Americans for Financial Reform

This Week in Wall Street Reform | October 3–9, 2015

Please share this weekly compilation with friends and colleagues.
To subscribe, email erin@ourfinancialsecurity.org, with "This Week" in the subject line.
Archive of past issues posted here.

CONSUMER FINANCE & THE CFPB

Financial Regulators Move to Restrict Forced Arbitration
Ken Sweet, Associated Press, 10/7
Suing your bank or debt collector might be getting a whole lot easier. The Consumer Financial Protection Bureau is considering new regulations that would severely curtail a contentious practice called mandatory arbitration, which is when consumers are forced to take their disputes to a third-party mediator instead of a court of law. It is something consumer advocates have long argued does a disservice to people who have disputes with banks, credit card issuers and other financial service providers.

The CFPB's proposal does not create a blanket ban on arbitration, which is legal in the U.S. under the Federal Arbitration Act of 1925. Instead, the CFPB's new rules would allow disgruntled customers to sue banks or other financial companies as a group through a class-action lawsuit, should they choose to, even if they're subject to arbitration agreements.

Consumer advocates want class actions restored as legal remedy
Aldo Svaldi, Denver Post, 10/7
Many bank, credit card and other financial contracts consumers sign contain clauses that mandate arbitration to resolve future disputes. Those clauses also often contain language that prevents consumers from joining together to make their case, something the Consumer Financial Protection Bureau, or CFPB, wants to change.

The CFPB doesn't want arbitration clauses eliminated but wants to ensure that consumers can act collectively to protect their legal rights if necessary. In the past two decades, arbitration clauses, long part of business contracts, have increasingly made their way into consumer agreements, where critics argue the balance of power is more lopsided.

Coming CFPB Arbitration Rules Face Multiple Legal Fights
Evan Weinberger, Law360, 10/7
Although the rulemaking process is in its early stages and a final regulation will not come for some time, the industry is already looking at potential challenges. Given the Supreme Court decisions supporting arbitration in consumer suits that have come down in recent years, the industry is likely to get a sympathetic ear, attorneys said. And even if the industry is unable to successfully mount a challenge using those decisions, they may be able to turn Congress' directions to the CFPB on mandatory arbitration clauses against the bureau…"I think it's very vulnerable to a legal challenge," said Alan Kaplinsky, a partner at Ballard Spahr LLP.

CFPB Considers Ending 'Free Pass' Companies Use To Avoid Group Lawsuits
Mortgageorb, 10/9
"These bans operate as 'get out of jail free' cards for banks engaged in widespread fraud and deception. They leave wronged consumers without practical recourse by forcing each victim to go it alone, even when the amount of money involved is too small to make it practicable to do so," **Americans for Financial Reform** said in a statement.

Richard Hunt, president and CEO of the Consumer Bankers Association, says the group is "disappointed" in the CFPB's move, according to a press release.

On the other hand, nonpartisan and nonprofit coalition **Americans for Financial Reform** commended the proposal.

"The Consumer Financial Protection Bureau has taken a big first step toward addressing a huge problem: the ability of banks and financial companies to get away with systematic wrongdoing by telling consumers they can't join forces over a common grievance," says the group's recent release.

See statements by **Americans for Financial Reform**, **Consumer Action**, **Alliance for Justice**, **National Consumer Law Center**, **Public Citizen** and **Senator Sherrod Brown**.

As CFPB advances consumer protection, attacks escalate
Ed Mierzwinski, US PIRG, 10/8

Yes, Payday Borrowers Are Forced to Take Out More Loans
Rep. Linda Sánchez, American Banker, 10/5
American Banker recently published a column defending payday loans. The author, Ronald Mann, takes issue with those who say borrowers are "forced" to take out another loan, arguing that this word is too strong. "Forced" is not too strong a word.

Payday lenders often pull payments directly from a borrower's checking account as soon as they get paid, so by the end of the month most people cannot pay off their loans and cover their normal living expenses. They end up taking out loan after loan to cover the difference at the end of the month, falling into a swift downward cycle of debt.

CfA Files Ethics Complaint Against 11 Members of Congress Alleging Collusion with Payday Loan Industry
Campaign for Accountability, 10/5
CfA's request follows a report issued last week by Allied Progress that outlined actions taken by the representatives to aid payday lenders – including sponsoring legislation to limit oversight of the industry – either shortly before or after they received campaign and/or PAC contributions. CfA alleges this conduct may violate criminal laws regarding bribery, illegal gratuities and honest services fraud, as well as House rules prohibiting members from engaging in official action in return for campaign contributions.

