This Week in Wall Street Reform | Sept 30 - Oct 6, 2017

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PAYDAY LENDING — THE CFPB ACTS

Federal regulator clamps down on payday lending industry I Chicago Tribune
A federal regulator announced new restrictions Thursday on the payday lending industry, a move that is likely to face resistance in Congress… They are the first nationwide regulation of the industry, which had largely been left to the states.

Under the new rules, lenders will have to do a full-payment test before giving the loan, meaning the lender must determine whether the borrower can afford to repay the loan in full with interest within 30 days… There would also be restrictions on the number of times a borrower can renew the loan…

"Payday and car title lenders profit from repeatedly dragging hard-pressed people deeper and deeper into debt, and taking advantage of families when they are financially vulnerable," said Lisa Donner with **Americans for Financial Reform**. "Curbing the ability to push loans that borrowers clearly cannot repay is a key protection."

Payday Lending Faces Tough New Restrictions by Consumer Agency I NY Times
A federal agency on Thursday imposed tough new restrictions on so-called payday lending, dealing a potentially crushing blow to an industry that churns out billions of dollars a year in high-interest loans to working-class and poor Americans...

The new guidelines pit the Consumer Bureau, an independent watchdog created in the aftermath of the financial crisis, against congressional Republicans and President Trump, who has made rolling back business regulations a centerpiece of his agenda.

Finally, a crackdown on predatory payday loans I Los Angeles Times (editorial)
The Consumer Financial Protection Bureau's new rules for payday loans and car title loans have drawn the predictable cries of outrage from lenders, particularly small storefront operators who say the restrictions will put them out of business. And it's an understandable complaint — after spending five years researching the market for high-cost credit, the bureau has fired a shot right at the heart of these lenders' business model.

But the outrage here isn't what the regulators are doing. It's the way these lenders have profited from the financial troubles of their customers. As the bureau's research shows, payday lenders rely on consumers who can't afford the loans they take out. With no way to repay their original loans other than to obtain further ones, most of these customers wind up paying more in fees than they originally borrowed.

Consumer Watchdog Cracks Down on Payday Lenders, Bucking Trump I Bloomberg
Consumer advocates say tougher rules are needed because lenders often prey on desperate borrowers who are living paycheck to paycheck by trapping them in debt. "Payday and car title lenders profit from repeatedly dragging hard-pressed people deeper and deeper into debt, and taking advantage of families when they are financially vulnerable," Lisa Donner, **Americans for Financial Reform's** executive director, said in a statement. 'Curbing the ability to push loans that borrowers clearly cannot repay is a key protection.'"

Rule could curtail payday loans, if Congress lets it I Tuscaloosa News (editorial)
The payday loan industry in the U.S. is estimated to be at $6 billion annually. The Alabama State Banking Department started a database to track payday loans in this state between Oct. 1, 2015, and Sept. 30, 2016. What they found was staggering. Their figures showed there were more than 2 million payday loans taken out in Alabama during that time frame with $668 million borrowed. But what was really surprising was that those 2 million loans were taken out by 239,000 people. Basically, the same group of people had to keep coming back...

The CFPB estimated that the new rule would decimate the payday lending industry by reducing its revenues by two-thirds… If nothing else, perhaps the CFPB has raised awareness of the issue enough to spur some federal legislation. Alabama's Legislature has proven several times already that protecting the poor isn't high on its priority list.

Feds clamp down on payday loan industry I Associated Press
"Payday and car title lenders profit from repeatedly dragging hardpressed people deeper and deeper into debt, and taking advantage of families when they are financially vulnerable," said Lisa Donner with **Americans for Financial Reform**. "Curbing the ability to push loans that borrowers clearly cannot repay is a key protection."

The CFPB Gets Its Payday-Lending Rule Right I Bloomberg (editorial)

New rules aim to curb payday loan abuses I CNBC

Consumer Watchdog Proposes New Rules On Payday Lenders I NPR
[A] 2014 study by the CFPB found that the vast majority of payday loans are not paid back on time: More than 80 percent are rolled over or followed by another loan within two weeks. The study found that 15 percent of new loans "are followed by a loan sequence at least 10 loans long."

"Payday and car title lenders profit from repeatedly dragging hard-pressed people deeper and deeper into debt, and taking advantage of families when they are financially vulnerable," said Lisa Donner with **Americans for Financial Reform**. "Curbing the ability to push loans that borrowers clearly cannot repay is a key protection."

However, the Financial Services Association of America, a trade group that represents the $39 billion industry, says the rule would devastate an industry that serves 30 million to 40 million customers a year.

