AMERICANS FOR FINANCIAL REFORM

THIS WEEK IN WALL STREET REFORM
NOVEMBER 1 – 7, 2014

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Wall Street Has a Good Election
M.J. Lee, Politico, 11/5/14
Rep. Shelley Moore Capito, a friendly face to bankers as a veteran member of the House Financial Services Committee, handily defeated Democrat Natalie Tennant in West Virginia. Rep. Cory Gardner, a clear favorite within the banking industry, unseated incumbent Democratic Sen. Mark Udall in Colorado. It was also a good night for several fixtures in the Senate GOP establishment familiar to the industry, including Senate Minority Leader Mitch McConnell in Kentucky and Thad Cochran in Mississippi, who each had their toughest reelection battles in decades.

On the other side of the aisle, Jeanne Shaheen won reelection in New Hampshire and Mark Warner in Virginia looked likely to fend off his Republican challenger in a neck-and-neck race — both pro-business Democratic senators viewed as a counter to the "break up the banks" faction of their party. And while banking industry ally Sen. Kay Hagan (D-N.C.) lost her reelection fight, she will be replaced by state House Speaker Thom Tillis, a favorite of K Street Republicans who's seen as a natural ally for the finance community.

Increasingly wary of tea party Republicans and sensitive to attacks from liberal Democrats, Wall Street is welcoming the successful campaigns of establishment-backed GOP candidates and the reelection of moderate Democrats in the Senate this cycle.

Route to Power for Democrats: Big Ideas
Adam Green and Stephanie Taylor, The Hill, 11/6/14
While progressives such as Sens. Al Franken (D-Minn.), Jeff Merkley (D-ore.), and Brian Schatz (D-Hawaii) won re-election -- and Representatives Rick Nolan (D-Minn.) and Mike Honda (D-Calif.) won their close races -- they won because they have consistently been economic populists and local voters knew that. But for other Democrats across the nation, nothing substitutes for a clear, authentic, united Democratic message focused on big ideas.

Moving forward, something needs to change for Democrats. We need a bigger politics. We won't win our own tidal wave elections unless we can build a movement around big ideas -- like free college education, full employment, Medicare for All, expanded Social Security, and real reform of Wall Street.

The 2014 Election Was About the Economy, and Democrats Have Only Themselves to Blame
Zach Carter, Huffington Post, 11/5/14
When Republicans crow that the 2014 midterms were a referendum on Obama's failed policies, guess what? They're right, albeit unwittingly so. After all, these are also the failed policies of the

GOP. Despite all of the gridlock and obstruction of the past six years, Washington continues to be dominated by a thoroughly bipartisan economic agenda -- one that favors the plight of wealthy elites well above the plight of ordinary human Americans. (You know, the very people that ponied up the boodle to fund all of these bailouts!) As the American economic ship was sinking into the icy deep, Obama and Senate Minority Leader Mitch McConnell (R-Ky.) hewed to a strict "bankers and brokers first" lifeboat policy. Then they squinched up their faces and talked about how it sure would have been nice if there had been some more lifeboats for everybody else.

Foreclosures were more than an optics problem. There's increasing evidence that housing help would have been among the most efficient ways to boost the overall economy, particularly a recent study from Atif Mian and Amir Sufi. The excuses that Obama's economic team has offered for not acting -- Summers' bemoaning the hit to "political capital" -- seem pretty stupid in light of the hit they took for bailing out Wall Street.
And Tuesday's exit polls suggest that this was at the heart of the Democratic rout. Almost two-thirds of voters said the American economic system favors the rich, while only a third said it is "fair to most Americans." The economy, as in every election since 2008, remained the top issue on voters' minds.

Shelby Poised to Take Senate Banking

Dave Clarke and Zachary Warmbrodt, Politico, 11/5/14

A Republican Senate takeover means that Sen. Richard Shelby will likely return as chairman of the Senate Banking Committee next year. The Alabama Republican has been critical of big banks for years and could put them under heavy scrutiny in the next Congress. In 1999 he opposed getting rid of Glass-Steagall, he voted against TARP in 2008 and voted for the Brown-Kaufman amendment in 2010 that would have forced Wall Street banks to shrink. As chairman he could join up with liberal Democrats to give a bipartisan shine to a push for tougher capital requirements and hearings questioning whether regulators and prosecutors are going soft on Wall Street.

