve Bank chief William Dudley on Friday denied lawmakers' claims that it's too cozy with the banks it regulates and fosters a culture that squelches dissent.

Noting that Dudley has urged big banks to improve their own cultures following the 2008 financial crisis, Sen. Elizabeth Warren, D-Mass., asked, "Don't you think the New York Fed also has a severe culture problem?"

"I don't think we have a severe culture problem to the same degree," Dudley replied. "But are we perfect? Absolutely not."

Subcommittee Chairman Sherrod Brown, D-Ohio, said the incident "speaks very strongly to the kind of environment" the New York Fed encourages.

But Dudley defended the reserve bank's review of the deal. "We did detailed vetting of that issue," he said. He said the New York Fed confirmed that Goldman had a conflict of interest policy and ultimately it did not approve the deal.

"You were not approving the transaction, but you let it go," Brown said.

Senator Merkley Questions NY Fed President on Too Big To Jail
Video Release, Senator Jeff Merkley, 11/21/14

New Scrutiny of Goldman's Ties to the New York Fed After a Leak
Jessica Silver-Greenberg, Ben Protess & Peter Eavis, NY Times, 11/19/14
Goldman, perhaps more than any other Wall Street bank, appears to be entwined with the New York Fed. While the firm and the Fed bristle at suggestions of coziness, they do swap the occasional employee. The New York Fed's president, William C. Dudley, was once Goldman's chief economist.

With the spotlight trained on the New York Fed, Mr. Dudley has come to the defense of his organization. Mr. Dudley said last month that "I don't think anyone should question our motives or what we are attempting to accomplish…"

But the recent leak of confidential records underscores the stubborn challenges facing the New York Fed. To become less deferential to banks, it must overcome patterns that are decades in the making.

After Criticism, Fed Will Study Wall St. Oversight
Peter Eavis, New York Times, 11/20/14
[C]onsumer advocates say that they saw a worrying hesitancy in how the New York Fed approached the overhaul of a crucial market for short-term secured loans that broke down during the financial crisis. After the crisis, the New York Fed effectively let the industry take the lead in the overhaul of that market. The Fed only took over once the banks involved in the market fell short in their effort.

"It showed the distance the New York Fed had to go, even post-crisis," said Marcus Stanley, policy director of **Americans for Financial Reform**, a group that favors strict regulation of Wall Street.

Fed's Little-Known IG Moves Front and Center
Damien Paletta, Wall St. Journal (blog), 11/20/14
The Federal Reserve has asked its inspector general, Mark Bialek, to scrutinize the manner in which the central bank oversees large financial companies, potentially pulling back the curtain on an area that has seen endless criticism since the financial crisis.

Warren, Manchin: We Need Tougher Watchdogs at the Fed
Peter Schroeder, The Hill, 11/18/14

Goldman May Hear Harsh Words at Hearing, But Has Backed Many on Panel
John Sugden, OpenSecrets.org
All but two of the subcommittee's 15 members — Sens. Jeff Merkley (D-Ore.) and Jerry Moran (R-Kan.) — have received contributions from Goldman during their careers.

Goldman has donated a total of $1.1 million total to current subcommittee members since 1989 — $911,000 of which went to Democrats. More than half of that total went to one individual, Sen. Charles Schumer (D-N.Y.). In fact, considering his campaign committee and leadership PAC combined, Schumer has received more from Goldman over the course of his career than any other current member of the Senate — and more from Goldman than from any other organization.

Lawmaker Seeks More Oversight of New York Fed President
Victoria McGrane, Morningstar, 11/18/14
The powerful head of the Federal Reserve Bank of New York would have to be nominated by the U.S. president and confirmed by the U.S. Senate, under legislation introduced Tuesday by a top Senate Democrat who said the post needs to be "truly accountable to taxpayers."

The Fed Needs Governors Who Aren't Wall Street Insiders:
Elizabeth Warren and Joe Manchin, Wall Street Journal, 11/17/14

Smoke and errors - Fed Transparency and Bank Supervision
Tom Braithwaite, Financial Times, 11/17/14

HOUSING AND MORTGAGES

Mortgage Giants' Stance Against Principal Reduction may be Softening
E. Scott Reckard, Los Angeles Times, 11/19/14
Jaime Coronel's pick and shovel sat idle when the recession made landscaping jobs scarce, and the home where he and his wife, Juana, raised four children fell into foreclosure. Mortgage giant Fannie Mae gave permission in 2010 for the Coronels to stay on in the Azusa house as renters.

