AMERICANS FOR FINANCIAL REFORM

THIS WEEK IN WALL STREET REFORM
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CONSUMER FINANCE & CFPB

Data Collection at CFPB In Line With Other Agencies, GAO Finds

Ben Goad, The Hill, 9/22/14

The Consumer Financial Protection Bureau’s (CFPB) collection of massive reams of data pertaining to private financial transactions is above board and generally in line with the practices at other regulatory agencies, the Government Accountability Office (GAO) has concluded…

“Other regulators, such as the Board of Governors of the Federal Reserve System and the Office of the Comptroller of the Currency, collect similarly large amounts of data,” investigators found.

GAO: CFPB Should Take Steps to Protect Consumer Data Collected From Banks

Alan Zibel, Wall St. Journal, 9/22/14

The U.S. Consumer Financial Protection Bureau Is Collecting Massive Amounts Of Your Personal Financial Information

Senator Mike Crapo, Forbes, 9/25/14

Banks Launch Checking Accounts, With No Checks

Blake Ellis, CNN, 9/23/14

CitiBank is the latest to introduce a checkless account, with the launch of its new Access Account announced on Tuesday. Along with being check-free, Citi's new account doesn't allow customers to overdraw their accounts and incur fees.

Other banks have had the same idea. Bank of America introduced the Safe Balance account earlier this year, which comes with everything a traditional checking account does except the checks. And like Citi's new account, the Safe Balance account doesn't allow customers to overdraw their accounts. Meanwhile, banks like Chase have introduced prepaid cards as checkless alternatives.

Wal-Mart's Mobile Checking Account Nixes Fees

Joseph Pisani, Associated Press, 9/24/14

Are Wal-Mart and Apple Poised to Be Regulated By the CFPB?

Danielle Douglas-Gabriel, Washington Post, 9/25/14

[Bank Wars? Walmart's Low-Cost Checking Accounts Upset Bankers]
Jana Kasperkevic, The Guardian, 9/25/14

[Miss a Payment? Good Luck Moving That Car]
Michael Corkery & Jessica Silver-Greenberg, NY Times, 9/24/14
The thermometer showed a 103.5-degree fever, and her 10-year-old's asthma was flaring up. Mary Bolender, who lives in Las Vegas, needed to get her daughter to an emergency room, but her 2005 Chrysler van would not start.

The cause was not a mechanical problem — it was her lender. Ms. Bolender was three days behind on her monthly car payment. Her lender, C.A.G. Acceptance of Mesa, Ariz., remotely activated a device in her car's dashboard that prevented her car from starting. Before she could get back on the road, she had to pay more than $389, money she did not have that morning in March.

[Consumer Group Targets Payday Lenders With Capitol Hill Push]
Tim Devaney, The Hill, 9/24/14

[We Urge CFPB to Add Stories to Complaint Database]
Ed Mierzwinski, US PIRG, 9/23/14

[Raising the Pressure on Payday Lenders]
Mitch Lipka, CBS MoneyWatch, 9/24/14
An activist group dedicated to "economic justice" is launching a campaign to draw attention to the payday lending industry, which is known for extraordinarily high-cost loans made to those who can least afford them.

Americans for Payday Lending Reform, part of the grassroots coalition National People's Action, is planning to run a series of online ads focusing on industry practices and those who profit from the loans. Consumer groups have long tried to urge consumers to stay away from payday loans because of the onerous costs involved.

[U.S. Bank to Pay $57M in Consumer Relief and Fines]
Kevin McCoy, USA Today, 9/25/14
The Minneapolis-based bank sold the "Privacy Guard" and "Identity Secure" services as add-on products for credit cards and other bank products from at least 2003 through January 2012, according to a consent order issued by the Consumer Financial Protection Bureau.

The programs, administered by the bank's third-party vendor, Affinion, required written authorization from customers before the services could begin. Although that authorization in many cases was delayed or not processed properly, the CFPB said customers were billed for the protection as soon as they enrolled.