He can also be counted on to target the parts of the 2010 Dodd-Frank law that Republicans like the least - with the Consumer Financial Protection Bureau at the top of the list. Also likely to be in Shelby's crosshairs? The Federal Reserve. Shelby has been critical of the Fed's easy money policies as well as its regulatory approach. He can be expected to find areas where he and House Financial Services Chairman Jeb Hensarling can craft bills that will get through both chambers and force a veto showdown with President Obama. What's less clear is whether they can agree on major policy initiatives, such as what to do with Fannie Mae and Freddie Mac.

Four Takeaways for Banks from the GOP's Sweeping Election Victory

Victoria Finkle & Rob Blackwell, American Banker, 11/5/14

The big losers here are the Fed and CFPB: While CFPB Director Richard Cordray can breathe easy that a bill to reshape his agency is unlikely to be enacted, his life is still likely to become significantly harder… [Prospective Senate Banking Committee chairman Richard Shelby] has been vociferous in his arguments that the CFPB holds too much power. He may not be able to move legislation clipping the agency's wings, but he can hold hearing after hearing demanding it account for its actions.

The situation is just as fraught for the Federal Reserve Board. Since the financial crisis, the cries to "audit the Fed," — that is force it to provide more information about its monetary policymaking — have grown steadily louder on both the far right and the far left. Current Senate Banking Committee Chairman Tim Johnson, D-S.D., is a moderate who doesn't share the skepticism of Fed authority. But Shelby is a well-known Fed critic who voted against Chair Janet Yellen's confirmation earlier this year.

The First Steps Republicans Should Take
George Will, Washington Post, 11/5/14
No. 1: Abolish the Consumer Financial Protection Bureau. This creature of the labyrinthine Dodd-Frank law violates John Locke's dictum: "The legislative cannot transfer the power of making laws to any other hands. . . . The power of the legislative . . . [is] only to make laws, and not to make legislators." The CFPB is empowered to "declare," with no legislative guidance or institutional inhibitions, that certain business practices are "abusive."

It's Time to Work on America's Agenda
Elizabeth Warren, Washington Post, 11/7/14
Yes, we need action. But action must be focused in the right place: on ending tax laws riddled with loopholes that favor giant corporations, on breaking up the financial institutions that continue to threaten our economy, and on giving people struggling with high-interest student loans the same chance to refinance their debt that every Wall Street corporation enjoys. There's no shortage of work that Congress can do, but the agenda shouldn't be drawn up by a bunch of corporate lobbyists and lawyers.

Three Easy Fixes to Dodd-Frank
Paul H. Kupiec, Wall St Journal, 11/5/14

GOP Win Could Spark Party on Wall Street
Matt Egan, CNN, 11/2/2014

Election Puts Extra Pension Funds in Control Of Wall Street Financial Services
David Sirota, International Business Times, 11/5/14
No recount will be needed to declare one unambiguous winner in Tuesday's gubernatorial elections: the financial services industry. From Illinois to Massachusetts, voters effectively placed more than $100 billion worth of public pension investments under the control of executives-turned-politicians whose firms profit by managing state pension money.

The elections played out as states and cities across the country debate the merits of shifting public pension money -- the retirement savings for police, firefighters, teachers and other public employees -- from plain vanilla investments such as index funds into higher-risk alternatives like hedge funds and private equity funds.

CONSUMER FINANCE & CFPB

Growing Push to Stop Payday Loan Debt Trap
Charlene Crowell, North Dallas Gazette, 11/7/14
In October, the National Association of Evangelicals (NAE), representing more than 45,000 churches and 40 different denominations, sent a resolution to CFPB Director Richard Cordray, the nation's top financial cop. In part it states, "We call on the Consumer Financial Protection Bureau to investigate predatory lending abuses and to establish just regulations that protect the poor in our communities.,,"

On the heels of NAE's resolution, 467 consumer advocates representing every state in the nation and more than a million consumers called for specific minimum standards in the small-dollar rulemaking. Coordinated by **Americans for Financial Reform**, the allies urged CFPB

Director Richard Cordray to end payday, car-title and high-cost installment loans with 300 percent interest or higher interest rates. After citing well-documented research on predatory lending, the group letter reminded the regulator of the serious harms caused to consumers.