"That was the best deal that we could get at the time," said Peter Kuhns, a Los Angeles organizer of an activist group that took up the Coronels' cause, disrupting banks and invading Fannie Mae's Pasadena offices, a 20-minute drive from the couple's working-class neighborhood. Religious and community leaders and state legislators joined in, lobbying on their behalf.

On Friday, the Coronels, now living on Social Security and Jaime's pension as a union laborer, will throw a party to celebrate another Fannie Mae concession that lets them buy back their home for $280,000, far less than the $400,000-plus debt that had gone into default. The effect of the deal was to reduce the principal owed by the Mexican immigrants, enabling them to qualify for a new mortgage.

Azusa Family Wins Historic Fight to Buy Foreclosed Home
Sid Garcia, ABC-7, Los Angeles

Principal Reduction for Underwater Homeowners not off Table, Official Testifies
Dina ElBoghdady, Washington Post, 11/19/14
One of the mortgage industry's most influential regulators told a Senate panel Wednesday that a controversial form of debt relief for borrowers who have no equity left in their homes is "not off the table."

But that was not good enough for one lawmaker, who wanted to know why the director of the Federal Housing Finance Agency (FHFA) has not acted sooner to help "underwater" homeowners who owe more on their mortgages than their homes are worth, leaving them vulnerable to foreclosure.

Mel Watt, the director, said he has been trying to figure out whether there is a way to responsibly help struggling underwater borrowers by reducing the size of their loans, a type of relief known as “principal reduction.” But he said the issue is a tough one, “perhaps the most” difficult he has faced since becoming the overseer of the mortgage giants Fannie Mae and Freddie Mac in January.

Dems Sharply Criticize FHFA's Watt on Principal Reductions
Victoria Finkle, American Banker, 11/19/14

Civil Rights Groups Join Calls to Bring GSE’s out From Nest
Trey Garrison, Housing Wire, 11/20/14
[FHFA Director Mel] Watt is getting pressure from a number of civil rights groups forming a growing coalition that is also calling for an end to conservatorship. The Leadership Conference on Civil and Human Rights has bonded with the largest Hispanic civil rights organization in the country, the National Council on La Raza, and sent a letter stating just that.

“The GSEs require capital if they are to serve their historic mission. As your agency proceeds with its decisions on affordable housing policies, those policies naturally must be balanced with FHFA’s statutory obligation as conservator to the safety and soundness of these enterprises,” the organization writes. “We applaud FHFA for its announcement last month on the expansion of lending to middle class borrowers, but we note that this expansion will require capital. We also note that some of the current proposals to raise g-fees and to impose new requirements on private mortgage insurers will increase the costs of borrowing, and would still fall short of building the capital needed to grow a robust and healthy housing market.

See statements by **NCLC** and **AFR**.

HUD's Castro Wants to Restart Debate Over GSE Reform
Brian Collins, American Banker, 11/17/14

Borrowers, Beware: The Robosigners Aren't Finished Yet
Gretchen Morgenson, New York Times, 11/15/14

Does Housing Counseling Work? According to a New Study by the Federal Reserve Bank of Philadelphia, Yes.
National Housing Resource Center, 7/14/14

INVESTOR RIGHTS AND THE SEC

Mary Jo White and the Investment Adviser Regulation Debate
Frances Denmark, Institutional Investor, 11/18/14
[B]efore the November 10 event, I hadn’t realized that the securities industry has a powerful advocate in the person of Securities and Exchange Commission Chair Mary Jo White… White appeared unconvinced that salespeople should be governed by the same rules as advisers. Responding to a query on the fiduciary standard issue, White said, “Care needs to be taken to ensure we’re not harming investors by driving away service providers in the brokerage space.” That’s right: White is concerned that investors could be harmed if a new fiduciary standard for fund salespeople meant they could not sell as hard or as inappropriately as they do now.

