This Week in Wall Street Reform | Sept 16 - 22, 2017

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TRUMP ADMINISTRATION AND WALL STREET

Gary Cohn is Giving Goldman Sachs Everything It Ever Wanted I Intercept (Gary Rivlin & Michael Hudson)
No other piece of Dodd-Frank "mattered to Goldman quite like the Volcker Rule, which would protect banks' solvency by limiting their freedom to make speculative trades with their own money. Unless Goldman could initiate what **Americans for Financial Reform** Policy Director Marcus Stanley called the 'complexity two-step' — win a carve-out so a new rule wouldn't interfere with legitimate business and then use that carve-out to render a rule toothless — Volcker would slam the door shut on the entire direction in which Blankfein and Cohn had taken Goldman.

EQUIFAX — THE LATEST

Key Equifax executives departing after huge data breach I Washington Post
Equifax announced late Friday that its chief information officer and chief security officer would leave the company immediately, following the enormous breach of 143 million Americans' personal information. The credit data company — under intense pressure since it disclosed last week that hackers accessed the Social Security numbers, birthdates and other information — also released a detailed, if still muddled, timeline of how it discovered and handled the breach. Equifax said that Susan Mauldin, who had been the top security officer, and David Webb, the chief technology officer, are retiring. Mauldin, a college music major, had come under media scrutiny for her qualifications in security. Equifax did not say in its statement what retirement packages the executives would receive.

Equifax Just Equi-F'ed Everyone I Late Show with Stephen Colbert
"Now, there are things you could do to protect yourselves, like set a freeze on your credit so thieves can't mess with it. Last week, people who tried to set up these freezes through Equifax discovered they had to pay Equifax for the privilege of protecting themselves. So they made you pay them to protect you from them. That's not a credit rating agency - that's the Mafia. But it does explain their new slogan: 'NICE CREDIT RATING YOU'VE GOT HERE, IT'D BE A REAL SHAME IF SOMETHING HAPPENED TO IT.'"

Credit agency Experian says it can protect you from the 'dark Web' — sort of I LA Times (David Lazarus)
Not surprisingly, this is where you'll find an arbitration clause preventing you from suing the company — an increasingly common aspect of consumer contracts nowadays. That's the least of your worries, though. It turns out running a free dark-Web email scan opens you up to "advertisements or offers for available credit cards, loan options, financial products or services, or credit-related products or services and other offers to customers." It also exposes you to "the ability to track and collect certain consumer information specific to you," including your credit score, loan and credit card payments, and interest rates. The terms reveal that Experian "receives compensation for the marketing of credit opportunities or other products or services available through third parties," which is exactly what it sounds like. You're giving permission for the company to sell you out. And if you make it to the very bottom of the contract — no small feat, I assure you — you'll find this little cow chip: Even if you cancel any Experian service, your acceptance of the arbitration clause "shall survive." For the rest of your natural life? That seems to be the presumption.

Equifax data breach leaves at least 143 million consumers at risk I Pittsburgh Courier (Charlene Crowell)
In reaction to this cybercrime, a surge of federal class action lawsuits are going after Equifax. As many as 50 have been filed in at least 14 states and the District of Columbia as of September 12. The Federal Bureau of Investigation is reportedly examining what went wrong from a criminal perspective. On the civil side of the law, the Consumer Financial Protection Bureau (CFPB) is beginning its own independent investigation.

Public Shaming Likely but GOP Wary of New Laws After Equifax I Associated Press

Why didn't Equifax protect your data? Because it didn't have to. I Washington Post (Heidi Moore)
When the credit-reporting agency Equifax announced this month that hackers had accessed the accounts of 143 million of its customers — over 40 percent of the population of the United States — it was another example of how little power consumers have over their own money and personal information. Indeed, it unfolded in a familiar way: Equifax isn't communicating with its customers, and no one can make it.

Get Rid of Equifax I NY Times (Bryce Covert)
Months before the hack itself, Equifax could easily have patched the hole in its system that hackers exploited, but it simply didn't.

That's because we are not the customers of credit reporting companies, but the product. These private institutions hoover up our data, often without our knowledge and consent, and then sell it off to banks, landlords and even prospective employers. The companies rake in some $10 billion in revenue every year. They wield enormous power to ruin our lives — if not through a data breach, then through errors on our credit reports. One in four consumers has an error on his credit report that could affect his scores, yet it can be very difficult to correct the record.

Hack Will Lead to Little, if Any, Punishment for Equifax I NY Times
It's a bad week when one senator says that "somebody needs to go to jail" for selling shares in your company before it disclosed a massive data breach, and another asserts that the episode was "one of the most egregious examples of corporate malfeasances since Enron."