Payday Lending for Military Families a Growing Concern, Federal Regulator Says
Paul Purpura, New Orelans Times-Picayune, 11/7/14
During the past three years, the federal Consumer Financial Protection Bureau has handled about 320 Louisiana complaints from members of the military, their families and veterans. Of them, 150 complaints stem from experiences with debt collectors who sometimes use unscrupulous practices, says Holly Petraeus, who leads the bureau's three-year-old Office of Servicemember Affairs.

CFPB Finds Debt Collection Tops Older Consumer Complaints
Ashlee Kieler, Consumerist, 11/5/2014
Today the Consumer Financial Protection Bureau (CFPB) released a report highlighting debt collection as a top complaint for older Americans, many of whom say they struggle with debt in retirement. According to the report, some of the debt collection issues older Americans complain about include collectors: hounding about medical debt, attempting to collect on debts of deceased family members, and illegally threatening to garnish federal benefits. The CFPB is issuing a consumer advisory today to help older Americans deal with harassing debt collectors.

See CFPB **Snapshot Of Debt Collection Complaints Submitted By Older Consumers**

Ideas to Improve Financial Lives, from the Treasurer's Office
Patricia Cohen, N.Y.Times, 11/4/14
Known primarily as number crunchers and tax collectors, treasurers for state and local governments traditionally were limited to activities like processing payrolls, managing budgets, safeguarding pensions and being the target of accountant jokes. But in recent years, some of these workaday officials have taken on a role as public visionaries, pushing through experimental policies aimed at lifting the fortunes of low- and moderate-income families.
In San Francisco, an effort by the treasurer, Jose Cisneros, to give poor people free or low-cost bank accounts has been replicated in more than 100 cities. Emulating another San Francisco initiative, Nevada's treasurer, Kate Marshall, developed the first statewide college savings account s in the nation for every child entering kindergarten in the public schools. And in Chicago, Stephanie Neely, the treasurer, has introduced a financial literacy curriculum in public schools.

Credit Cards Ride Wave of Electronic Payments
Saabira Chaudhuri, Wall Street Journal, 10/30/2014
Consumers are spending more and using cash less, a combination that is driving profits higher at MasterCard Inc. and Visa Inc., the largest credit-card payment networks in the world. MasterCard reported third-quarter earnings on Thursday that eclipsed analysts' estimates, sending its stock soaring the most since August 2011.

Executive Order on Credit Card Security Shouldn't Overlook Mobile Payments
Daniel Castro, The Hill, 10/31/2014

Computer-Chip Security Coming to Credit Cards
Diana Louise Carter, USA Today, 11/1/2014
That familiar swiping motion we make at the checkout is about to go the way of the Walkman. Even if you're not one of the millions able to tap into Apple Pay or Google Wallet, changes in the

security measures of traditional payment cards are prompting many merchants to switch to a new kind of credit card reader by October 2015.

[When it Comes to Car Loans, it Pays To Stay in the Fast Lane]
Michelle Singletarry, Washington Post, 11/7/13

[Here's How the New Chip-and-PIN Credit Cards Could be DOA]
Adam Levin, Forbes, 10/31/2014

[How Operation Choke Point Hurts the Unbanked]
William Isaac, American Banker, 11/4/2014

DERIVATIVES, COMMODITIES & THE CFTC

[CFTC Pulls Record $3.27 Billion in Penalties]
Peter Schroeder, The Hill, 11/6/14

[Regional Banks Push Back Against Swaps 'Push-Out' Rule]
Victoria McGrane, Wall Street Journal, 10/30/2014

ENFORCEMENT

[Banks Budget Billions to Settle Currency Probes]
Kevin McCoy, USA Today, 11/3/2014
JPMorgan Chase (JPM) disclosed Monday that the New York-based global bank is in talks with the Department of Justice over a criminal investigation of its foreign exchange business. Confirming the probe in a quarterly financial filing, the bank also said it was conducting similar talks with enforcement and regulatory authorities conducting civil investigations.

[The $9 Billion Witness: Meet JPMorgan Chase's Worst Nightmare]
Matt Taibbi, Rolling Stone, 11/6/14
[Alayne] Fleischmann is a tall, thin, quick-witted securities lawyer in her late thirties, with long blond hair, pale-blue eyes and an infectious sense of humor that has survived some very tough times. She's had to struggle to find work despite some striking skills and qualifications, a common symptom of a not-so-common condition called being a whistle-blower.