Federal agency cracks down on payday lenders **I CBS**

Consumer protection bureau cracks down on payday lenders with with tough nationwide regulations **I Los Angeles Times**
The rules won't go into effect until mid-2019 and are strongly opposed by most Republicans, who could scuttle them… The Republican-controlled Congress also could vote to repeal the rules before they take effect. One of Cordray's sharpest critics, Rep. Jeb Hensarling (R-Texas), said Thursday that the new regulations "must be rejected."

The Hand-to-Hand Combat to Save Payday Lending **I Wall St. Journal**
Florida payday lender Amscot Financial Inc. in the summer of 2016 rounded up about 600,000 letters from customers protesting a regulator's plan to clamp down on high-interest loans. The letters, many handwritten, were scanned, packed in 131 cartons and shipped to Washington.

The unusual campaign by Amscot was part of a fight between the payday industry and consumer advocates to try to sway the Consumer Financial Protection Bureau, which is expected in the coming days to introduce federal oversight of the $38.5 billion industry.

Hill lawmakers seek end to triple-digit interest on payday and car-title loans I St. Louis American

Are The Comments Opposing Payday Loan Rules Legitimate? I Consumerist

Richard Cordray's consumer watchdog bureau issues rules for payday lenders I Cleveland Plain Dealer

Consumer Watchdog Reins In Payday Lenders With Strict New Measures I Forbes

As CFPB closes door on payday, OCC opens one for deposit advance I American Banker

Payday loan business facing tougher rules I Market Place

U.S. releases rule to end 'debt trap' of payday loans I Reuters

Consumer Financial Protection Bureau clamps down on payday lending industry I Fox Business

How regulators plan to curb 400 percent interest loans I Washington Post

CFPB Applies 'Ability-To-Repay' Standard To Payday Loans I Law360

Federal regulator clamps down on payday lending industry I St Louis Post Dispatch

Consumer Watchdog Bucks Trump by Cracking Down on Payday Lenders I Crains Cleveland

The Government Is Cracking Down On The Payday Lending Industry I BuzzFeed

Payday loan business facing tougher rules I KCBX

A New Rule Protects the Poor From a Nightmarish Cycle of Debt and High Fees I CNN Money

Crackdown on predatory lending a welcome protection, KU financial researcher says **I University of Kansas**

New U.S. rule on payday loans to hurt industry, help banks **I Gazette**

Federal regulator clamps down on payday lending industry **I San Antonio Express-News**

Payday loan business facing tougher rules **I Northern Public Radio**

A crackdown on payday loans could make them harder to get **I Mic**

Payday loan business facing tougher rules **I WCAI**

CFPB Putting a Stop to 'Payday Debt Traps' With New Rule **I Credit Union Times**

Federal regulator clamps down on payday lending industry **I TimesReporter**

Payday loan business facing tougher rules **I RadioIQWVTF**

Cordray clamping down on payday lenders; some still want new Ohio law **I Columbus Dispatch**

Consumer protection bureau cracks down on payday lenders with tough nationwide regulations **I TribLive**

Payday lenders now face tougher requirements **I Consumer Affairs**

Federal regulator clamps down on payday lending industry **I Santa Fe News**

Finance Industry Divided in Response to CFPB Rule on Small-Dollar Lenders **I Morning Consult**

The CFPB is shutting down a lot of payday loans — where will consumers go next? **I Market Watch**

New Federal Payday Loan Regulation Is Positive Step But Does Not Protect Ohio Consumers From the Highest-Cost Credit in the Nation **I Market Watch**

CFPB finalizes rule cracking down on payday loans amid GOP opposition **I Washington Examiner**

CFPB to Stop Payday Debt Traps **I infoZine**

Federal rule clamps down on payday loans to curb debt traps; critics say rules will hurt industry **I Omaha World-Herald**

Advocates Applaud the Consumer Financial Protection Bureau for Their Release Of Rules That Disrupt Payday Lending Business Model **I Seattle Medium**

Regulator clamps down on payday lending industry **I The Ledger**

Feds Issue New Rule to Curb Payday Lending Abuses **I Public News Service**

CFPB Has Spoken: Payday Lending Regs Drop I PYMNTS

CFPB Pay Day Loan Ruling Creates New Ways To Protect Consumers I WTIU

Title loan changes on the way I ABC News

See joint statement by **Stop the Debt Trap coalition** and separate statements by **Allied Progress**, **California Reinvestment Coalition**, **Center for American Progress, Consumer Action**, **Consumer Federation of America**, **Consumers Union**, **Florida Alliance on Consumer Protection**, and **National Community Reinvestment Coalition**.

Also see **open letter** from more than a hundred groups against banks re-entering payday loan business.