The hacking into Equifax's trove of consumer and financial data that exposed the sensitive personal information of as many as 143 million Americans leads naturally to the question of the legal consequences the company and its executives might face. The answer, for those who remember the government's response to the financial crisis, will be as familiar as it is unwelcome: not much.

Equifax has been sending concerned customers to fake phishing site I Channel 3 Norfolk VA

Poll: U.S. Consumers Back New Laws, Class-Action Suits After Equifax Hack I Morning Consultant
[A] majority of adults surveyed in a Morning Consult poll say they would be likely to join a class-action lawsuit against the credit reporting company if they find that their data had been compromised. Many also support additional legislation and rules to protect against further data breaches.

Protecting Ohioans harmed by Equifax I Columbus Herald Dispatch (Senator Sherrod Brown)
I demanded Equifax remove the arbitration clauses from all of their products, and I'm glad the company complied for its free credit monitoring. But the fact that it took a public shaming for them to do so is exactly why we need the Consumer Protection Bureau's rule to put a stop to arbitration in financial products altogether. I will continue to hold Equifax and other companies that compromise our information accountable, and make sure Ohioans have the resources they need to ensure their financial lives aren't ruined by corporations' carelessness.

Equifax shows Republicans must end attacks on financial regulation I The Hill (Robert Weismann)
It's time for the Senate Republicans working to roll back a vital consumer safeguard just issued by the U.S. Consumer Financial Protection Bureau (CFPB) to say "uncle." After Equifax, the accumulated weight of evidence is just too much, no matter how much congressional opponents of the CFPB may want to please their political financiers.

In July, the CFPB issued a rule prohibiting rip-off clauses — perhaps the single most important tool that big banks and financial companies have used to escape accountability for cheating, conning, fleecing, defrauding and plundering consumers — in the fine print of consumer financial contracts. The common-sense CFPB rule would ban contract terms that prohibit consumers from joining together to hold banks and other financial companies accountable for wrongdoing through class-action lawsuits.

Equifax data breach is an opportunity for needed reform I Denver Post (editorial)

Equifax is too big to fail, but not to hold accountable I St. Louis Post-Dispatch (editorial)
The most disturbing thing about the data breach acknowledged [2 weeks ago] by the credit reporting agency Equifax is not that 143 million people's personal data may have been exposed, nor even that there's not much those people can do about it. It's that Equifax probably isn't going to suffer for it, at least not much.

Extra ways to protect yourself after the Equifax data breach I Fox TV (Cleveland)

The Equifax Breach and 5 Years of Missed Warning Signs I Huffington Post (Dante Disparte)
In a keyword search through 5 years' worth of Equifax annual reports, terms that would suggest adequate risk awareness, such as risk management, cyber risk, privacy, data security, data breach or information security, barely appear at all.

All the reasons you should be absolutely furious at Equifax—and the entire credit bureau industry I Quartz (Lynn Stuart Parramore)
Rather than investing in appropriate security measures, Equifax has spent a pirate's treasure lobbying Congress to help the company force consumers to settle disputes in arbitration, rather than suing them for harm. And hardly had the news of the hacking broken before the company tried to lure consumers into signing up on a "help site" to see if their data had been compromised—slipping in a fine-print clause robbing the victims of their rights to class-action suit. Equifax backed off when social media went ballistic, though the legal status of the hedge is still untested.

Should You Participate in a Class Action Against Equifax? I Consumers Union
If your personal information is among the 143 million credit files compromised in the Equifax cyberattack, you might be wondering if you have any recourse against the company. As it turns out, you probably do. Since the Equifax breach—which involved the theft of names, birth dates, addresses, credit card numbers, and full Social Security numbers—more than 50 class-action suits have reportedly been filed against the credit bureau. The lawsuits are coming about, coincidentally, just as a Consumer Financial Protection Bureau rule restoring consumers' right to sue financial companies may be in danger of being eliminated by Congress.

Senator Tammy Baldwin Helps Introduce Legislation to Give Control of Credit Information Back to Consumers I Urban Milwaukee
Additional original co-sponsors of the legislation include Senators Robert Menendez (D-NJ), Chris Van Hollen (D-MD), Kirsten Gillibrand (D-NY), Richard Blumenthal (D-CT), Edward J. Markey (D-MA), Bernie Sanders (I-VT), Ron Wyden (D-OR), Richard Durbin (D-IL), Jeff Merkley (D-OR), and Al Franken (D-MN).