Financial Firms Lobby Hard Against Stricter Protections
Christopher Rowland, Boston Globe, 11/16/14
The sting operation had the trappings of a Wall Street thriller, except that it was run by a team of Harvard and MIT economists. In an audacious experiment, the professors dispatched a squad of undercover operatives across Cambridge and Boston to pose as middle-class investors and ask retail brokers for investment advice.

The results were revealing. Just 21 out of 284 brokers contacted by the phony clients recommended investing in index funds, which mirror broader market performance and carry the smallest fees. Nearly half the brokers, meanwhile, steered clients toward actively managed mutual funds. Those funds — which sometimes beat the market but most often don’t — carry higher fees that enrich brokers and fund managers but, critics say, stunt the growth of middle-class nest eggs.

The type of routine sales practices highlighted in the Massachusetts study, and a recent follow-up in New York involving 650 undercover visits, are driving an impassioned debate in Washington about whether small investors need stronger protections from an industry aggressively competing for a slice of their retirement savings. Advocates want strict rules forcing brokers to put their clients’ interests first.

Private Equity is Coming for Your Nest Egg
Eileen Appelbaum, The Hill, 11/14/14
In an excellent recent article, William Alden highlights private equity's new interest in the retirement savings of individuals. Alden quotes the CEO of a firm that advises institutional investors in private equity as saying, "Pension funds are a dying breed. The virgin territory is really high net worth [individuals] and 401(k)'s."

SEC Rule Takes aim at Trading System Glitches
John Waggoner, USA Today, 11/19/14

Understanding Trends In Banks' Trading Revenues – Systemic risk section rather than here
Trefis Team, Forbes, 11/19/14

SEC to Vote on Regulation to Promote System Integrity
Eric Garcia, Market Watch, 11/18/14

MUNICIPAL FINANCE

Teachers Union, Advocates Ask Chicago Public Schools to Act on Costly Borrowing
Heather Gillers, Chicago Tribune, 11/20/14
Nearly 50 people gathered at Chicago City Hall on Thursday calling for city and school officials to try to recoup money spent on costly school borrowing deals. Some demonstrators were eventually removed by police…

"I want to send a message to the bankers: 'We don't have any more money to give you,' " said Nelson Soza, executive director of the Pilsen Alliance. "The children don't have any more money. Renegotiate these deals."

Mayor Rahm Emanuel said last week he does not believe the schools can recoup money, saying "there's a thing called a contract."

POLITICAL INFLUENCE OF WALL STREET AND REVOLVING DOOR

New Opposition to Lazard Banker's Nomination to Treasury Post

Michael J. De La Merced, NY Times, 11/19/14

The Independent Community Bankers of America, an industry group, wrote a letter to several senators on Wednesday that laid out the organization's problems with Mr. Weiss's appointment. It follows planned opposition to Mr. Weiss from two prominent Democratic Senators: Elizabeth Warren of Massachusetts, who has won favor from the party's liberal wing for her anti-Wall Street stance, and Richard J. Durbin of Illinois, the outgoing Senate majority whip.

Community Bankers Join Opposition to Treasury Nominee Antonio Weiss

Victoria McGrane, Wall St. Journal, 11/19/14

Camden Fine, president of the influential Independent Community Bankers of America…. said he's worried Mr. Weiss, an experienced Wall Street deal-maker who is currently at Lazard Ltd., doesn't understand the needs of small and mid-size banks.

"While Mr. Weiss has impressive credentials as a top Wall Street executive specializing in international mergers and acquisitions, Wall Street is already well represented at Treasury, and the narrow focus of Mr. Weiss's professional experience is a serious concern for ICBA and community banks nationwide," Mr. Fine said in [a] letter is addressed to the chairmen and ranking members of the Senate Finance and Banking committees.

Enough Is Enough: The President's Latest Wall Street Nominee

Sen. Elizabeth Warren, Huffington Post, 11/19/14

So who is Antonio Weiss? He's the head of global investment banking for the financial giant Lazard. He has spent the last 20 years of his career at Lazard -- most of it advising on international mergers and acquisitions.