Fleischmann is the central witness in one of the biggest cases of white-collar crime in American history, possessing secrets that JPMorgan Chase CEO Jamie Dimon late last year paid $9 billion (not $13 billion as regularly reported – more on that later) to keep the public from hearing. Back in 2006, as a deal manager at the gigantic bank, Fleischmann first witnessed, then tried to stop, what she describes as "massive criminal securities fraud" in the bank's mortgage operations.

[Banks Behaving Badly, Again]
Editorial, NY Times, 11/7/14
There is little doubt that there was wrongdoing in foreign exchange trading, where more than $5 trillion changes hands daily. There is evidence of collusion in electronic communications among traders; there are also patterns of wrongdoing by banks in the setting of benchmark rates for interest, foreign exchange and, possibly, derivative prices.

There are real questions, however, about whether even criminal charges would deter future bad behavior. In criminal cases that are considered templates for future enforcement, the Justice Department extracted guilty pleas this year from Credit Suisse (for conspiring to help Americans evade taxes) and BNP Paribas (for flouting economic sanctions against trading with various foreign countries). In both cases, prosecutors and regulators bent over backward to ensure that the pleas had little practical impact on the banks' operations.

In short, there is, as yet, no indication that the real goals of law enforcement — reform and justice — will be met.

EXECUTIVE COMPENSATION

Faces of the Growing Retirement Divide: Meet the 14 CEOs Whose Company Retirement Accounts Total $1.34 Billion
Scott Klinger, Center for Effective Government Blog, 11/3/14

FEDERAL RESERVE

Obama, Yellen Talk Dodd-Frank, U.S. Outlook in First One-On-One
Angela Greiling Keane, Bloomberg, 11/3/2014
President Barack Obama, in his first one-one-one meeting with Federal Reserve Board Chair Janet Yellen, discussed financial reform and the outlook for the U.S. and global economies today at the White House.

HIGH-FREQUENCY TRADING & FINANCIAL TRANSACTION TAX

What's to Be Done About High Frequency Trading?
Robert Zefin, Huffington Post, 11/6/14
High Frequency Trading (HFT) is essentially no different from a highwayman standing in the road with a gun demanding a tributary toll from all who would go about their business to the better without him… I take space and employ colorful rhetoric to emphasize the point that HFT is just one part of an economic and political system that is increasingly dominated by rent collecting, or rather the collection of the highwayman's toll…

Even the conservative economists who wrote the Simon Report on the Crash of 1987 under an exceptionally conservative Secretary of the Treasury serving an exceptionally conservative president discovered the obvious fact that over the preceding hundred years of NYSE history, periods of very low transaction costs had also been periods of very high turnover and volatility. The whole point of a financial transaction tax is to impose a tax that mimics the social cost of excessive and volatile trading, just as a carbon tax mimics the social cost of greenhouse gas emissions.

INVESTOR RIGHTS AND THE SEC

The SEC Should Copy the DMV
Joseph S. Ficher, NY Times, 11/6/14
Regulators, particularly the Securities and Exchange Commission, could learn from any state's Department of Motor Vehicles. Like the S.E.C., a D.M.V. is also in the business of regulating

behavior through a license. Yet the D.M.V., unlike the S.E.C., has a system that leverages its authority to get better behavior from those it regulates. It's called "points."

Points are nonfinancial penalties. If you're a licensed driver and caught speeding, you pay a penalty and get, say, six points; running a stop sign gets you three. Gather enough points over a certain period and the regulator suspends your license. After the first violation, drivers may not change their behavior much, but as they near the threshold, they tend to drive more carefully.

The Fight Over Protecting Retirement Savings
Kathleen Day, OZY.com, 11/3/14
It's the $10 trillion question nobody's talking about. Though candidates are mum and it won't appear on any ballot Nov. 4, the midterm elections tomorrow could determine how much money savers will have in their pockets when they retire. And by "savers," we mean nearly 70 percent of American households.