[Regulators Penalize U.S. Bancorp for Identity-Theft Products]
Ryan Tracy, Wall Street Journal, 9/25/14

[Check Your Credit-Card Bills for These Added Fees]
Annamaria Andriotis, Wall Street Journal, 9/25/14

[Why U.S. Bank Might Owe You Money]
Danielle Douglas-Gabriel, Washington Post, 9/25/14

[The Crazy Easy Trick to Getting a Credit Card Fee Waived or Your Rate Lowered]
Kerri Anne Renzulli, Time, 9/25/14

DERIVATIVES, COMMODITIES & THE CFTC

[U.S., Europe Hit Impasse Over Rules on Derivatives]
Andrew Acekrman, Katy Burne & Victoria Dendrinou, Wall St. Journal, 9/25/14

[DeLauro, Welch, Courtney Introduce Bill to Fully Fund CFTC]
Press Release, Office of Representative Rosa DeLauro

See text of [Wall Street Accountability Through Sustainable Funding Act]

ENFORCEMENT

[Eric Holder's Business Legacy: 'Too Big to Jail'?]
Roger Parloff, Fortune, 9/25/14
The attorney general secured no big-name convictions from the financial crisis. Can his reputation overcome that? “That area of his record is terrible,” says Robert Weissman, president of the progressive nonprofit, Public Citizen. Weissman is criticizing U.S. attorney general Eric Holder for his “utter failure to prosecute any [major] institution or person for the events that led to the financial crisis and all the ensuing social devastation.”

[What Wall Street Should Expect from Next AG]
Ben White, CNBC, 9/26/14

[SEC Charges Barclays With Compliance Failure]
Chelsey Dulaney, Wall Street Journal, 9/23/14

EXECUTIVE COMPENSATION

[Watchdog Says Treasury Let GM, Ally Give Executives Big Raises During TARP]
Alan Zibel, Wall Street Journal, 9/24/14
A report by the special inspector general for the Troubled Asset Relief Program criticized the Treasury for allowing Ally and GM to pay compensation packages worth at least $1 million in 2013 for all 25 top executives at each company. The companies paid those executives an average of $3 million annually, an increase of 28% from 2009, the report found.

See [SIGTARP report on compensation at GM, Ally]

FEDERAL RESERVE

[Inside the New York Fed: Secret Recordings and a Culture Clash]
Jake Bernstein, ProPublica, 9/26/14
New York Fed President William Dudley had to answer two questions quickly: Why had his institution blown it, and how could it do better? So he called in an outsider, a Columbia

University finance professor named David Beim, and granted him unlimited access to investigate. In exchange, the results would remain secret.

After interviews with dozens of New York Fed employees, Beim learned something that surprised even him. The most daunting obstacle the New York Fed faced in overseeing the nation's biggest financial institutions was its own culture. The New York Fed had become too risk-averse and deferential to the banks it supervised. Its examiners feared contradicting bosses, who too often forced their findings into an institutional consensus that watered down much of what they did.

The Secret Goldman Sachs Tapes

Michael Lewis, Bloomberg, 9/26/14

After the 2008 financial crisis, the New York Fed, now the chief U.S. bank regulator, commissioned a study of itself. This study, which the Fed also intended to keep to itself, set out to understand why the Fed hadn't spotted the insane and destructive behavior inside the big banks, and stopped it before it got out of control. The "discussion draft" of the Fed's internal study, led by a Columbia Business School professor and former banker named David Beim, was sent to the Fed on Aug. 18, 2009.

It's an extraordinary document. There is not space here to do it justice, but the gist is this: The Fed failed to regulate the banks because it did not encourage its employees to ask questions, to speak their minds or to point out problems.

Secret Goldman Sachs Tapes Show Regulators Still Respect Bankers Too Much

Matt O'Brien, Washington Post, 9/27/14

Regulators knew the big banks were taking big risks, and had the power to do something about it. But they didn't. It's worse than outright neglect, since it's not as obvious how to fix it. And now, thanks to 46 hours of secret audio tapes from inside the New York Federal Reserve, we can hear that they're still having trouble fixing it. The problem isn't that regulators don't have the tools they need. It's that they won't use the tools they have, because they respect the bankers too much.

The Secret Recordings of Carmen Segarra

This American Life, 9/26/14

KC Fed President Says Nation's Community Banks Ensnared in Regulation

Michael S. Derby, Wall St. Journal, 9/23/14

Federal Reserve Bank of Kansas City President Esther George said Tuesday small banks around the nation are being hurt by rule making aimed at too-big-to-fail financial institutions. She noted that in much of the country, community banks provide a vital mission in making credit available to small business and farms. She also noted that the size and management structure of community banks also makes them less risky relative to their bigger brothers on Wall Street.