The legislation has received endorsements from the National Consumer Law Center (on behalf of its low-income clients), U.S. PIRG, MASSPIRG, Tennessee Citizen Action, Consumer Action, **Americans for Financial Reform**, CREDO, National Association of Consumer Advocates, and the Consumer Federation of America.

AG Healey Sues Equifax I Massachusetts.gov
Following a major data breach at credit reporting firm Equifax Inc., Attorney General Maura Healey today filed the nation's first enforcement action links to PDF file over the company's failure to protect sensitive and personal information of nearly three million Massachusetts residents.

"We allege that Equifax knew about the vulnerabilities in its system for months, but utterly failed to keep the personal information of nearly three million Massachusetts residents safe from hackers," said AG Healey. "We are suing because Equifax needs to pay for its mistakes, make our residents whole, and fix the problem so it never happens again."

WELLS FARGO — THE LATEST

Janet L. Yellen: Wells Fargo's conduct has been 'unacceptable' I Washington Post
The Federal Reserve has been reviewing the incident for several months, and Yellen declined to comment on the status of the investigation. "We take our supervision responsibilities of the company very seriously. And we are attempting to understand what the root causes of those problems are and to address them," she said. When asked about the company in July, Yellen told a congressional committee that the Fed is "certainly prepared to take enforcement actions if those prove to be appropriate."

Wells Fargo Scandal Tracker I Medium.com (Jim Lardner)
In September 2016, Wells Fargo admitted to opening millions of unauthorized accounts and signed a settlement requiring payment of $185 million in penalties. That news, remarkable as it was, has turned out to be very far from the whole story of the bank's misdeeds. One after another, Wells Fargo has been hit by a succession of scandals, all growing out of its aggressive efforts to extract as much revenue as possible from every customer, by fair means or foul.

Here, in brief, are the major forms of systematic wrongdoing in which Wells Fargo has been implicated…

Wells Fargo seeks arbitration of unauthorized accounts lawsuit I Reuters

Republican report accuses consumer bureau of going easy on Wells Fargo I LA Times
"The bank knew since at least 2006 that its employees were gaming its incentive compensation program, yet failed to take actions sufficient to stop it," CFPB employees wrote in a 2016 confidential memo.

The documents were released as part of a politically charged report by the staff of the House Financial Services Committee chairman, Rep. Jeb Hensarling (R-Texas). Hensarling is a critic of the CFPB who, along with other House Republicans, has called for the firing of CFPB Director Richard Cordray — an appointee of President Obama — and for new laws to curtail the bureau's authority over the financial services industry.

CFPB Memo Says It Could Have Sought $10 Billion Penalty for Wells Fargo I Wall St. Journal

CFPB AND CONSUMER FINANCE

[Barring Lawsuits Is a Slimy, Rampant Practice](#) I VNews (David Lazarus)
Equifax won't win any prizes for its handling of a massive security breach that potentially exposed the personal information of 143 million people to hackers. But it was striking that of all the things that outraged consumers, the one that drew the most attention was Equifax's inclusion of an arbitration clause in its offer of free credit monitoring.

Yes, it was slimy for the company to try to deny people their right to sue or to join class-action lawsuits. But no, Equifax was by no means alone in pulling such a stunt.

CFPB arbitration rule is an undeniable win for consumers I American Banker (Dean Clancy)
In a recent BankThink piece, Attorney Joseph Cioffi questions the benefits of the Consumer Financial Protection Bureau's recently finalized rule banning mandatory arbitration clauses in most consumer credit and financial agreements… As he sees it, the rule will lead to more litigation, and therefore, consumers should prepare for higher prices of financial services and products as a result of the rule. However, a review of the evidence suggests his prediction is not accurate.

The Financial Industry Is Its Own Best Enemy I The Nation (Mike Konczal)
Wells Fargo also demonstrated the need for an independent Consumer Financial Protection Bureau, which was set up under Dodd-Frank. Local newspapers and prosecutors discovered that Wells Fargo was abusing clients by opening fake accounts in their names, but there was little they could do about it: City prosecutors are under-resourced and lack the regulatory authority necessary to challenge a national bank. The CFPB, however, was designed to take on just such malfeasance. Wells Fargo is the poster child for how broken the regulatory structure is without a dedicated consumer cop on the beat. Which brings us to the Equifax scandal. Equifax, one of the three main consumer-credit data companies, is paid to spy on and compile all of your personal financial records.