Did Predatory Lenders Pay These 12 Lawmakers to Hobble the CFBP?
Joshua Holland, The Nation, 10/8
Allied Progress staff were reviewing contribution data for lawmakers who had taken at least $25,000 from the industry since the CFPB was established in 2011, and they noticed a pattern. A dozen lawmakers received campaign contributions just days before, days after or, in several cases, both before and after sponsoring or co-sponsoring three key pieces of legislation that would have hobbled regulators' ability to rein in the industry—or signing onto letters to Attorney General Eric Holder and Federal Deposit Insurance Commission Chairman Martin Ginsburg that The New York Times described as an attempt to "intimidate the Justice Department and federal regulators into abandoning an important strategy designed to protect" consumers from predatory lending.

Rep. Alcee Hastings and 10 others implicated in alleged bribery scheme
Dan Christensen, South Florida Reporter, 10/6

Republican Congressman Garrett Under Fire Over Donations From Payday Lenders
Paul Nichols, the Bergen Dispatch, 10/6

Fincher contributions questioned
Tyler Whetstone, The Jackson Sun, 10/7

Ohio Congressman Called Out For Payday Lending Hackery
D.C. DeWitt, Plunderbund, 10/5

[Don't Put Privatizer and Payday Lender Lobbyist On The USPS Board]

Dave Johnson, Campaign for America's Future, 10/5

With corporate-conservative calls for full or partial privatization of the United States Postal Service (USPS) escalating, groups are sounding the alarm about new nominees to the USPS Board of Governors. The Senate is scheduled soon to consider the nominations of Mickey D. Barnett, James C. Miller III and two other nominees.

Nominee Mickey D. Barnett is a lobbyist for the notorious "payday loan" industry. This industry preys on "underbanked," low-income people by charging interest rates that can reach over 500 percent, imposing onerous fees and using abusive debt collection practices. Obviously a lobbyist for these industries is being nominated so that he will oppose having the USPS provide banking relief. At a time when people are proposing that the USPS reinstate public banking – a service that would help millions of Americans – Barnett is clearly the wrong choice for the USPS Board.

['How the Other Half Banks,' by Mehrsa Baradaran]

Nancy Folbre, NY Times, 10/6

In 1890 the journalist Jacob Riis published "How the Other Half Lives," a powerful indictment of the horrific tenements of New York that gave rise to a significant housing reform movement. Mehrsa Baradaran, a University of Georgia law professor, reaches for a similar impact in her description of the oppressive financial environment that low-income families inhabit.

The answer to the implicit question contained in her title, "How the Other Half Banks," is simple: The "other half" hardly banks at all. Many families below the midline of income distribution in the United States rely heavily on check--cashing services, payday lenders and title vendors charging fees and interest higher than any chartered bank could legally impose. Financial deregulation enabled banks to slough off low-income customers even as it created new opportunities for storefront profit-taking.

[Inside The Fast-Cash World Of Virginia Car-Title Lenders] **(Part 1)**

Michael Pope, WAMU 88.5, 10/5

"They make it sound so easy to get a loan," says Waverly, a mental-health technician. "You know, to come in and not having to go through the hoops so to speak of getting a traditional loan so you know I decided to stop by to see one day when I didn't have any other options."

Like many people who take out title loans, Waverly found himself in hard times. He fell and hit his shoulder, which brought an onslaught of medical bills he was not able to pay. Desperate for a way out, he saw the TitleMax commercial and decided to visit this Broad Street location to find out more.

[How Virginia Became The Region's Hub For High-Interest Loans] **(Part 2)**

Michael Pope, WAMU 88.5, 10/6

[For Military Personnel, High-Interest Lenders Aren't Far Away] **(Part 3)**

Michael Pope, WAMU 88.5, 10/7

[As Repossessions Pile Up, Critics Of Car-Title Lenders Call For Change] **(Part 4)**

Michael Pope, WAMU 88.5, 10/8

[CFPB Should Leave Payday Loan Customers Alone]

Norbert Michel, Forbes, 10/6

[The Real Wolves of Wall Street]

Jim Lardner, USNews, 10/6

It's hard to make a serious argument against an agency that's returned over $11 billion to more than 25 million Americans scammed by their financial companies. Especially when that agency, the Consumer Financial Protection Bureau, enjoys broad public support across party lines for its efforts to crack down on debt-trap loans, credit card overcharges, illegal debt collection practices and discriminatory auto lending.