Payday Lending Viewed From Inside a NY Courtroom I PYMNTS.com

Two different trials of payday lenders, same old story I RealBankReform

JoCo businessman faces $4M judgment for selling phony loan portfolios I Business Journal

NY Pensions Profit from Payday Loans I NBC New York
Short-term, high-interest debt known as payday loans are illegal inside New York borders. But that hasn't stopped state and city retirement funds from investing more than $40 million in payday lenders that operate in other states

TRUMP ADMINISTRATION AND WALL STREET REFORM

Treasury Plan Calls for Easing Dozens of Wall Street Rules I Bloomberg
[T]he document is intended to be a road map for action by the Securities and Exchange Commission and the Commodity Futures Trading Commission. "By streamlining the regulatory system, we can make the U.S. capital markets a true source of economic growth which will harness American ingenuity and allow small businesses to grow." Treasury Secretary Steven Mnuchin said in a statement.

[D]emocratic lawmakers and investor advocates are expected to oppose many of the recommendations. On Friday, some said they were surprised that the new proposals would ease safeguards put in place for swaps and securitized bonds -- two products that fueled the financial crisis in 2008. "This is a very clear signal to the regulatory agencies to ease up, in numerous areas, on Wall Street," said Marcus Stanley, policy director of **Americans for Financial Reform**.

Trump administration calls for rollback of financial regulations I Washington Post
[T]he report calls on Congress to repeal several provisions of the 2010 financial reform legislation known as Dodd-Frank, including one that requires companies to disclose the pay gap between CEOs and workers… Treasury also calls for "recalibrating" the rules governing the vast market for derivatives, a financial instrument that helped fuel the global financial crisis. The SEC and the Commodity Futures Trading Commission, another financial regulator, should work together to harmonize rules governing these complex markets, the report says

Marcus Stanley, policy director for **Americans for Financial Reform**, expressed concern about the report's guidance. “The recommendations are “almost uniformly deregulatory,” he said. “It is written pretty technically, but what they are saying is that a lot of things that were done after the crisis to try increase our safety margins and improve our risk control on derivatives they want to cut back on.”

Treasury Outlines Sweeping Reform of Capital Markets I Reuters
While banks, brokers and small companies have cheered the report, many of the requirements are likely to draw criticism from public advocacy groups worried they may reduce investor protections, and open the door for banks to pursue risky trading behavior once again.

"It's almost uniformly deregulatory. It calls for cutting back on post-crisis Dodd-Frank rules," said Marcus Stanley, policy director for **Americans for Financial Reform**. "It's quite dangerous."

Treasury recommends overhaul of capital markets regulations I PoliticoPro

Trump Closes WH Event to Highlight Deregulation I NY Times

Hedge fund billionaire flew top Mnuchin aide on private jet to Palm Beach I Washington Post
Treasury Secretary Steven Mnuchin’s top aide flew on a hedge fund billionaire’s private jet to Palm Beach, Fla., several months ago, people familiar with the trip said, the latest example of senior Trump administration officials using luxury air travel even though it often raises red flags with ethics officials.

Eli Miller, Mnuchin’s chief of staff, flew with Nelson Peltz, a founding partner of New York-based Trian Fund Management, on the trip. Peltz is an activist shareholder who has sought a board seat at Procter & Gamble, seeking to shake up management. He has spoken glowingly about Trump's proposal to slash tax rates on businesses and the wealthy, which is something designed in large part by senior Treasury officials.

The Trump administration is waging an unprecedented war on governing I Washington Post (Paul Waldman)

EQUIFAX — THE LATEST

Monopoly Man photobombs Senate hearing on Equifax I CNN
Wearing a top hat, monocle, and white mustache, the character sat directly behind former Equifax (EFX) CEO Richard Smith as he testified before the committee on Wednesday. The ruse was organized by progressive nonprofits Public Citizen and **Americans for Financial Reform**. The organizations want to raise awareness of Equifax's forced arbitration clauses in their terms of service.

Amanda Werner, Campaign Manager with **Americans for Financial Reform** and Public Citizen, played the role of the iconic Monopoly Man on Wednesday. "I am dressed as the Monopoly Man to call attention to Equifax and Wells Fargo's use of forced arbitration as a get-out-of-jail-free card for massive misconduct," Werner said in a Twitter message to CNN Tech. "They use these ripoff clauses buried in the fine print to ensure that consumers can't join together to hold them accountable in court."

'Monopoly man' sits behind Equifax CEO at Senate hearing I Fox 2 Now
A person dressed as the Monopoly Man (aka 'Uncle Pennybags') landed some prime real estate at a Senate banking committee hearing, seated behind Equifax CEO Richard Smith in a live-action photobombing…

Amanda Werner [of **Americans for Financial Reform** and Public Citizen], the person dressed as the Monopoly Man, walked into the committee hearing with a giant 'Get Out Of Jail Free' card for Equifax and Wells Fargo, with the statement "forced arbitration lets financial institutions escape accountability for wrongdoing."