Here's the issue: Should the Department of Labor expand the list of so-called "fiduciaries," financial advisers who by law must act in the best interest of retirement savers? Put another way, should financial professionals be required to maximize your gains even if it means a smaller profit for themselves? The issue's provoked a huge political scrape between consumer advocates and Wall Street lobbyists. And with control of the Senate up for grabs, the White House has postponed any decision, apparently out of fear of losing more votes to conservatives. If Republicans do win control, they could be in a position to overturn any White House decision or perhaps just discourage the White House from moving forward.

The AARP, the Consumer Federation of America, shareholder-rights activists and, most of all, the Department of Labor have all lined up in favor of tougher investment-advice standards, which would affect $10 trillion of retirement savings and 68 percent of U.S. households. But the proposal has stalled as Democrats vie for the hearts, minds and generous campaign contributions of Wall Street executives, who tend to favor Republicans.

FINRA Survey Shows Investors Want More Regulatory Protection
Mark Schoeff Jr., Investment News, 11/7/14
On Thursday, the Financial Industry Regulatory Authority Inc., the industry-funded broker-dealer regulator, **released a study** showing that 92% of investors say it's important to have a "cop on the beat" to protect them from malfeasance in the markets and that 74% support "additional regulatory protections."

More than half (56%) would favor enhanced regulation even if it resulted in "a minimal increase" in costs that brokerage firms pass on to investors. The rest of the study participants split between opposing additional regulation if it meant higher costs (22%) and having no opinion (22%).

Johnson, Crapo Seek Information on SEC Electronic Filing Disparities
Press Release, Senate Committee on Banking, Housing and Urban Affairs, 11/3/14

Lowered Expectations: Even After Trimming Its Agenda, Securities and Exchange Commission Misses Its Marks on Public Safeguards
Report, Public Citizen, 11/3/14

MORTGAGES AND HOUSING

Fannie Mae Chief Details Plan to Ease Mortgage Rules
Peter Eavis, NY Times, 11/6/14
Seeking to bring more people into the housing market, the government said last month that it planned to expand the availability of mortgages with low down payments. On Thursday, the chief executive of Fannie Mae, the largest government mortgage entity, provided some crucial details on what the program would look like.

California Presses CFPB for More Mortgage Disclosure Transparency
Jason Oliva, Reverse Mortgage Daily, 10/29/14
More than 40 organizations in California are calling on the Consumer Financial Protection Bureau (CFPB) to bring greater transparency to the Home Mortgage Disclosure Act (HMDA) to address a variety of proposals, including those related to non-borrowing reverse mortgage Better measurements are needed for home loans, mortgage modifications, multi-family affordable housing, home equity lines of credit for small business, as well as a more accurate definition of the "Asian" race in the HMDA, urge the 41 organizations that join the California Reinvestment Coalition (CRC) in the push for increased transparency.
The HMDA requires lenders to collect and publish data about mortgage lending. And while advocates credit the act with increasing access for communities that had previously been "redlined," the CRC, along with its 41 supporters are submitting comments to CFPB on several proposed changes.

Mortgage Servicer Ocwen Targeted by Complaints
Kevin McCoy, USA Today, 10/30/2014

RPM Deal Shows How Sophisticated Money Is Chasing Mortgages
Matt Scully, American Banker, 11/5/14

POLITICAL INFLUENCE OF WALL STREET AND REVOLVING DOOR

Capitol Book Club, With a Bonus
Ben Protess and Eric Lipton, NY Times, 11/2/14
For the book club's members — an A-list of lobbyists from banks and insurance companies — the main attraction is access to the House Financial Services Committee. The cost of admission is a campaign donation to whichever committee member is playing host that month…

The books change, but the club's routine remains fixed. Inside a private room at the National Republican Club of Capitol Hill, a white brick building tucked behind the Capitol and the Library of Congress, a lawmaker delivers a report on that month's book. The lobbyists, clutching copies signed not by the author but by the lawmaker, chime in with their favorite plot twists and passages. The chatter in the room sometimes moves away from literary topics, lobbyists who have attended the lunches said, switching to the effort to roll back the Dodd-Frank Act, the regulatory overhaul passed in response to the financial crisis.

STUDENT LOANS

Driving Student Borrowers Into Default

Editorial, NY Times, 11/3/14

People who pay for college with federal student loans can avoid default when they fall on hard times by making lower payments — or no payments at all — until they recover financially. Borrowers who take out private student loans from banks and other institutions typically have no such option. When they lose their jobs or suffer other financial setbacks, they have little choice but to default, which, in turn, damages their credit histories and ability to borrow for other purposes or even to find a job.