The House Financial Services Committee was considering legislation to change the way the CFPB is led, putting it under a five-member commission – a recipe for partisan gridlock and increased industry influence – instead of a single director…The real impetus for this legislation comes, very obviously, from the financial industry lobby, which wants the change because it will make it easier for banks, payday lenders and debt collectors to engage in unfair, deceptive and abusive practices. And the industry is willing to spend huge amounts of campaign and lobbying money to get its way.

Why the Elections Matter for the CFPB

Victoria Finkle, American Banker, 10/5

Republicans and the banking industry face long odds in making structural changes to the Consumer Financial Protection Bureau this year, but the ultimate outcome of the battle is still far from certain. GOP lawmakers have fought to replace the single director model at the agency with a five-person board since the Dodd-Frank Act was passed five years ago. But President Obama and Democrats have been largely united in opposing major changes to the crisis-era law, particularly when it comes to the consumer agency.

Hillary Clinton urges Dems to back CFPB

Ben White, Politico, 10/7

Democratic front-runner Hillary Clinton, under pressure from the left on Wall Street issues, is sending a letter to all House Democrats urging them to oppose H.R. 1266, the Financial Product Safety Commission Act of 2015, recently passed out of the House Financial Services Committee which would change the structure of the CFPB.

"The Consumer Financial Protection Bureau … has only one mission: protecting Americans from unfair and deceptive financial practices — and it's succeeding. … Despite the CFPB's record of delivering results and protecting consumers — or because of it — Republicans remain determined to weaken or even destroy the agency. … If this bill passes, consumers' primary advocate in the U.S. government would have to fight with one hand tied behind its back."

The Color of Debt: How Collection Suits Squeeze Black Neighborhoods

Paul Kiel and Annie Waldman, ProPublica, 10/8

Another record-setting year for checking account fees

Claes Bell, Bankrate, 10/5

DODD-FRANK AND FINANCIAL REGULATION IN GENERAL

My Plan to Prevent the Next Crash

Hillary Clinton, Bloomberg, 10/8

One serious approach being advocated is to pass an updated Glass-Steagall Act, separating commercial and investment banking, to reduce the size of the banks and the risk of a taxpayer bailout. I certainly share the goal of never having to bail out the big banks again, but I prefer the path of tackling the most dangerous risks in a different way…

Finally, I will veto any legislation that would weaken Dodd-Frank. We can't go back to the days when Wall Street could write its own rules. I believe we can defend Dodd-Frank while easing burdens on community banks so they are able to lend responsibly to the hardworking families and small businesses they know and trust. We also have to defeat Republican attempts to gut the Consumer Financial Protection Bureau -- an agency dedicated solely to protecting Americans from unfair and deceptive financial practices -- and to exploit the upcoming budget and debt-ceiling negotiations for rollbacks in financial reforms.

How Hillary Clinton Would Regulate Wall Street

Neil Irwin, NYTimes, 10/8

Nothing exposes the chasm between the activist wing and the donor class of the Democratic Party like the regulation of Wall Street…The short version: Directionally, Mrs. Clinton favors more intensive regulation of Wall Street than what is in place now. Bank executives and lobbyists will find little to like in her plan. But her approach stops short of the wholesale breakup of too-big-to-fail banks favored by Mr. Sanders and Mrs. Warren. She would prefer instead to take the philosophical approach embodied in the 2010 Dodd-Frank financial reform act a few steps further.

Clinton tacks left, spares banks in Wall Street plan

Zachary Warmbrodt, Politico, 10/8

Don't be fooled: Hillary Clinton isn't about to become the next Elizabeth Warren. When it comes to policing Wall Street, Clinton appears to be saying just enough to avoid being trashed by allies of the liberal Massachusetts senator who rallies voters with her attacks on banks.

Clinton's plan for policing finance taps into major themes that have been driving Wall Street policy debates since the 2007-2009 financial crisis and passage of the Dodd-Frank financial regulatory overhaul in 2010... Similar to Warren's Wall Street policy agenda, Clinton's plan also puts a big emphasis on ratcheting up accountability for individual bankers. Clinton is proposing that major fines for wrongdoing should affect the incomes of "culpable" executives and employees, and she would empower regulators to require that senior executives leave their jobs if misconduct is egregious. Clinton endorses a bill by Warren and Oklahoma Republican Sen. James Lankford that would require federal agencies to disclose more information about corporate settlements.