Two Known as Dissenters Plan to Retire From Fed

Binyamin Applebaum, NY Times, 9/22/14

HOUSING AND MORTGAGES

Five Quick Takeaways from the Latest HMDA Data

Kate Berry, National Mortgage News, 9/24/14

Blacks and Hispanics were turned down for home loans last year at nearly three times the rate of white borrowers, according to the Federal Reserve's paper released with the data Monday. While that is high, the denial rate to minorities — a major point of contention — improved slightly last year compared with 2012.

"When the market went over the cliff, blacks and Hispanics went way off the cliff, and while they have come back somewhat, it has been much harder because they dropped down so far," said Maurice Jourdain-Earl, the managing director of ComplianceTech, an Arlington, Va., software firm that specializes in fair lending matters.

Denial rates for conventional home purchase loans backed by Fannie Mae and Freddie Mac in 2013 were 29% for blacks, 22% for Hispanics, 14% for Asians and 11% for whites. In 2012, 32% of blacks, 22% of Hispanics, 14% of Asians, and 12% of whites were denied conventional home loans.

A Surprising Disparity in the Newest Mortgage Data

Bing Bai and Taz George, Urban Institute, 9/25/14

Last week, we released a new view of the housing boom and bust, an interactive map that allows users to see where mortgages were made from 2001 to 2012, and to which racial and ethnic groups. With 2013 Home Mortgage Disclosure Act (HMDA) data out this week, we've updated the map to show 13 years of mortgage originations by race and ethnicity and region. The newest data reveal two continued trends and one surprising disparity:

Continued trend: African Americans and Hispanics are still locked out of the recovery. The recovery in the mortgage market picked up steam in 2013, with the number of purchase mortgages increasing 14.8 percent over the previous year. But non-Hispanic white borrowers accounted for most of that increase, while African American and Hispanic borrowers rose by just 7.4 and 8.2 percent. Tight lending continues to block many creditworthy households from joining the recovery; borrowers with a FICO score less than 660 represented only 10 percent of new originations in 2013, compared to 13 percent in 2012 and 20 percent in 2001. With interest rates and home prices rising, the barriers for many African American and Hispanic households to become homeowners will only increase.

Continued trend: The recovery is still very uneven geographically… For example, new purchase mortgages made to borrowers in the Chicago metropolitan area surged 27.7 percent in 2013 over the previous year. Meanwhile, two major California cities in the Central Valley experienced a decline in the number of purchase loans: Stockton, a 12.1 percent decrease, and Modesto, a 13.6 percent decrease.

The surprise: Refinance volume plummeted in 2013, but only for whites and Asians.

The Price of Crisis: Eminent Domain, Local Governments, and the Value of Underwater Mortgages

Raymond H. Brescia & Nicholas S. Martin, Temple Civil & Political Rights Law Review

[M]y co-author and I make several claims. First, litigation, (often just the mere threat of litigation) has done more, to date, to remedy the problem of underwater mortgages than any other legal strategy. Second, local governments have played a role in using such tactics. And, third, eminent domain is akin to such tactics, and even the threat of using eminent domain might be enough to bring banks to the table to reduce principal balances on underwater mortgages.

Guess What Might Be Holding Back Housing Now
Jonathan J. Miller, Bloomberg, 9/25/14

INVESTOR RIGHTS AND THE SEC

Democrats Call on SEC to Finish JOBS Act Disclosure Rules
Patrick Temple-West, PoliticoPro (paywalled), 9/23/14
In a letter to SEC Chair Mary Jo White, [Senators Carl Levin, Jack Reed, Edward Markley and Elizabeth Warren] said investors remain in the dark a year after the agency proposed rules for the 2012 JOBS Act. The final rules are needed to deter potential fraud schemes now that businesses are able to solicit new investors via highway billboards, cold calls to senior living centers and other general solicitation, the senators said.

A Murky Process Yields Cleaner Professional Records for Stockbrokers
Susan Antilla, NY Times, 9/25/14
As a former stockbroker whose regulatory file included 41 customer complaints and a job termination, Kathleen J. Tarr was concerned that her reputation had been hurt by accusations that she had disputed. So, like an increasing number of brokers, she sought to have some negative information expunged from her record.

After a contentious phone hearing overseen by three arbitrators for the Financial Industry Regulatory Authority last month, Ms. Tarr received the go-ahead on Sept. 10 to have one of the complaints taken away.