Monopoly Man Crashes Equifax Hearing to Protest Forced Arbitration I NBC Today Show

'Monopoly Man" Shows up at Wells Fargo hearing I The Intercept

Monopoly Man photobombs Senate hearing on Equifax | CNN

See statement by Americans for Financial Reform and Public Citizen**, Forced Arbitration Is a 'Get-Out-of-Jail-Free' Card for Banks.**

Senate Equifax Hearing Photobombed By Protester Dressed Like the Monopoly Man | Daily Beast

Who is that with the monocle and top hat sitting behind the former Equifax boss? | **MarketWatch**

Equifax Calls for Free Credit Locks. Experian's Reply? Nope. I NY Times
When Equifax's recently retired chief executive, Richard F. Smith, appeared before a panel of the House Energy and Commerce Committee Tuesday, he held himself out as a changed man.

After decades of maintaining high walls between the credit data that his company collects and the citizens like you and me who simply want to know what it says and means, he claimed that he and his former company now want to put us in control. We should have the ability to lock any new creditor out of our credit files, he said, and the forthcoming service that makes it possible will be free forever.

How Monopoly Man Won the Internet I NPR
Monopoly Man became the Internet crush of the day on Wednesday, after upstaging former Equifax CEO Richard Smith at a Senate hearing on the company's massive data breach. The board game character, whose name is Rich Uncle Pennybags, was brought to life by Amanda Werner, an arbitration campaign manager for Public Citizen and **Americans for Financial Reform**, groups that advocate for consumer rights and protections.

Almost immediately, the monocle, mustache, top hat, pillowcase-sized bag of (#fake) Benjamins became a social media sensation. The most unlikely viewers tuned in to the Senate Banking Committee hearing to watch Werner troll Smith, who was facing a roomful of angry senators after a hack that may have exposed the personal information of more than 145 million people.

People loved it.

Meet the 'Monopoly' man who has been photobombing CEOs in congress I Newsweek
Amanda Werner of **Americans for Financial Reform** and Public Citizen blew up the internet on Wednesday by slipping on a black top hat and a bushy white mustache and sitting two rows behind Equifax disgraced ex-CEO Richard Smith during his Senate Banking Committee testimony on Wednesday…

"I don't know if he noticed me, but his representatives from Equifax noticed me," Werner told Newsweek. "I got a lot of dirty looks and I think they tried to kick me out but they couldn't because I wasn't doing anything illegal."

'Monopoly man' trolls former Equifax CEO Richard Smith I Washington Post
The move, organized by the groups Public Citizen and **Americans for Financial Reform**, is a campaign to call out financial companies such as Equifax and Wells Fargo by scheming its clients by forced arbitration, as reported by the Huffington Post.

Monopoly Man comes to life, attends US Senate hearing I Philadelphia Inquirer

Monopoly Guy's Presence Dramatically Improves Senate Hearing I Consumerist
If you were probably watching this morning's Senate hearing on the Equifax hack, you may have seen something out of the corner of your eye and asked, "Did I just see Rich Uncle Pennybags from Monopoly sitting behind the Equifax CEO?" Yes, yes you did…

The stunt, done in tandem with **Americans for Financial Reform**, was intended to "to draw attention to forced arbitration rip-off clauses, used by Equifax, Wells Fargo and other financial companies to evade accountability and take advantage of consumers."

See additional coverage of "Monopoly Man"

Former CEO struggles to defend why Equifax deserves $7 million IRS contract to prevent fraud I Washington Post
The hard-charging former CEO helped transform Equifax from simply a credit-rating company to a massive data manager that employs artificial intelligence and machine learning to help companies determine whom to lend money to. Smith was heralded on Wall Street for his aggressive expansion of the company, including starting to collect employment data, such as consumers' salaries. But that business model came under repeated attack Wednesday by the Senate Banking Committee.

Equifax could actually profit from the breach, warned Sen. Elizabeth Warren (D-Mass.). The company, for example, is providing consumers free fraud alerts for one year, she said. But if victims want to extend that coverage after a year, they will have to pay Equifax.

As ex-Equifax CEO testifies, all credit bureaus are on trial I American Banker
In his first of four hearings this week, Smith took bruising questions and criticism from members of the House Energy and Commerce Committee on security lapses leading up to the hack, the company's response, suspicion about stock sales by Equifax managers and who may have perpetrated the breach.