Citibank loses bid to send retaliation lawsuit to arbitration I Reuters
A federal judge in Chicago has rejected a bid by Citibank to force into arbitration a retaliation lawsuit by two former Chicago-area employees who claim they were fired after reporting sales abuses at the bank to regulators. In a decision on Wednesday, U.S. District Judge Matthew Kennelly said Citibank cannot enforce an arbitration agreement the former workers signed because mandatory arbitration is barred by employee protections of the Consumer Financial Protection Act (CFPA), part of the 2010 Dodd Frank Wall Street reform law.

CFPB's arbitration rule is best defense for 'wronged' consumers I American Banker (Lisa Servon)

Another turn of the screw by the CFPB I Auto Remarketing (Steve Roennau)

Service members deserve protection from big banks I Columbia SC State (letter to editor)
Forced arbitration clauses buried in the fine print of contracts strip service members of their constitutional right to a trial by jury. So when a mega bank unlawfully forecloses on service

members' homes or charges them illegal interest rates, service members cannot go to court to assert their rights. Instead, they must bring their case before a private, secretive arbitration forum where the corporation wins 93 percent of the time.

Why Regulation Won't Fix Credit Reporting Agencies I PYMNTS (Karen Webster)
Consumers have been complaining bitterly about credit reporting agency practices for decades. More recently, their complaints have been made more transparent, thanks to the CFPB's consumer complaint database. But… policymakers have seemed happy to let The Big Three run fast and loose. Government agencies, like the FHA, Fannie Mae and Freddie Mac require a minimum FICO score to qualify for a loan, and 90 percent of mortgage lenders use FICO scores to do the same. FICO scores are based on a credit scoring model using data from one of The Big Three agencies — Equifax, TransUnion and Experian.

As a consequence, we have three credit reporting agencies operating today, who are largely free to do whatever they want with the data they have — consumer complaint database be damned.

The Big Three sell that data to anyone who'll pay for it, adding to their multibillion-dollar annual revenue streams. They keep how they collect all the data they have on consumers a secret, locked inside an opaque black box that consumers have to pay to open if they want to see inside more than once a year.

And, in the case of Equifax, they make that consumer data vulnerable to compromise — an egregious lapse in security for a company that is, above all, an information and data repository.

Americans' rights to stand up against big banks I Louisiana Weekly (Rev. Willie Gable Jr.)
In Proverbs 31:9, the Bible encourages leaders to "speak up and judge fairly" and "defend the rights of the poor and needy." And now, our Senators in Washington have been given an opportunity to do just that and restore Americans' rights. It wouldn't take a grand act, but it would require them to hold firm and do the righteous thing in standing with everyday Louisianians in support of the new Consumer Financial Protection Bureau (CFPB) rule that empowers consumers against rampant corporate deception and greed by limiting the abusive practice of forced arbitration.

Sen. John Kennedy shaping up as key swing vote on arbitration I Advocate
Louisiana's recent arrival in D.C…. has kept his cards close to the chest on how he might vote on a Republican-led effort to scrap an Obama-era regulation making it far easier for customers to bring class-action lawsuits against banks, credit-card companies and other financial institutions… Financial industry groups have met with Kennedy's staff to push their case that a wave of class-action lawsuits would drain the industry and ultimately drive up prices. Consumer advocacy groups, meanwhile, have launched TV ads on Louisiana aimed at convincing Kennedy — and his voters back home — that the issue amounts to leveling the playing field between powerful corporations and wronged customers.

Class action protections not partisan I Press Herald (Cynthia Dill)

Don't let court squander online lenders' chance to reach underserved I American Banker (Nathaniel Hoopes)

[Four Disruptive Technologies Behind the Growth of Fintech](#) I Wired
After hitting an all-time high in 2015, investment in Fintech companies—businesses that deliver financial services by leveraging technological innovations—has continued to explode in 2016. In the first quarter alone, global investments in Fintech totaled $5.7 billion—nearly double the investments from the same quarter in 2015.

Disruptive approaches are driving this growth and changing everything we thought we knew about the world of finance, plunging a high-tech stake into the heart of the old ways of doing business.Here are four of the biggest trends emerging in the ever-growing world of Fintech: 1. AI-Inspired Investing Gets a Human Touch… 3. Moving Money… 4. Finance Doubles Down on Mobile…

The story behind Square's bank charter application I American Banker

GOP protects payday lenders; Ellison goes 0-for-3 on consumer protections I People's World
One amendment keeps the bureau, a key agency Congress established through the Dodd-Frank financial regulation law/crackdown, independent of the always-political congressional appropriations process. A second would let the CFPB regulate loans made to people to buy manufactured housing—mobile homes—who often can't get loans for conventional houses or can't afford those houses' high prices…

And the other would hit the payday lenders, who fleece some of the nation's most-vulnerable consumers with loans with short repayment schemes and rollovers with triple-digit annual interest charges. Labor-backed **Americans for Financial Reform** (AFR) said the typical payday lender charges 391 percent annual interest—and the industry's charges overall take $8 billion from consumers.