Federal regulators and members of Congress have been pressing private lenders to adopt flexible payment plans like those available through the federal loan system to no avail, according to an alarming report released last month by the student loan ombudsman at the Consumer Financial Protection Bureau. Congress may have to step in and require them to do so.

For-Profit Colleges Target Regulations in Lawsuit

Kimberly Hefling, Associated Press, 11/6/14

The for-profit college sector filed a lawsuit Thursday that seeks to halt new regulations of its industry. The lawsuit is in response to a rule the Obama administration announced last week that requires career training programs to show their graduates make enough money to pay back their loans. Programs that don't pass its new "gainful employment" standard risk losing the ability to receive federal student aid. The administration estimated that about 1,400 programs serving 840,000 students won't pass.

"This regulation, and the impact it will have on student access and opportunity, is so unacceptable and in violation of federal law that we were left with no choice but to file suit," said Steve Gunderson, president of the Association of Private Sector Colleges and Universities.

For-Profit Colleges Sue Over 'Irrational' Loan Rules

Claire Zillman, Fortune, 11/6/14

In the lawsuit filed in U.S. District Court for the District of Columbia on Thursday, the Association of Private Sector Colleges and Universities asked a judge to strike down the rule, claiming that the Department of Education does not have the authority to set debt-to-earnings standards. The rule, which they called "unlawful, arbitrary, and irrational," will "needlessly harm millions of students who attend private sector colleges and universities." They argue that factors like what job a student lands and what he or she earns "depends heavily on factors beyond the school's control, including job-market conditions and the student's individual choice."

See APSCU press release.

Quality of Vet Education, For-Profit College Controversy Could be Clarified by New Data

George Altman, Military Times, 11/6/14

After years of claims — backed up by little hard data — that some schools have been providing current and former service members poor educations for their education benefits, federal officials may be on the verge of coming out with information that could help distinguish the good schools from the bad.

Curtis Coy, a deputy undersecretary with the Veterans Affairs Department, said his agency could release school-by-school, veteran-specific data on a host of academic success and outcome measures as soon as January. The Defense Department also plans to come out with similar information next year.

What Removing Default Rates Means for Gainful Employment
Ben Miller, EdCentral, 11/6/14
The most controversial change from the Department's proposed versionof the gainful employment regulation in the spring and the one released at the end of October is no longer judging programs based upon the percentage of borrowers that defaulted on their loans within three years of entering repayment. Removing this program cohort default rate got a lot of attention because it was the only measure that looked at all borrowers, regardless of whether they dropped out. In its absence programs will only be judged on the performance of the students who finished.

Banks Urge Investors to Buy For-Profit College Stocks Now That the GOP Is Taking Back Congress
Alan Pyke, Think Progress, 11/6/14

Treasury Department Endorses Student Loan Deals Slammed By Elizabeth Warren
Shahien Nasiripour, Huffington Post, 11/6/14
In a speech here to consumer rights advocates, Deputy Treasury Secretary Sarah Bloom Raskin said her colleagues at the Education Department had recently boosted the amounts paid to companies that handle borrowers' monthly payments in hopes that better financial incentives will drive them to improve their customer service and work harder to help borrowers avoid costly loan defaults. These companies include Nelnet Inc. and Navient Corp., the former loan servicing arm of student loan giant Sallie Mae.

What Raskin neglected to mention Thursday is that taxpayers will fund a bump in pay for the student loan servicers even if their performance does not improve.

Deputy Secretary Raskin Speaks About the Importance of Student Loan Servicing and Collections
Deanne Loonin, NCLC Student Loan Borrower Assistance Blog, 11/7/14
Deputy Secretary Raskin… said: "The structural incentives under which the servicers operate must be aligned with the interests of student loan borrowers and the public mission." Hear, hear… [T]he Federal government is waking up and taking seriously the issues we have raised for years about problems with student loan servicing, particularly in the federal student loan area where borrowers have a relatively long delinquency period and many options to help them avoid the draconian consequences of default.