But some lawmakers also appeared to cast the breach, now estimated to have affected over 145 million consumers, as a symptom of more systematic concerns: the credit bureaus' hold on consumer data, the security risks inherent in that data collection and the agencies' powerful influence in credit decisions.

Equifax data breach prompts PA lawmakers to propose tighter controls I Allentown Morning Call
The fact that Equifax initially charged breach victims to freeze their credit, and that TransUnion and Experian did not waive their freeze fees, generated criticism and prompted federal legislation that would outlaw freeze fees. That could cost credit bureaus billions of dollars, according to an analysis released Monday by the U.S. Public Interest Research Group.

It said 42 states, including Pennsylvania, permit credit bureaus to charge fees to freeze a credit report. If all of the 158 million people ages 18-65 in those states paid for a freeze with all three credit bureaus, it would cost an estimated $4.1 billion. That figure does not account for the free freezes Equifax is offering through January.

How Equifax Breach Could Cost US Consumers $4.1 Billion I 24/7 Wall St

Leahy, Welch grill former Equifax chief, but are left unsatisfied I vtdigger.org

Why aren't credit freezes free for all? I CNNMoney

Equifax data breach victims shouldn't have to pay for credit freeze I Allentown Morning Call (Paul Muschick)

Experts recommend freezing credit following Equifax data breach I ABC2 News

Equifax aftermath: Now do we need to dump Social Security numbers? I USA Today

Equifax Breach Caused by Lone Employee's Error, Former CEO Says I NY Times
On multiple occasions, Mr. Smith referred to an "individual" in Equifax's technology department who had failed to heed security warnings and did not ensure the implementation of software fixes that would have prevented the breach. A company spokesman did not respond to questions about that employee's status with the company.

Angry members of the committee tore into Mr. Smith and pressed him on how a credit bureau of Equifax's size, responsible for safeguarding billions of sensitive records on Americans' financial lives, could have allowed so much data to escape, unnoticed.

See joint letter on credit-bureau abuses from AFR and 16 consumer, community, civil rights, housing and other groups.

WELLS FARGO — THE LATEST

CEO to Congress: Wells Fargo 'is better bank today than it was a year ago.' I Stars and Stripes
Wells Fargo's chief executive Timothy J. Sloan on Tuesday defended the bank against withering criticism from lawmakers that the mega bank has not done enough to reform itself since admitting last year it had opened millions of fake accounts customers didn't want.

"I am deeply sorry for letting down our customers and team members," Sloan told the Senate Banking Committee. "When the challenges at Wells Fargo demanded decisive action, the bank's leaders acted too slowly and too incrementally. That was unacceptable."

One Year Later, Wells Fargo Isn't 'A Better Bank' I The Atlantic (Gillian B. White)
On Tuesday, Wells Fargo's CEO, Tim Sloan, was summoned by the Senate Banking Committee to report changes the bank has made in the aftermath of a fake-accounts scandal that saddled customers with unauthorized fees and charges.* Sloan told the committee that the bank was "a better bank today than it was a year ago."

Sloan's claim about the progress that Wells Fargo has made is in many ways at odds with the bank's record over the last year, during which more fake accounts have been uncovered, another scandal related to the company's auto-loan business surfaced, and the bank was accused of other predatory sales practices. Indeed, members of the committee weren't convinced. "At best, you were incompetent. At worst, you were complicit. Either way, you need to be fired," Senator Elizabeth Warren told Sloan. "Wells Fargo needs to start over and that won't happen until the bank rids itself of people like you."

Waters introduces bill to break up big banks that abused customers I The Hill
The top Democrat on the House Financial Services Committee introduced on Wednesday a bill that would empower federal banking regulators to break up large banks that have records of customer abuse.

The bill from Rep. Maxine Waters (D-Calif.), called the Megabank Accountability and Consequences Act, would give regulators, including the Federal Reserve, Federal Deposit Insurance Corporation and comptroller of the currency, sweeping new powers over the largest U.S. banks.

The bill is sponsored by several House Democrats, including Reps. Keith Ellison (Minn.), Marcy Kaptur (Ohio), Michael Capuano (Mass.) and Pramila Jayapal (Wash.). Several labor and consumer groups, including the AFL-CIO, **Americans for Financial Reform** and the National Consumer Law Center, also backed the bill.

See joint letters calling on regulators to revoke Wells Fargo's charter and deposit insurance.

Sen. Warren to Wells Fargo CEO: 'You should be fired.' I Washington Post
Wells Fargo's chief executive Timothy Sloan on Tuesday defended the mega bank against withering criticism from lawmakers that it has not done enough to reform itself since admitting last year it had opened millions of fake accounts customers didn't want.

"I am angry about how we handled these problems," Sloan told the Senate Banking Committee. "We can never let something like this happen again."