Hillary Clinton's Weak Plans for Changing Wall Street

James Kwak, TheAtlantic.com, 10/9/15

[T]he Clinton plan is small-scale. It's Dodd-Frank 2.0: a list of regulatory tweaks requiring various agencies to write complicated new rules governing obscure corners of the financial markets. Here are a few examples:

- margin and collateral requirements on repurchase agreements
- public disclosure requirements for repurchase agreements
- increased reporting requirements for hedge funds and private equity funds
- more transparency for exchange-traded funds
- greater disclosure requirements for large banks
- increased attention to cyber-preparedness by regulators
- permanent funding for the SEC and CFTC

This is technocratic incrementalism, the idea that the best way to approach a very big problem—a complex, interconnected financial system anchored by large banks that are so poorly managed they are not even aware of the risks they are taking on—is with better disclosure here and stronger incentives there.

Hillary Clinton's Wall Street Reform Plan Is to the Right of Bernie Sanders'

David Dayen, New Republic, 10/8

Clinton's plan does not go as far as Sanders' or her other rivals'—there's no proposal to reconstitute the firewall between investment and commercial banking, for example. What Clinton does endorse addresses some glaring problems in the financial system: opaque algorithmic trading, risky bets with depositor funds, and bank executives who evade justice when they break the law. Whether you think they will work depends on how you game out the likely responses to such changes.

Critics say Hillary Clinton is pro-Wall Street. Her Wall Street reform plan says otherwise.

Mike Konczal, Vox, 10/8

There are two clear stories about what's wrong in the financial sector. Bernie Sanders's agenda is based on the idea that Dodd-Frank did little to combat the threat of the largest financial institutions, and we need to focus directly on them as both a political and an economic threat.

Clinton's approach looks to the financial markets as a whole. Their focus on the largest banks is driven by turning up the regulations introduced in Dodd-Frank, rather than going completely outside the framework. The core of what they introduce that is new is meant to frame the problem of finance as broader than any group of large institutions.

An Annotated Guide to Clinton's Wall Street Reform Plan

Rob Blackwell, American Banker, 10/8

See **AFR comment** on Clinton campaign plan.

[Don't Blame Dodd-Frank for the Slow Recovery](#)

Barry Ritholtz, Bloomberg, 10/7

In the Fed's most recent Senior Loan Officer Opinion Survey on Bank Lending Practices, loan officers noted: “Lending standards for smaller firms, with annual sales of less than $50 million, have been gradually loosening over the past few years, and in the current survey, the majority of domestic respondents that extend loans to such firms indicated that their standards were easier than or near the midpoints of the respective ranges over the past decade.” In other words, lending to small businesses has been easing.

There are many reasons to criticize Dodd-Frank -- it is too long, too complex, difficult to implement and probably doesn't do enough to deal with the monumental problem of too-big-to-fail banks. But the claim that it has choked off credit to small businesses as the reason for the slow economic recovery just isn't supported by the facts.

[Dodd-Frank’s Effect on Small Banks is Muted](#)

Kate Davidson, Wall St. Journal, 10/4

It's a favorite lament of community banks: The 2010 Dodd-Frank law is squeezing small financial firms and crimping access to credit for Main Street, all in the name of protecting the country from another financial crisis. A look at the data shows the reality is more complicated, and small banks are proving surprisingly resilient by some measures…

In the second quarter, the profitability of small banks--which earned a 0.95% return on assets--barely lagged behind the 1.08% return of the big banks, according to the FDIC. That's a big change from the margin when Dodd-Frank passed, when the gap was more than three times as wide.

ENFORCEMENT

[Senate Democratic Inquiry Targets Banks, Wall Street Settlements](#)

Aruna Viswanatha and Ryan Tracy, Wall St. Journal, 10/7

A powerful Democratic senator has launched an inquiry into bank misconduct, asking top financial institutions to turn over information about the settlements they have entered into with federal agencies over the past decade. Sherrod Brown of Ohio, the top Democrat on the Senate Banking Committee, asked banks in a letter dated Sept. 30 to provide details of any “legally enforceable judgment, agreement, settlement, decree or order dated January 1, 2005 to the present,” involving 15 federal agencies including the Department of Justice, the Federal Reserve, the Securities and Exchange Commission, and several Treasury Department units. The inquiry could add fuel to growing criticism by lawmakers and others that such settlements have failed to deter repeated bank misbehavior.

[Banks Finalize $1.86 Billion Credit-Swaps Settlement](#)

Katy Burne, Wall St. Journal, 10/1

[Blackstone Charged With Disclosure Failures: Private Equity Advisers to Pay Nearly $39 Million Settlement](#)

SEC Press Release, 10/7

[Ben Bernanke: More execs should have gone to jail for causing Great Recession](#)

Susan Page, USAToday, 10/5

With publication of his memoir, The Courage to Act, on Tuesday by W.W. Norton & Co., Bernanke has some thoughts about what went right and what went wrong. For one thing, he says that more corporate executives should have gone to jail for their misdeeds. The Justice Department and other law-enforcement agencies focused on indicting or threatening to indict financial firms, he notes, "but it would have been my preference to have more investigation of individual action, since obviously everything what went wrong or was illegal was done by some individual, not by an abstract firm."