That raises the first issue. Weiss has spent most of his career working on international transactions -- from 2001 to 2009 he lived and worked in Paris -- and now he's being asked to run domestic finance at Treasury. Neither his background nor his professional experience makes him qualified to oversee consumer protection and domestic regulatory functions at the Treasury…

The second issue is corporate inversions. Basically, a bunch of companies have decided that all the regular tax loopholes they get to exploit aren't enough, so they have begun taking advantage of an even bigger loophole that allows them to maintain their operations in America but claim foreign citizenship and cut their U.S. taxes even more. No one is fooled by the bland words "corporate inversion." These companies renounce their American citizenship and turn their backs on this country simply to boost their profits.

Bank Payouts for Government-Job Takers Under Fire

Christina Rexrode, Wall St. Journal, 11/19/14

A shareholder activist group is taking aim at the revolving door between banks and the U.S. government. The union group AFL-CIO sent letters Wednesday to seven banks, including Citigroup Inc., J.P. Morgan Chase & Co. and Goldman Sachs Group Inc., asking for more information on how they pay executives departing for government jobs.

Shareholder groups have long disparaged “golden parachutes,” or payouts for executives when they leave a company. But the AFL-CIO’s focus on payouts for executives who leave for the public sector is a new wrinkle.

In two-page letters to the banks, the AFL-CIO asks for disclosure of which executives could receive accelerated or continued stock awards—something that employees often have to give up when they resign from a company— if they leave for government service.
The letter raises the questions in the context of executive compensation and what shareholders get out of the payments.

[More Light Needed on Wall Street's Revolving Door]
Daniel Inviglio, NY Times, 11/20/14

[Wells Fargo Names Ex-Fed Gov. Duke to Board]
Kevin Wack, American Banker, 11/19/14

[Why Democrats Need Rich People, Too]
Dana Milbank, Washington Post, 11/18/14

[The Wall Street ‘Election’ Campaign Is On. How Will You Respond?]
Knut Rostad, Think Advisor, 11/18/14
The midterm election results are still fresh and Wall Street's grin, with a friendlier Congress in hand, is still wide.

Last week at a Securities Industry Financial Markets Association (SIFMA) meeting, there was talk of the lobby group's "election strategy" for defeating fiduciary rulemaking at the Department of Labor. Former SIFMA chairman Jim Rosenthal boasted of its lobbying victories to date, and then offered a peek into what's ahead. According to Mark Schoeff of *Investment News*, Rosenthal said "essentially we mobilized thousands when we have the potential to mobilize hundreds of thousands of employees and millions" of customers.

Mobilize for what? According to Schoeff, Rosenthal left nothing to the imagination. "Rosenthal asserted that the rule would force IRAs to be held only in managed accounts that charge investors fees based on assets under management. It would curtail their being offered in brokerage accounts that charge investors on a transaction basis for trades. He said that such an arrangement would prevent brokers from servicing small accounts."

[Himes: Wall Street Ties Likely Cost Him Leadership Post]
Connecticut Post, 11/18/14
Wall Street is indeed a one-way street for U.S. Rep. Jim Himes, D-Conn., and not just on maps. Adept at mining campaign cash for House Democrats from the financial services industry, which he once worked in as a Goldman Sachs executive, Himes said Tuesday those very same connections likely factored into his being passed over for his caucus' top political leadership post…

The plum assignment went to New Mexico Democrat Ben Ray Lujan, ending months of speculation that Himes would rise from finance chairman of the DCCC to the organization's boss.

Hillary Clinton's Wall Street Ties Are a Problem for Iowa Democratic Caucusgoers
Jonathan Allen, Bloomberg, 10/14/14
Those are among the findings of a Bloomberg Politics/Des Moines Register Iowa Poll that shows Clinton remains the prohibitive frontrunner to win the 2016 Iowa presidential caucuses. Clinton is the top candidate for 53 percent of likely Democratic caucusgoers. That's roughly five times bigger than Massachusetts Senator Elizabeth Warren, who follows with 10 percent support as a first pick. Vice President Joe Biden is the top choice for 9 percent of likely caucusgoers, while 2004 Democratic nominee John Kerry draws 7 percent.