Protesters in Denver say Wells Fargo shouldn't be let off the hook I Denver Business Journal

Warren Buffett Finally Gets Tough on Wells Fargo I Bloomberg
It's been awhile coming, but on Tuesday -- for the first time since the bank's sales-practices scandal emerged -- Warren Buffett took those responsible to task, speaking extensively about Wells Fargo's handling of its missteps in an interview with CNBC. His comments came just as Sloan was set to appear before the Senate Banking Committee to talk about the bank's progress in cleaning up the mess.

Buffett, whose Berkshire Hathaway Inc. is Wells Fargo's biggest shareholder with a 9.92 percent stake, said the San Francisco-based bank had yet to completely "remove the stain," referring to the people that performed or condoned the acts that led to an estimated 3.5 million in potentially fake accounts.

CFPB AND CONSUMER FINANCE

GOP polling firm: Bipartisan support for consumer bureau arbitration rule I The Hill
A Republican polling firm found wide bipartisan support for a new federal rule banning companies from forcing their customers to waive their right to sue in cases of corporate abuse. American Future Fund (AFF), a GOP polling company, said 67 percent of respondents to a recent phone survey supported the Consumer Financial Protection Bureau's (CFPB) recently released rule on forced arbitration clauses, according to results shared first with The Hill on Thursday…

Despite stark partisan divisions over the rule in Congress, AFF found that majorities of Republicans, independents and Democrats support the CFPB regulation. AFF reported that 64 percent of Republicans, 67 percent of independents and 74 percent of Democrats who responded to the poll backed the CFPB effort.

Corporations Band Together to Stop Consumers from Banding Together I The Intercept (David Dayen)
A coalition consisting of the preeminent national business lobby, several financial services trade groups, and over a dozen business organizations in Texas have banded together — the way individuals might in a class-action lawsuit — to force the federal government to allow them to block class-action lawsuits.

Eighteen groups representing thousands of corporations and banks filed the lawsuit against the Consumer Financial Protection Bureau last Friday in federal court in Dallas. Oddly, they did not attempt to individually resolve the dispute through an arbitration process, which they've consistently said yields speedier and better results for those wronged. "Arbitration gives consumers the ability to bring claims that they could not realistically assert in court," the lawsuit reads.

Corporations Coalesce to Ban Consumer Coalitions I BoingBoing

Wall Street seeks limits on consumer rights I The Advocate (Chris Odinet)
Wall Street lobbyists are at it again, and Louisianans need to sit up and pay attention. Big bank lobbyists are pushing Congress to take away our day in court when companies like Wells Fargo and Equifax harm millions of people.

It's sadly ironic that a big push is coming, as we just celebrated the anniversary of Congress's passage of the Seventh Amendment to the Constitution, which guarantees us the right to trial by jury in civil cases. For years, wealthy corporations have taken that right away through the fine print — through arbitration clauses and class action waivers. Now the U.S. Consumer Financial Protection Bureau is trying to restore our right to a day in court. Will Congress strip away that right again?

Brown: Alerting Ohioans to forced arbitration clauses I Richland Source (Sherrod Brown)
[T]hese clauses don't end with financial institutions. From nursing homes to for-profit colleges, Ohio's working families should not be forced to sign away their right to a day in court. Last week, I talked with an Ohioan whose wife suffered physical and mental abuse while undergoing care in a nursing home. This would be bad enough on its own, but because of forced arbitration clauses in the nursing home's paperwork, his family can't seek relief in court.

Lawmaker Wants To Protect Coloradans From Arbitration Clauses I CBS Denver
State Rep. Mike Weissman says the clauses are in the fine print of virtually every contract, whether you sign up with a cellphone carrier or cable company even day cares and nursing homes. "And then down the road something goes wrong and you may have your back up against the wall and need to go to court — you find you can't because that right was signed away in a bargaining situation where you really had no say," said Weissman, a Democrat from Arapahoe County.

Weissman plans to carry legislation that would make arbitrations fairer to Coloradans so they happen in Colorado by a neutral arbitrator.

The 'Let Them Eat Cake' Party I US News & World Report (Dean Clancy)
Have Republicans become the Party of Marie Antoinette? Last week, one could almost hear Senate GOP leaders laughing and saying, "Let them eat cake!" as they privately mulled gutting a major new federal consumer-protection rule while publicly announced high-profile investigations of the very sort of corporate wrongdoing the new rule is intended to deter.

This week, Congress plans to hold three hearings on the monumental, privacy-destroying data breach at the Equifax credit bureau, and one hearing on the grand-scale fake-accounts scandal of megabank Wells Fargo.