DERIVATIVES, COMMODITIES AND THE CFTC

CFTC Chairman: Government must ditch 'analog regulation' embrace blockchain I Fedscoop
J. Christopher Giancarlo sees a digital revolution coming for financial regulators, and he says blockchain technology is the key to protecting the government's oversight of markets.

FEDERAL RESERVE

The Federal Reserve has declared the financial crisis over I Yahoo Finance
On Wednesday, the Federal Reserve moved to end its most controversial post-crisis policy move: buying assets to stabilize and support credit markets. This program of quantitative easing (QE) began in November 2008 and saw the Fed's balance sheet balloon to over $4 trillion as it purchased Treasury bonds and mortgage-backed securities in purchases that ran intermittently through October 2014.

And starting in October, the Fed will begin to undo this program by unloading up to $10 billion — $6 billion in Treasuries and $4 billion in mortgage-backed securities — each month. This amount will increase until $50 billion are coming off the Fed's books each month.

What is the US Federal Reserve doing? I BBC

INVESTOR PROTECTION AND THE SEC

SEC reveals hack. Information may have aided illegal stock trades. I Washington Post
The Securities and Exchange Commission, the country's top Wall Street regulator, announced Wednesday that hackers breached its system for storing documents filed by publicly traded companies last year, potentially accessing data that allowed the intruders to make an illegal profit.

The agency detected the breach last year, but didn't learn until last month that it could have been used for improper trading. The incident was briefly mentioned in an unusual eight-page statement on cybersecurity released by SEC Chairman Jay Clayton late Wednesday. The statement didn't explain the delay in the announcement, the exact date the system was breached and whether information about any specific company was targeted.

MANAGED FUNDS

Private equity and retail — a match made for striking I Retail Dive (Daphne Howland)
Since the start of the year, at least 15 major retailers have filed for bankruptcy, including The Limited, Wet Seal and rue21. Many more, including Macy's and Sears, have announced mass store closures or efforts to restructure mounting debt loads…

Aside from navigating a troubled retail landscape, many of these retailers have one thing in common — their owners are private equity firms. And that can be a blessing or a curse.

MORTGAGES AND HOUSING

When Wall Street Owns Main Street — Literally I Evonomics (Rana Foroohar)
Private equity funds like Blackstone are giant financial institutions that operate largely outside the scrutiny of governmental regulation, since they are officially designated "nonbanks" or "shadow banks"—never mind that many of them are bigger than the better-known institutions that are subject to regulation. Most people rightly associate private equity with offshore bank accounts (remember Mitt Romney and Bain Capital?), big corporate buyouts in which formerly healthy firms are loaded up with debt and stripped of their assets, mass layoffs, and an utter lack of transparency in their financial dealings. But these days, the big news about private equity is that it is at the heart of the country's housing rebound.

Gone Baby Gone I New Republic (Rachel Monroe)
In cities from Baltimore to Phoenix, vacant houses attract crime, serve as breeding grounds for rats and dumping grounds for trash, strain fire and police services, and gut local property values. "There's a general reduction in quality of life around these properties," says Kim Graziani of the Center for Community Progress, a nonprofit organization that studies run-down houses across the country and works to turn blighted properties into neighborhood assets. "You

find increased rates of fear, anxiety, and depression among people who live adjacent to vacant and abandoned properties. There’s a loss of neighborhood fabric.”

RETIREMENT INVESTMENT AND DOL FIDUCIARY RULE

Bad News for Retirement Savers: A Key Rule That Protects Your Finances Is Facing Delays I Motley Fool (Maurie Backman)
Countless working Americans turn to financial advisors for help in saving for retirement and meeting their long-term financial goals. But it looks like a new rule designed to safeguard everyday investors from unscrupulous advisors will now experience further delays. In August, the Department of Labor put forth a proposal seeking to delay several provisions of the fiduciary rule to July 2019. This represents an 18-month lag from the original date of January 2018, at which time the rule was initially supposed to take effect in full.

Not only does delaying the rule expose savers to lackluster advice for longer, but it could also cost them billions of dollars in the process. And that's just not OK.