EXECUTIVE PAY

[TSR, Executive Compensation, and Firm Performance]

Hassan Enayati, Kevin Hallock, and Linda Barrington, Cornell University, 9/29

Despite the increased popularity of such Total Shareholder Return (TSR) plans, the empirical evidence supporting the expansion of this compensation strategy is limited…The evidence from our primary model specifications as well as numerous sensitivity checks indicate that there is either no impact of TSR plans on firm performance or weak evidence of a negative relationship.

HEDGE FUNDS AND PRIVATE EQUITY FUNDS

[There's a revolving door between Washington and Wall Street. Here are some of the biggest names to pass through]

Jonathan Marino, Business Insider, 10/9

There has long been a revolving door between Washington and Wall Street - and nowhere is that more evident than in the private equity industry. Buyout firms lean on political connections for international introductions and regulatory clout.

Over the years, some of the biggest private equity firms have sought the very biggest names leaving senior roles in DC. This includes Blackstone, KKR, Apollo and the Carlyle Group. The list of recruits spans from ex-Presidents to regulatory heads to people who worked among top spies.

[New York Attorney General Examining Private Equity Firm's Mortgage Business]

Matthew Goldstein and Rachel Abrams, NYTimes, 10/6

The rapid growth of Caliber Home Loans, a mortgage company owned by the private equity giant Lone Star Funds, has led to a surge in consumer complaints. Now it has led to regulatory scrutiny of Caliber's business practices. Eric T. Schneiderman, the New York attorney general, has opened an investigation into the mortgage company, a person in Mr. Schneiderman's office confirmed.

Caliber's growth has been fueled both by its own mortgage origination business, the purchase of mortgage servicing rights from other companies and Lone Star's own acquisition of tens of thousands of delinquent mortgages from banks and federal housing agencies — often purchased at a 30 percent discount. In recent months, Lone Star and its Caliber unit have become a magnet of criticism from housing advocates and housing lawyers who complain that the companies are too quick to foreclose on delinquent borrowers or to refuse to negotiate with borrowers over terms of plans to make loans more affordable.

HIGH SPEED TRADING AND FINANCIAL TRANSACTION TAX

[Hillary Clinton to Propose High-Frequency Trading Tax, Volcker Rule Changes]

Jennifer Epstein, Bloomberg, 10/7

Hillary Clinton will propose a tax aimed at penalizing "harmful" high-frequency trading strategies and offer ways to strengthen the Volcker Rule, as she unveils another set of proposals Thursday aimed at what she has termed risky Wall Street behavior… Clinton's targeting of high frequency trading may amount to her most meaningful punitive move against Wall Street so far. The proposal would also take aim at the practice of spoofing, the practice of rapidly submitting fake orders and then withdrawing them to try to move asset prices in a desired direction.

[Hillary Clinton's Wall Street reform plan will include a tax on high-frequency trading]

Business Insider, 10/8

[Report: Reinstituting Tax on Wall Street Trades Is an Old Solution to a New Problem]

Public Citizen, 10/8

Reinstituting a tax on Wall Street trades would reduce reckless "casino-style" trading strategies and would yield revenue to invest in the public good, according to a new Public Citizen report released today, "The Financial Transaction Tax: An Old Solution to a New Problem."

From 1914 through 1965, the United States had a modest tax on Wall Street trades (frequently referred to as a financial transaction tax or FTT) – ranging from 0.02 to 0.06 percent – in place. The FTT was repealed at the end of 1965 as part of a bill that did away with dozens of excise taxes. In contrast to some doomsday forecasts surrounding current proposals for a Wall Street tax, the economy grew at 5 percent annually from 1959 until 1965, the period in which the legacy financial transaction tax most closely resembled modest current day proposals.

INVESTOR PROTECTION AND THE SEC

Liberal activists want White to recuse herself from PCAOB leadership vote

Patrick Temple-West, Politico, 10/8

Fourteen groups, including MoveOn.org, are now asking White to recuse herself from the selection of the next PCAOB chairman because of possible conflicts of interest. White's husband is on a PCAOB advisory committee and he does corporate legal work for law firm Cravath Swaine & Moore LLP. The liberal groups argue that Mary Jo White might replace Doty as a favor to the businesses for whom her husband works.

"We hope that you live up to your commitments and recuse yourself from all personnel decisions with respect to the Board of the PCAOB," the groups said in a letter to White.