Supreme Court appears split on workers' class-action rights I The Hill
The Supreme Court appeared divided Monday in the first case of the new term challenging whether employers can strip employees of their right to join together and settle disputes through a class-action lawsuit or arbitration proceeding. In a trio of cases involving wage and hour disputes, the court grappled with whether employment contracts with clauses that force workers to settle disputes individually with an arbitrator violate the National Labor Relations Act (NLRA).

Democrats Exclude CFPB in Faulting Regulators of Wells Fargo I Roll Call
A House Democratic report on Wells Fargo's fraudulent creation of millions of bank and credit card accounts faulted the oversight of regulators including the Office of the Comptroller of the Currency, the Federal Reserve and the Federal Deposit Insurance Corporation. But the report released Friday by Democratic staff on the House Financial Services Committee didn't blame the Consumer Financial Protection Bureau for flaws in the investigation or enforcement at Wells Fargo, the nation's second-largest bank by market capitalization.

FEDERAL RESERVE

Will Trump Trumpify the Fed? I NY Times (Paul Krugman)
Donald Trump has… been like a Category 5 hurricane sweeping through the U.S. government, leaving devastation in his wake. And one question I don't see being asked often enough is, will the same thing happen to the Federal Reserve? And if it does, how disastrous will that end up being for the world economy?

New Fed Member Flagged Insurer Derivatives Risk Early I Think Advisor
The Federal Reserve Board's new — and first — vice chair for supervision speculated that credit derivatives could cause a crisis for life insurers nearly three years before life insurers began reporting huge losses on credit default swaps.

Randal Quarles, who was confirmed as a member of the Fed on Thursday, by a 65-32 vote, warned about derivatives risk in July 2006, at a hearing on insurance regulation organized by the Senate Banking, House and Urban Affairs Committee.

Too Many Empty Chairs at the Federal Reserve I Wall St. Journal (Peter Conti-Brown)

INVESTOR PROTECTION AND THE SEC

Clayton tells lawmakers SEC is drafting its own fiduciary duty rule I Investment News
Securities and Exchange Commission Chairman Jay Clayton told lawmakers on Wednesday that the agency is drafting a proposal for a fiduciary rule. The agency is trying to catch up with the Department of Labor, which partially implemented its own fiduciary rule in June and is currently conducting a review of the regulation's enforcement mechanisms as ordered by President Donald J. Trump that could lead to revisions. The SEC is currently receiving public comments about a fiduciary rule.

"The next step in anything like this would be a rule proposal. We're working on such a proposal," Mr. Clayton said in an appearance before the House Financial Services Committee. "We're going to work with the Department of Labor. If this were easy, it would already have been fixed."

Vanguard Asks SEC To Develop 'Best Interest' Fiduciary Rule For Brokers I Financial Advisor

Bitcoin Derivatives ETFs Withdraw Filings at SEC Request I Coindesk

MORTGAGES AND HOUSING

How America's Biggest Bank Paid Its Fine for the 2008 Mortgage Crisis—With Phony Mortgages! I The Nation (David Dayen)
[O]n February 9, 2012, US Attorney General Eric Holder announced the National Mortgage Settlement, which fined JPMorgan Chase and four other mega-banks a total of $25 billion. JPMorgan's share of the settlement was $5.3 billion, but only $1.1 billion had to be paid in cash; the other $4.2 billion was to come in the form of financial relief for homeowners in danger of losing their homes to foreclosure. The settlement called for JPMorgan to reduce the amounts owed, modify the loan terms, and take other steps to help distressed Americans keep their homes. A separate 2013 settlement against the bank for deceiving mortgage investors included another $4 billion in consumer relief.

A Nation investigation can now reveal how JPMorgan met part of its $8.2 billion settlement burden: by using other people's money… JPMorgan moved to forgive the mortgages of tens of thousands of homeowners; the feds, in turn, credited these canceled loans against the penalties due under the 2012 and 2013 settlements. But here's the rub: In many instances, JPMorgan was forgiving loans on properties it no longer owned.

States Acting to Protect Buyers of Seller-Financed Homes I NY Times
Legislators in three Midwestern states are taking steps to protect consumers who buy cheap and often rundown homes from investors through seller-financed deals or rent-to-own leases. The legislative initiatives in Ohio, Illinois and Michigan come as the Consumer Financial Protection Bureau continues to investigate the activities of some of the larger firms in the seller-financing home business.

Sales of rundown homes on long-term installment contracts — sometimes called contracts for deeds or land contracts — to people who could not qualify for a traditional mortgage are surging in several states, especially in the Midwest.