Groups Condemn Plan To Stall Fiduciary Rule I Value Walk
As the Department of Labor pushes ahead with a rule that would delay full enforcement of the fiduciary rule, **Americans for Financial Reform**, as part of the Save our Retirement coalition, is highlighting the costs to retirement savers of not having this common-sense consumer protection that simply ensures financial advisers provide the best possible advice. The department's comment period on its plans ends today.

"Delaying the full enforcement of the fiduciary rule means seniors and people saving for retirement are being and will be be bilked out of their hard earned money -- billions of dollars per year," said Lisa Donner, executive director of **Americans for Financial Reform**. "An insecure retirement for you and a spouse is a painful human cost that goes beyond the billions of dollars at stake. And it’s not simply a delay; it’s about carving out time to weaken it at the behest of the worst actors on Wall Street."

Industry Begs DOL For More Time I Financial Advisor
The financial services industry is begging the U.S. Department of Labor for an even longer delay of the fiduciary rule than a proposed extension to July 1, 2019… In comment letters, industry groups supported the proposed 18-month delay at a minimum, but said the DOL will probably need even more time to complete the review directed by President Trump, coordinate with the SEC and other regulators, finalize changes, and put the new package and implementation dates out for comment.

States’ rescue of fiduciary rule could backfire I Financial Planning
For supporters of the fiduciary rule, state regulators’ efforts to craft their own fiduciary standards, in response to the Trump administration’s desire to weaken them, could be a mixed blessing.

“As a financial planner, I would not be excited about the complexity of a patchwork of state regulations,” says Scott Beaudin, a CPA, CFP and chairman of NAPFA. “Ideally, you would have a federal solution.”

ACLI and NAIFA fear new DOL attacks on commissions I **Benefits Pro**
Life insurance groups are wondering whether the U.S. Department of Labor will put off enforcing the current version of the fiduciary rule, then come back with new regulations that continue what the groups see as an attack on commission-based life insurance and annuity product distribution efforts.

How the Fiducuary Rule is Favouring Big Brokers I **International Financial Law Review**

Fiduciary Rule Applies To Health Savings Accounts I **Insurance News**

STUDENT LOANS AND FOR-PROFIT SCHOOLS

Ex-federal officials form group to combat rollback of protections in higher ed I **Washington Post**
A cadre of attorneys and policy advisers from the Obama administration is teaming up to do what they say Education Secretary Betsy DeVos seems incapable of doing: protecting students. "Rather than collaborating to get more relief to students who've fallen prey to industry scams, and to prevent future abuses, DeVos has chosen to make oversight more difficult and accountability harder to come by," said Alexis Goldstein, senior policy analyst at the progressive **Americans for Financial Reform**.

Feds should not take away defrauded students' day in court I **The Advocate (Richard Fossey)**
A college education can set you up for a lifetime. Unfortunately, sometimes, the weight of student loan debt can ruin lives.

The most tragic cases are when students get both a worthless education and a mountain of debt. Too many Louisianans, like others across the nation, have been defrauded by for-profit schools. Ashford University, an online school that has partnerships with several Louisiana community colleges, deceived students into taking loans that cost more than advertised. Other schools have made false claims of job placement rates or offered worthless programs with credits that don't transfer and don't qualify students for the licenses they need. Veterans have been targeted by schools eyeing their GI benefits.

Dems call on DeVos to work with CFPB to protect student borrowers I **The Hill**
Congressional Democrats are calling on Education Secretary Betsy DeVos to reverse course and reinstate agreements with the Consumer Financial Protection Bureau to protect student borrowers from student loan fraud. Earlier this month, DeVos reportedly canceled agreements with the CFPB from 2011 and 2013, claiming the bureau had used Education Department data to expand its oversight role to include the department's contracted federal loan servicers, overstepping its boundaries. In a letter to DeVos on Thursday, Sens. Sherrod Brown (Ohio) and Patty Murray (Wash.) along with Reps. Maxine Waters (Calif.), Rep. Bobby Scott (Va.) and 39 other members of Congress said revoking these agreements reflect "a fundamental misunderstanding" of the Education Department's authority and that of other federal agencies.

More Scrutiny of Colleges' Finances? Education Department Says No I **Inside Higher Ed**

The Department of Education rejected two recent calls to improve its monitoring of the financial health of colleges and universities -- despite findings that its metrics predicted only half of institutional closures in recent years.

A Government Accountability Office report released Wednesday found that the risk measure the department uses to assess colleges' financial health is badly out of date. While the department agreed to improve communication about how it calculates that measure, it rejected a call to improve the metric. And the Office of Federal Student Aid separately turned down recommendations to strengthen the data it collects for oversight of institutions.