SEC Makes Largest Ever Whistle-Blower Award
Matthew Goldstein, New York Times, 9/22/14

Pimco ETF Draws Probe by SEC
Kirsten Grind, Gregory Zuckerman & Jean Eaglesham, Wall St Journal, 9/23/14

PIMCO Exchange-Traded Fund Faces SEC Investigation
John Waggener, USA Today, 9/24/14

SEC Probe Adds to Pimco's Troubles
E. Scott Reckard, Los Angeles Times, 9/24/14

STUDENT LOANS

The For-Profit College That's Too Big to Fail
Karen Weise, Bloomberg, 9/25/14
Usually, when a school closes, the Education Department tries to find other programs to accept the students and the credits they've earned. But the size of Corinthian's student body means it's hard if not impossible to find enough places at other for-profit or community colleges. That creates a problem for the government, which must forgive loans for students who don't transfer to other institutions. In the case of a school as large as Corinthian, that provision could cost taxpayers millions of dollars.

Now the Education Department is actively trying to shore up Corinthian's schools even as it shuts the company down. "They thought they were going to be sending a really strong message" by cracking down on Corinthian, says Trace Urdan, an analyst at Wells Fargo Securities (WFC). "They didn't really understand that it may collapse."

The Investment in For-Profit Colleges Isn't Paying Off
Catherine Rampell, Washington Post, 9/25/14
[I]t turns out that dropout rates aren't the only reason this sector's default rates are so high. The lucky few students who actually complete their degrees have serious trouble getting jobs, too. Employers, it seems, just aren't that interested in graduates of for-profits, even when those graduates are otherwise indistinguishable from those of public colleges and universities.

How do we know this? Survey data about stated preferences in job applicants have suggested it in the past. And now a team of top-notch economics and education researchers — David J. Deming, Noam Yuchtman, Amira Abulafi, Claudia Goldin and Lawrence F. Katz — has backed that up with a real-world experiment.

CFPB: Black College Grads at a Disadvantage
Tim Devaney, The Hill, 9/23/14
The nation's top consumer watchdog said Tuesday that black college graduates take on nearly 15 percent more debt than other students, putting the black community at an educational disadvantage.

8 Ways to Stop Student Loans From Ruining Your Life
Kim Clark, Time, 9/25/14

Navigating Student Loans and Avoiding Mountains of Debt
Kimberley Wiggins, Fox News, 9/24/14

Surge in Student Debt Forgiveness
James Freeman, Wall Street Journal, 9/25/14

Colleges Win, Student Borrowers Lost in Obama Administration Absolution
Shahien Nasiripour, Huffington Post, 9/24/14

Federal Student Loan Defaults Are Down — But It's Not Clear Why
Jonnelle Marte, Washington Post, 9/24/14

The Government Finally Has Good News about Student Loans
Natalie Kitroeff, Bloomberg, 9/24/14

As Default Rates Drop, So Does Confidence in How the Education Dept. Counts Them
Kelly Field, Chronicle of Higher Education, 9/25/14

Despite Lower Rates, More Than 650,000 Defaulted on Federal Student Loans: For-Profit Colleges Account for Nearly Half of all Defaults
Press Release, TICAS, 9/24/14

[The 5 Colleges that Leave the Most Students Crippled by Debt]
Kim Clark, Time, 9/24/14

[650,000 Student Loan Borrowers Who Began Repayment in 2011 Have Defaulted on Federal Loans]
Ashlee Kieler, The Consumerist, 9/24/14

[Ensure Opportunity for Military and Veterans to Attend Top-Tier For-Profit Schools]
Former Rep. Silvestre Reyes, The Hill, 9/25/14

[Education With a Debt Sentence]
Astra Taylor and Hannah Appel, TomDispatch, 9/21/14

SYSTEMIC RISK

[Wall St. Bankrolls Ex-Executive as He Sues Over AIG Bailout]
Ben Protess & Aaron M. Kessler, NY Times, 9/23/14
One might call it "chutzpah," as several irate lawmakers did, or "rubbing salt in the wounds" of the American taxpayer. But to a few Wall Street financiers, a lawsuit that accuses the government of shortchanging the American International Group in its 2008 bailout is something else: a promising investment in a cause they support.

Maurice R. Greenberg, 89, the former A.I.G. chief executive who still holds a large stake in the insurance company, filed the lawsuit on behalf of fellow shareholders. He has now raised several million dollars from three Wall Street companions to help cover the cost of the case. The investors, who are entitled to a cut of any damages Mr. Greenberg collects from the government, contributed about 15 percent of the tens of millions of dollars in legal costs, according to people with knowledge of the arrangement.

[FDIC's Hoenig Keeps Wall Street on Edge]
Ryan Tracy, Wall Street Journal, 9/25/14