Wall Street Wants to Protect Older Investors -- to a Point

Susan Antilla, TheStreet, 10/8

State securities regulators unveiled a plan at their annual meeting last week, zeroing in on the role stockbrokers can play in sounding the alarm that a senior is at risk of being ripped off.

Before you collapse on the floor guffawing at the notion that brokers might be entrusted with an investor-protection role, consider that the criminals who don't work in the securities industry sometimes need to persuade their victims to take money out of an account so they can put it in their own pocket. And sometimes those accounts are at Wall Street firms.

Why ETF Investing Has Just Gotten More Complicated

Micah Hauptman, Wall St. Journal, 10/8

MORTGAGES & HOUSING

Foreclosure Abuses, Revisited

Editorial, NY Times, 10/6

The promise of widespread relief for homeowners facing foreclosure in the wake of the housing bust has never been realized. The government did not require the banks to rework bad loans, which in many cases the banks offloaded on the federal agencies that insured them. Now these same agencies are selling some of these loans at a discount to hedge funds and private equity firms. Has this merry-go-round helped homeowners? No. The myth of mortgage relief lives on.

In the aftermath of a bust, there is a legitimate role for distressed debt investors who seek to extract what value remains in impaired assets. But the federal mortgage sales are apparently occurring before all borrowers have been given a chance to apply for and receive help that was promised under the terms of the bank bailouts and, since then, under various legal settlements and regulations intended to prevent foreclosure abuses.

Home loans are about to become easier to understand

Jonnelle Marte, Washington Post, 10/2

Starting Saturday, home buyers will have access to new standardized forms to replace ones that might have varied widely from lender to lender. The new forms are supposed to make it easier for people to understand their interest rate, what they owe and how much they need to pay up front. Borrowers will also get at least three days to review the loan before they close on the mortgage. Currently they can make changes even on closing day and still complete the sale. (The rules will go into effect during the weekend, but housing pros say they will be enforced starting Monday.)

The new rules were mandated by the Consumer Financial Protection Bureau to cut down on the issues that came up during the financial crisis, when many buyers lost their homes after signing up for complicated mortgages they didn't fully understand.

Fifth Third to pay $85 million for faulty FHA mortgages
Ben Lane, HousingWire, 10/6

Risk Sharing Is No Substitute for Capital at Fannie and Freddie
William Isaac, American Banker, 10/5
Risk-sharing transactions by themselves aren't a bad thing. But in this particular context, and given their current conservatorship limbo, risk sharing could be a dangerous substitute for capital at Fannie and Freddie. That's because there simply isn't enough risk-bearing capital away from Fannie and Freddie to substitute for the liquidity that they provide the market. And remember, even though Fannie and Freddie earn billions of dollars per quarter, they have been unable to build capital since 2012, when the government decided to unilaterally change the terms of the conservatorships to sweep 100 % of their profits into Treasury's general fund.

POLITICAL INFLUENCE OF WALL STREET

How Dodd-Frank Hurts Governors in the Money Primary
Gary Sernovitz, New Yorker, 10/7
But also, partly because of the Dodd-Frank Act, candidates in their position [of governor] can't tap as freely as their rivals into the defining mega-rich of our era, private-equity and hedge-fund managers. In contrast, when a sitting senator, or his super PAC, asks a hedge-fund mogul for money, the prospective donor doesn't have to worry much about receiving clearance from his firm's compliance department.

RETIREMENT SECURITY & FIDUCIARY DUTY RULE

Insurance Industry Is the Force Behind Anti-DOL-Rule Group
Alex Padalka, Financial Advisor IQ, 10/6
A new group sponsored by the insurance industry has launched a platform for financial advisors to voice their opposition to the Department of Labor's proposal to hold brokers handling retirement accounts to the tougher fiduciary standard, InvestmentNews writes. The Coalition to Protect Retirement Security and Choice — utterly in line with the rest of the opposition to the rule in the industry and among Republican lawmakers — argues that the rule in its current form would squeeze out less-affluent investors from being able to afford financial advice, according to the publication.

Supporters of the DOL proposal, meanwhile, have also been gathering signatures on Saveourretirement.com, InvestmentNews reports. Groups behind that effort include AARP, the AFL-CIO and **Americans for Financial Reform**, among several others.