Hillary Clinton's Comment on Jobs Raises Eyebrows on Wall St.
Andrew Ross Sorkin, New York Times, 10/27/14

Hillary Clinton's Populism Problem: What her Awkward Campaign Trail Comments Reveal About her Biggest Weakness
Luke Brinker, Salon, 10/27/14

Hillary Clinton's Wall Street problem
Harold Meyerson, Washington Post, 10/30/14

STUDENT LOANS AND FOR-PROFIT COLLEGES

Troubled For-Profit College Gets a Savior With Its Own Checkered Past
Natalie Kitroeff and Akane Otani, Bloomberg, 11/20/14
The Educational Credit Management Corp. announced Thursday it plans to buy 56 of troubled Corinthian Colleges' 107 campuses for $24 million—quite a deal, considering the chain was worth $4.2 billion in 2003.

But ECMC, as it's called, has had troubles of its own. The nonprofit's primary business is as a guarantor of student loans; it collects on the loans it guarantees. It also runs a secondary business, in which it aggressively fights borrowers in court when they try to offload student loans in bankruptcy. The deal "raises great questions about their purposes," says Representative Steve Cohen, a Democrat from Tennessee, citing ECMC's "dubious or questionable tactics" and the predatory practices of the for-profit college industry. "There's a stench that's out there above this whole area, and the merger."

Senior Democrats Criticize Changes in Education Dept.'s Default Rate
Andy Thomason, The Chronicle of Higher Education, 11/18/14

Disdainful Employment Rule
Wall Street Journal, 11/16/14

Take Out a Student Loan to Help Build Credit?
Lindsay Konsko, USA Today, 11/15/14

Veterans: Take Advantage of Student Loan Forgiveness, but Don't let it Damage Your Credit
Holly Petraeus, Rohit Chopra, CFPB Blog, 11/17/14

VA Lags in Addressing Complaints Against Colleges Using GI Bill Funds
Aaron Glantz, Center for Investigative Reporting, 11/19/14

For-Profit Universities Are Not Inherently Bad
Barry Bozeman, Derrick Anderson, The Boston Globe, 11/16/14

Why Students Suffer at for-Profit Schools, and how to Protect Them
Whitney Barkley, MSNBC, 11/17/14

SYSTEMIC RISK

OCC's Fine Print Contains Tough Requirements for Directors
Rachel Witkowski, American Banker, 11/18/14
The OCC bowed to industry pressure in late September to remove the word "ensure" from its heightened expectations guidelines for the biggest institutions after bankers argued it would create unintentional litigation risk for boards of directors. But few noticed a month later when the OCC inserted virtually the same language in its updated supervision policy on matters requiring attention.

Senate Report Finds Goldman and JPMorgan Can Influence Commodities
Nathaniel Popper and Peter Eavis, NY Times, 11/19/14
The 400-page report, which was made public on Wednesday evening, included case studies on nine different commodities in which banks have taken big ownership stakes, including the 100 oil tankers and 55 million barrels of oil storage capacity that were owned by Morgan Stanley, and the 31 power plants owned by JPMorgan.

The subcommittee discussed several reasons that these commodity operations could create problems. The potential for price manipulation and the unfair advantage that banks can gain in these markets were among the top concerns expressed by Senator Levin and Senator John McCain, the top Republican on the subcommittee.

But both senators also echoed previous warnings that the enormous holdings of oil, uranium and other hazardous materials could expose the banks to significant legal liability that could, in turn, dent public confidence in the banks.

Small Towns Go to Bat for Wall Street Banks
Deborah Soloman, Ryan Tracy, Wall Street Journal, 11/17/14
A Federal Reserve plan that could stop big banks from owning oil pipelines, metals warehouses and other physical-commodity assets is sounding alarm bells hundreds of miles from Wall Street.

Small-town officials from Alabama, Louisiana, North Carolina and other states are warning of unintended consequences from the Fed's proposal, telling lawmakers and regulators it could prevent municipalities from delivering natural gas to tens of thousands of customers.

The pushback threatens to complicate an already thorny issue, with mayors and other local officials descending on Capitol Hill to defend the big banks in lawmakers' cross hairs.