Deputy Secretary Raskin cited recent improvements in the Department of Education servicing contracts to more effectively incentivize servicers to prevent defaults. We have written previously about these improvements. We agree that the renegotiated contracts include significant improvements, but there is still much work to do to strengthen these incentives AND to create borrower protections. Financial incentives are an important piece of the puzzle, but are not enough to protect borrowers. We need to know where borrowers can go to get relief when servicers fail to comply with their duties.

We were very encouraged by Deputy Secretary Raskin's speech and her commitment to protecting consumers and urge the Department of Treasury, along with Department of Education, CFPB and other regulators to keep engaging with borrowers and their advocates.

SYSTEMIC RISK

A Recent Surge of Leveraged Loans Rattles Regulators
Peter Eavis, New York Times, 11/4/2014
As regulators hunt for the next financial bubble, they are homing in on an obscure corner of Wall Street: the debt market where Tom Shannon's company, a chain of flashy bowling alleys, recently borrowed nearly half a billion dollars.

Hedge Funds Decry Swaps Changes Meant to Allow Big-Bank Failures
Jesse Hamilton and Silla Brush, Bloomberg, 11/4/2014
Hedge funds, insurance companies and other large investors are objecting to being squeezed out of a process that they say robs them of rights in a global change to derivatives contracts spearheaded by the world's biggest banks.

Cry of Protest From MetLife Signals Right Direction for Regulators
Stephen J. Lubben, NY Times, 11/6/14
"As of the middle of this year, the value of MetLife's bond portfolio was $214 billion, according to Bloomberg. Nevertheless, MetLife is fighting its designation as "systemically important" under the Dodd-Frank financial overhaul law… Earlier this week, senior executives appeared before the Financial Stability Oversight Council, a collection of regulators that determines the designation, to argue that its decision was in error.

I think we can expect that the council won't change its mind, but the hearing was a necessary step before the designation can be challenged in court.

The basic question is: "If not MetLife, who?"

Regulators Update Big Bank Capital Surcharge List
John Heltman, American Banker, 11/6/14

Big Banks Should Be Able To Go Into Bankruptcy, Fed's Lacker Says
Steve Goldstein, Fox News, 11/5/2014
Richmond President Jeffrey Lacker said Wednesday that the Bankruptcy Code must be a viable option for large complex financial institutions to end the perception that some firms are too big to fail. "That means doing the hard work of making living wills credible, and it means policymakers and regulators must commit to using them," Lacker said at an event at the George Washington University Center for Law, Economics and Finance.

Fed Exempts Securitization in Rule on Bank Concentration Limits
Ian Katz and Jesse Hamilton, Bloomberg, 11/5/2014

Living Will: Roadmap for a Better Future It Is
Mary Kopczynski, Forbes, 11/4/2014
I am a former non-profit fundraiser who somehow ended up in the thick of derivatives banking. If you told my 20 year old self this was the way I would "make a difference" in the world I would have practically spat at you. But here I am, helping financial institutions that are "too big to fail" from failing.

Fed's Tarullo Calls on Congress to Raise Threshold for Small Banks Financing Acquisitions With Debt
Victoria McGrane, Morningstar, 11/7/14
Federal Reserve governor Daniel Tarullo called on Congress to make a series of legislative changes that would ease the regulatory burden for community banks.

Mr. Tarullo, the Fed's regulatory czar, reiterated his call for lawmakers to pass legislation that would exempt community banks from two elements of the 2010 Dodd-Frank law: the so-called Volcker Rule, designed to rein in banks' risky trading activities, and the still-unfinished incentive compensation rules, which apply to all bank holding companies with $1 billion in assets or more.

OTHER TOPICS

Regulator Wants Greater Use of Bank Monitors
James Sterngold, Wall St. Journal, 11/5/14
New York state's top financial regulator plans to expand his scrutiny of banks and other firms using a tool previously reserved for companies that were in legal trouble. Benjamin Lawsky , New York's superintendent of financial services, said he is looking to expand the use of independent monitors at firms as a way to prevent bad behavior.

Bank Regulators Move to Weed out Regulations
Lydia Wheeler, The Hill, 11/5/14
Bank agency officials will begin meeting next month to determine what rules should be scrapped in a top-to-bottom review of the federal rulebooks. Officials at the Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation and Board of Governors of the Federal Reserve System will hold their first outreach meeting at the Los Angeles branch of the Federal Reserve Bank of San Francisco on Dec. 2.