GOP Lawmakers Press DOL to Reissue Amended Fiduciary Rule
Melanie Waddell, ThinkAdvisor, 10/7
More than 100 House Republicans told Labor Secretary Thomas Perez in an Oct. 6 letter to tell them by Oct. 21 how the Department of Labor will make "substantial changes" to "shortcomings" in its fiduciary plan, but to also allow stakeholders to view those changes before issuing a final rule… Three former heads of the Securities and Exchange Commission said Tuesday that the SEC should move on a fiduciary rule, with former SEC chief Harvey Pitt predicting that while DOL may be "ahead now" in its fiduciary rulemaking, the department may not "finish ahead."

Former SEC chairmen call for agency to adopt fiduciary rule
Hazel Bradford, Pensions and Investments, 10/6

[Why Elizabeth Warren is going after this man]

Robert Litan, Fortune, 10/5

Most commentary about our report and my testimony has focused on the financing of the study, but two authors, to their credit, have focused their critiques in part on its substance: Dylan Matthews in VOX and Barbara Roper in the Huffington Post… [N]either challenged the two central critiques we advanced: that the Labor department failed to account for the benefits of broker advice, and the agency had no empirical or logical basis for rejecting a simple disclosure modification…

Roper says brokers can continue to collect commissions under a special "best interest contract exemption" so they won't leave small investors, but this ignores the multiple restrictions brokers must adhere to qualify. Congress and DOL have heard from many brokers that as a result they won't choose the exemption.

[Litan Plays Victim Unconvincingly]

Barbara Roper, Huffington Post, 10/6

In criticizing my analysis, Mr. Litan states that I ignore the multiple restrictions brokers must adhere to in order to rely on the best interest contract exemption. But the Litan-Singer study doesn't stop at suggesting that these requirements will inhibit the rule's use. That is a point about which one could have a reasoned discussion that might include, for example, the previous occasions on which industry has made the same threat and failed to follow through. Instead, the study states, more than once, that individual brokers would be prohibited from earning commissions under the rule. That is factually incorrect, and it is an error of monumental proportions in a study that claims to analyze the rule's impact…

Mr. Litan states, again incorrectly, that I claim brokers provide no value. Perhaps he missed this sentence of my blog: "The point is not to suggest that broker-dealers offer no benefits, rather that there is simply no basis for Litan and Singer's estimates of any such benefits."…Mr. Litan seeks to paint himself as the victim, but the real victim here is objective scholarship.

[Hillary Clinton gives thumbs up to DOL fiduciary rule]

Mark Schoeff Jr., Investment News, 10/8

[As DOL fiduciary heats up, both sides dig in]

Mark Schoeff Jr., Investment News, 10/4

STUDENT LOANS & FOR-PROFIT EDUCATION

[Obama Administration Pushes to Help Students By Rolling Back Joe Biden's Bankruptcy Bill]

David Sirota, IB Times, 10/7

As a Delaware senator, Biden was one of the key proponents of legislation making it more difficult for Americans to reduce their student debts in bankruptcy court. Now, even as the vice president decides whether to jump into the 2016 presidential race, the Obama administration is decrying the bill's harmful impact and making a high-profile effort to roll back the student-related parts of the 2005 law. A Department of Education report calling for the rollback says the Biden-backed bill has left "private student loan borrowers in financial distress with few options."

According to the Economist, "Student debt in America now totals $1.2 trillion, up more than threefold" since 2005, when the bankruptcy bill passed. Bankruptcy experts say the legislation -- and other Biden-backed bills that also limited the discharge of student debt -- have contributed to skyrocketing U.S. student debt. While pushing those bills, Biden raised more than $1.9 million in campaign contributions from the financial sector.

[Why Student Debtors Go Unrescued]

Editorial, NY Times, 10/7

A vast majority of the more than 10 million Americans who have defaulted on or are behind on repaying their student loans could have benefited from income-driven repayment plans that are intended to ease pressure on distressed borrowers and keep them from defaulting on their federal loans… The Consumer Financial Protection Bureau, which has primary authority over the industry, has now issued a disturbing report on this problem. It can't delay and should get the ball rolling by suing companies that violate the law and writing consumer-friendly rules that loan servicing companies would be legally required to follow.

Instead of explaining how income-based payment plans protect the borrower's credit, loan servicers sometimes tell people that their only options are to pay the full amount due or go into forbearance — a process in which the person can stop paying for a specified time, though the interest generally continues to accrue and the loan balance grows.

The rise of the covert for-profit college

Danielle Douglas-Gabriel, Washington Post, 10/6

As the government steps up its policing of for-profit colleges, a handful of the schools are converting to nonprofits, freeing themselves from regulation aimed at the industry. But a new report questions whether some of these schools are still reaping the financial benefits of operating as a for-profit.