Phoenix: America's For-Profit Education Capital? I Phoenix New Times
In the story of for-profit education, Phoenix is pretty much ground zero. It was here that John Sperling, the Cambridge-educated founder of the University of Phoenix, built a for-profit giant after he identified a need for flexible, continuing-education programs in the 1970s.

Sperling's enterprise was initially born as a series of adult education courses in San Francisco. After a California accreditor began to scrutinize his program, Sperling moved to Phoenix, in part, because, as he told the Arizona Republic, Arizona "had never gotten around to writing any regulations."

Does your college sponsor an affordable bank account? I CFPB Blog Post
When you started or returned to college this year, you may have heard a lot around campus about making smart financial decisions. Paying for college is more than just applying for scholarships, grants, and student loans. Part of managing your money while in college includes making informed decisions when picking a checking or prepaid account.

Your college may offer an "official" account that is attached to your campus ID or is marketed using your college's logo, also known as a college-sponsored account. Just because a bank, credit union, or other account provider pays your college for the right to market an account with your college's mascot, logo, or name, it doesn't always mean that it's the best deal for you. New information provided by the Department of Education can help you determine if the bank account sponsored by your college is safe and affordable.

Western Governors U. Might Have to Repay $700 Million in Student Aid I Chronicle of Higher Education
After an audit of Western Governors University, the U.S. Department of Education's Office of Inspector General has concluded the university was ineligible to award financial aid to its students and should return more than $700 million to the government.

As part of its decision, the office is recommending that the Department of Education require the nonprofit university to return $712,670,616 in federal Title IV financial-aid funds distributed to Western Governors students from July 1, 2014, to June 30, 2016, and possibly more to reflect the period since then.

At the crux of the office's report is the finding that too many courses did not feature "regular and substantive interaction between students and their instructors," as required by federal law covering distance education.

[Education Department Will Let Two Big For-Profit Schools Become Nonprofits](#) I Buzzfeed
The Education Department has offered its stamp of approval for the controversial sale of two massive for-profit colleges, Kaplan University and the Art Institutes, according to emails obtained by BuzzFeed News — allowing both schools to convert to nonprofit colleges. Kaplan, which was purchased by Purdue University, will become a public college.

The two high-profile conversions have been closely watched by the for-profit education industry, which sees them as a bellwether for future attempts to convert to nonprofits. More and more for-profit colleges have been eyeing conversions as the industry continues to struggle to enroll students.

Trump's pick for Education Department's top lawyer in the hot seat I Politico
Senate Democrats are furious with Secretary Betsy DeVos' plans to rewrite Obama-era efforts designed to protect defrauded for-profit college students and campus sexual assault victims — and they plan to air their grievances with the attorney nominated as the agency's general counsel during his confirmation hearing this morning. If confirmed, Carlos G. Muñiz will be the agency's top attorney and will decide which school legal battles to pursue.

Betsy DeVos Is Helping Education Profiteers Rip Off Students I The Nation (David Dayen)
When Education Secretary Betsy DeVos was confirmed, the major fear was that she would radically overhaul the public-education system and institute a broad school-voucher program. It turns out that requires congressional action that hasn't been forthcoming, at least yet. But DeVos has been able to use administrative powers to reward wealthy friends and facilitate fraud against students.

VA Seeks Broad Waiver of Rule Barring Payments From For-Profit Colleges I Inside Higher Education
The Department of Veterans Affairs intends to grant employees a waiver of a rule barring receipt of salary or other benefits from for-profit colleges.

The proposed regulation was published in the federal register Thursday and would take effect next month without "adverse comment."

A recent VA inspector general report found that two employees had violated the rule by working as adjunct instructors at for-profit colleges receiving VA benefits. The report recommended issuing waivers where no specific conflict of interest exists.

These students are suing their for-profit school I Vice

These Are the 5 States Where Students Graduate With the Least College Debt I Money Magazine
No one wants to enter the workforce weighed down by student debt. Where you live -- and go to school -- can make a big difference.Just how big? Last year, students in Utah -- the U.S. state that did the best job keeping debt levels down -- graduated with less than $20,000 in debt on average, according to an annual study by the Institute for College Access and Success. By contrast graduates in New Hampshire, at the bottom of the list, finished more than $36,000 in the hole.

See Institute for College Access & Success report, **Average Debt for Class of 2016 Varies Enormously by State and College; Risky Nonfederal Loan Borrowing Concentrated in Certain States, Colleges**

New questions raised about how for-profit colleges recruit the military I USA Today
Even reserve Army attorneys say that Fort Campbell "missed something" that allowed a prominent for-profit college to recruit active duty soldiers at dozens of events two years ago before the school was temporarily banned from doing so.