'Immoral, But Not Illegal': Metal Warehousing Games in the Spotlight
Josephine Mason, Reuters, 11/21/14

Figuring Out if a Financial Institution Is Too Big to Fail
David Zaring, The New York Times, 11/14/14

[**Big Banks Could Pay More Toward Deposit Insurance Under FDIC Changes**]
Emily Stephenson, Reuters, 11/18/14

[**Is the FDIC Subsidizing a 'Too Big to Fail' Merger?**]
Kevin Stein and Daniel Rodriguez, American Banker, 11/20/14
The proposed merger between CIT Group and OneWest Bank would be one of the first times that bank regulators enable a deal that results in a systemically important financial institution…

In 2009, OneWest — a holding company formed by billionaire investors including George Soros, John Paulson and Dell founder Michael Dell — purchased the failed IndyMac Bank, which had originated thousands of distressed mortgages. As part of the sale, the FDIC entered into a shared-loss agreement with OneWest whereby the government agency agreed to cover the costs of certain IndyMac loan losses.

Under the agreement, OneWest committed to use federal mortgage modification programs to keep struggling borrowers in their homes when possible. If loan modifications didn't work, the FDIC agreed to share in the cost of failed loans, with OneWest absorbing the first 20% of loan losses (approximately $2.5 billion). Once that threshold was met, the FDIC would pay 80% of the cost for the next 10% of losses, and 95% of the cost for losses beyond that amount.

However, it is unclear if OneWest actually met its obligation to modify loans rather than simply foreclosing. According to data from ForeclosureRadar.com, OneWest foreclosed on over 35,000 homeowners in California, including seniors and their surviving spouses who had reverse mortgages from a subsidiary of OneWest… The high number of foreclosures is worrisome, but perhaps not surprising, since nonprofit housing counselors consistently ranked OneWest as one of the most difficult servicers to work with in helping homeowners avoid foreclosure.

OTHER TOPICS

[**Streamlined Regulation Should Be the Next Frontier of Financial Reform**]
Marshall Lux and Robert Greene, American Banker, 11/20/14
Take community banks, institutions that Main Street has long relied upon to provide banking services to local businesses and consumers. American banks have been consolidating for decades, but community banks are being driven to the wall by over-regulation and compliance burdens. Between Dodd-Frank's passage in 2010 and late 2013, small banks' share of U.S. banking assets has declined 18.6%, and 650 of them have disappeared. As Kansas City Federal Reserve President Esther George warns, "Communities that rely on smaller banks for access to credit are feeling the weight of regulatory burden."

Meanwhile, the five largest U.S. bank holding companies' share of assets grew over 10% from early 2007 to mid-2014, to 46%, according to our findings in a working paper for the the Mossavar-Rahmani Center for Business and Government to be published in December.

[**Why the One Percent Hates Obama**]
Paul Krugman, New York Times, 11/13/14

Shale Boom Helps North Dakota Bank Earn Returns Goldman Would Envy
Chester Dawson, Wall Street Journal, 11/16/14
Set up in 1919 under a socialist-oriented government that represented farmers frustrated with out-of-state commodity and railroad owners, the bank treads a fine line between the private and public sectors in what today is a solidly Republican state. It traditionally extends credit, or invests directly, in areas other lenders shun, such as rural housing loans.

The bank's mission is promoting economic development, not competing with private banks. "We're a state agency and profit maximization isn't what drives us," President Eric Hardmeyer said. At the same time, he said "it's important to me that we show a respectable bottom line" to taxpayers, noting that the bank historically has returned profits to the state's coffers.

Current Issues in Securities Regulation: The 'Hot' Topics
Kara Stein, speech at Columbia Law School, 11/21/14

Demystifying Dodd-Frank: 12 Ways it Reforms the Financial System
Lauren Oppenheimer and Jim Kessler, Third Way (report), 11/18/14

Dodd: 'I Didn't Write the Ten Commandments With This Bill'
Mark Holan, Washington Business Journal, 11/18/14

Call to Congress: End Loophole for Tax on Elite
James B. Stewart, NY Times, 11/14/14

The End of Dodd-Frank?
Mark Calabria, Washington Times, 11/13/14