Becoming a nonprofit school means relinquishing ownership and placing control in the hands of trustees who operate with no financial benefit and in the interest of the public good. Yet Shireman found conflicts of interest with owners of former for-profits still being paid millions of dollars and remaining heavily involved in the governance of the newly minted nonprofits.

Education Corporation of America Announces Re-Branding of Kaplan College Campuses

BusinessWire, 10/5

Student Debt Is Worse Than You Think

Kevin Carey, NYTimes, 10/7

After a series of blockbuster hearings held 25 years ago on abuses in the higher education industry, Congress created a system to protect undergraduates from risky student loans. But two weeks ago, the Education Department released a trove of new data suggesting that the system is failing and that, at some colleges, the saddling of students with loans they cannot afford to pay down is far more dire than anyone knew.

The loan crisis hits hardest at colleges enrolling large numbers of students from low-income backgrounds. These undergraduates have to borrow for college, then often have difficulty finding well-paying jobs after graduation — if they graduate at all.

University of Phoenix Barred From Recruiting on Military Bases

Ben Kesling and Douglas Belkin, Wall St. Journal, 10/9

For-Profit Colleges Enlist Capitol Hill Supplicants, U.S. Chamber in Renewed Push Against Obama Rule

David Halperin, Huffington Post, 10/8

SYSTEMIC RISK

Policy Makers Skeptical on Preventing Financial Crisis

Binyamin Appelbaum, NYTimes, 10/4

The 2008 financial crisis convinced most people in the world of central banking that it would be a good idea to try to prevent that kind of thing from happening again. But policy makers have made little progress in figuring out how they might actually do so, a troubling reality highlighted at a conference that ended over the weekend at the Federal Reserve Bank of Boston…

The obvious reason to prevent bubbles is that crises are bad for the economy. Seven years after the peak of the 2008 crisis, the Fed still has not been able to drive unemployment or inflation back to normal levels. The unemployment rate has fallen to 5.1 percent — a level usually associated in the past with a robust economy — but that figure overstates the current health of the labor market.

WHISTLEBLOWER PROTECTION

New Wall Street Whistleblower Campaign Announced

Serena Elavia, Fox Business, 10/7

On the heels of the seventh anniversary of the Troubled Asset Relief Program (TARP), Wall Street's bailout for the 2008 financial crisis, a new campaign called Whistleblower Wall Street is encouraging bank employees to take action against illegal financial activity.

The goal of the campaign is to teach bank employees how they can report illegal activity through their website. Through an encrypted process on the website, those with knowledge of wrongdoing can disclose statements and submit documents anonymously. The campaign will also teach whistleblowers about their rights and assist them in finding legal representation.

New Project Helps Bank Workers Blow the Whistle on Corruption and Abuse

Alexis Goldstein, Americans for Financial Reform, 10/7

Given that the nation's biggest banks have only gotten larger since the financial crisis, accountability in the financial sector is more important than ever, and Wall Street's employees can be a crucial part of making that happen. That's why it is good news that an alliance of workers, advocates, and lawyers have come together to launch Whistleblow Wall Street, a new website that will make it easier to expose wrongdoing in the banking industry.

The website, which is a project of the economic justice non-profits The Other 98% and The Rules, aims to help bank employees learn about their rights as whistleblowers, find legal representation, and includes an encrypted secure drop to anonymously share information.

Whistleblow Wall Street Aims To Deter Tomorrow's Crime

Mark Melin, ValueWalk, 10/7

"We want bank workers to know that they can do something if they observe wrongdoing or are ordered to violate the law or engage in unethical practices. Whistleblow Wall Street is one of the ways for bank employees to sound the alarm about corruption in a safe and secure way without fear of losing their jobs," Louis Clark, President of the Government Accountability Project (GAP), said in a statement. The not-for-profit legal organization specializes in whistleblowing cases and will provide legal support for bank employees who do not know their rights to speak up about wrongdoing.

OTHER TOPICS

Congress to Eliminate Billions in Wall Street Subsidies to Fund Repair of Nation's Highways

C. Robert Gibson, U.S. Uncut, 10/9

Currently, the Federal Reserve pays out a 6 percent annual dividend to roughly 2,900 banks — JPMorgan Chase, Citigroup, Bank of America, and Wells Fargo net approximately $350 million apiece each year from the dividend. These banks own stock in the Federal Reserve as a means of becoming members of regional Fed branches around the country, and unlike other stocks, the big banks are guaranteed to never lose money on their investment in the Fed. For years, the Congressional Progressive Caucus has proposed reducing that dividend to 3 percent in order to pay for repairing American infrastructure. After lying dormant for over a year, it appears that idea has now caught on with Republicans as well.