What you need to know about reverse mortgages ... and their new rules I WUNC
New rules for reverse mortgage loans are set to take place on Monday. The main headline: Senior homeowners won't be able to borrow as much. Plus, they'll have to pay more upfront. The reason is that one in five reverse mortgages taken out between 2009 and last year are expected to default.

FHFA Director Watt gives small glimpse into status of 3% down programs I Housing Wire
Both programs from the government-sponsored enterprises are intended to help more first-homebuyers and other qualified borrowers jump into the market. And so far, according to the latest data, first-time homebuyers are beginning to trust it.

RETIREMENT INVESTMENT AND DOL FIDUCIARY RULE

Brokers Violating DOL Rule by Shifting Clients to Fee Accounts: Roper I ThinkAdvisor
The Consumer Federation of America is urging regulators to investigate incidences of broker-dealers shifting retirement savers into fee-based accounts from less expensive commission accounts, which violates the Department of Labor's fiduciary rule.

Since Labor's rule was finalized, "industry lobbyists have repeatedly claimed that brokerage firms are responding to the rule by shifting retirement savers into fee accounts when they would be better off in commission accounts, exposing them to increased costs in the process," wrote Barbara Roper, director of investor protection, and Micah Hauptman, the federation's financial services counsel, in letters to Securities and Exchange Commission Chairman Jay Clayton, Financial Industry Regulatory CEO Robert Cook and Labor Secretary Alexander Acosta.

Consumer Federation of America claims brokerage firms may be violating DOL fiduciary rule I Investment News

Retirement, the fiduciary rule and how to find a good financial planner I Color of Money (Michelle Singletary/Barbara Roper)

Delay of fiduciary rule likely to be challenged in court I Benefits Pro
The Labor Department's proposal to delay the full implementation of the fiduciary rule to July 2019 will likely meet a legal challenge from consumer advocate groups, according to several sources.

"If they finalize the delay as it is proposed, Labor should expect a legal challenge," said Micah Hauptman, an attorney with the Consumer Federation of America, which filed a comment letter opposing the delay of the scheduled January 1, 2018 implementation of the rule.

Fiduciary Rule Creating Opportunities for Advisers to Small Plans I Plan Advisor
The Department of Labor's (DOL) pending fiduciary rule is just one of many factors causing smaller retirement plans to seek out the services of specialist retirement plan advisers, says George Revoir, head of distribution for John Hancock Retirement Plan Services in Boston...

Many small plan sponsors are beginning to realize that the advisers currently servicing them are commission-based brokers, not necessarily fiduciaries, causing them to look for help with the fiduciary rule and participant education, agrees Chris Schaefer, head of MV Financial's retirement plan practice in Bethesda, Maryland.

Two Tech Vendors Create End-to-End, DOL-Compliant Retirement Planning System I Wealth Management

STUDENT LOANS AND FOR-PROFIT SCHOOLS

To Lighten the Regulatory Load, Focus on For-Profits I Chronicle of Higher Education (Robert Shireman)
At for-profit entities, owners and investors make the ultimate decisions and are allowed to keep for themselves any tuition revenue they generate but do not spend. In contrast, at nonprofit colleges it is illegal for anyone to take residuals...

Why am I raising these issues in response to your request for ideas to reduce the regulatory burden on colleges? Because many of the regulations that nonprofit and public colleges are grappling with were created to address the abuses resulting from for-profit colleges' participation in the Title IV federal financial-aid programs. Federal micromanaging of accreditation is almost entirely a result of the design of Title IV in the context of for-profit providers. The same goes for the complicated refund requirements, as well as for the state authorization requirements, and even for the gainful-employment and borrower-defense rules.

One way to relieve institutions of the regulatory burden, while improving the treatment of taxpayers and students, would be to exempt institutions that can demonstrate that their assets and revenues are under the control of people without a financial interest in the institution, since those restrictions at public and nonprofit institutions have been shown to largely prevent abuse.

Unregulated Universities Make Profit off Their Students I Loyola Phoenix (Taylor Reising)

See **AFR testimony** at Department of Education hearing.

SYSTEMIC RISK

Private markets drowning in cheap cash I Pitchbook
The more one surveys the financial and economic landscape, the more one appreciates just how unique things are right now.

A growing reservoir of cash is surrounding private market participants, be it GPs sitting on more and more dry powder or entrepreneurs, existing investors and equity holders enjoying more attractive deal terms— amid a steady decline in liquidation participation in VC rounds, for instance—and higher deal multiples (shown below). LPs, as I've discussed previously, are contributing to this dynamic by " reaching for yield" as asset return assumptions diminish.

While there are many idiosyncratic factors in play in each of these areas, common threads emerge as one looks across asset classes and risk categories. Mainly, an abundance of cheap capital enabled by low interest rates and confident investors.