Between 2014 and 2015, the University of Phoenix paid the installation's Morale, Welfare and Recreation office $250,000 and was allowed to sponsor nearly 90 events. The office hosts recreational events for soldiers and their families.

Phoenix: America's For-Profit Education Capital? I Phoenix New Times
In the story of for-profit education, Phoenix is pretty much ground zero. It was here that John Sperling, the Cambridge-educated founder of the University of Phoenix, built a for-profit giant after he identified a need for flexible, continuing-education programs in the 1970s.

Sperling's enterprise was initially born as a series of adult education courses in San Francisco. After a California accreditor began to scrutinize his program, Sperling moved to Phoenix, in part, because, as he told the Arizona Republic, Arizona "had never gotten around to writing any regulations."

SYSTEMIC RISK

U.S. Considers Dropping Federal Oversight of AIG I Wall Street Journal

It Would be Reckless to Tear Up Dodd-Frank I Newsweek (Marcus Demary)
In the United States, the House of Representatives has passed the Financial CHOICE Act (Creating Hope and Opportunity for Investors, Consumers and Entrepreneurs Act). This bill is intended to replace the financial market regulation of the Obama era, the Dodd-Frank Wall Street Reform and Consumer Protection Act, which was a response to the global financial market crisis of 2008.

One of the cornerstones of Dodd-Frank was the macroprudential view, i.e. the system-wide view on financial markets. It addresses the interconnections of market participants, the possibility of herding behaviour and the build-up of credit and asset price bubbles.

Northern Rock's hidden lesson: online bank deposits pose systemic risk I Financial Times
The consensus view seems to be that the world's banking systems are now far safer than they were, and that the Northern Rock nightmare — of panicked customers queueing to withdraw their cash — could not recur.

Could that view be too sanguine? There is a detail of the Northern Rock deposit run — one that has been largely overlooked — that implies a more persistent danger to the financial system than many people realise. And it has to do with the seismic shift of banking from branches to the internet, and more recently to our mobile phones.

TAXES

Mnuchin's Carried Interest Approach Would Make 'No Difference' I Tax Notes (Stephanie Cummings)
Treasury Secretary Steven Mnuchin's recent statements that carried interest treatment would be repealed only with respect to hedge funds could be difficult to implement and would have only a minimal impact on revenue, tax observers told Tax Analysts.

Robert Willens of Robert Willens LLC said that despite popular perception, hedge funds don't benefit significantly from the current tax treatment of carried interest because they don't realize long-term capital gains, which are from the sale of assets held at least one year. Hedge funds "take advantage of short-term swings in the market and they rarely hold securities more than a few days, much less more than a year," he said. Willens said it would make "no difference" in the amount of taxes hedge funds pay if the administration changed the taxation of carried interest and thus "wouldn't really have any revenue impact at all."

See statement by **Take on Wall Street Campaign**, "Groups demand Wall Street pay its fair share in taxes"

OTHER TOPICS

How to Reverse Inequality in 4 Not-So-Easy Steps I Yes! Magazine (interview with Chuck Collins)
Collins is a senior scholar at the Institute for Policy Studies, where he directs the Program on Inequality and the Common Good. His report "Reversing Inequality: Unleashing the Transformative Potential of an Equitable Economy," co-published with the Next System Project, takes an exhaustive look at the causes of continued wealth disparity in the United States and lays out several ways to reverse it, ranging from narrow policy fixes—raising the minimum wage, strengthening labor standards and protections, and expanding health coverage to everyone—to systemic reforms in how corporations are chartered, breaking up monopolies, encouraging the growth of socially responsible "B Corporations," and establishing a National Infrastructure and Reconstruction Bank.

Collins spoke with YES! Magazine senior editor Chris Winters about the need for a system of economic rules that make it easier for people to act in non-exploitative, non-extractive ways and four collections of steps needed to address inequality: lifting the floor, leveling the playing field, deconcentrating wealth, and rewiring the next system.

The Case for Regulating Tax Return Preparers I Regulatory Review (Eric Schlabs)
In a recent paper, Rutgers University Professor Jay A. Soled and University of North Carolina School of Law Professor Kathleen DeLaney Thomas argue that the lack of rules preventing unqualified individuals from becoming tax return preparers decreases the quality of tax return filings, widening the $458 billion "tax gap"—the difference between taxes owed and taxes collected—and leaving consumers liable for back taxes and penalties. They contend that

Congress should enact legislation that would allow the U.S. Department of the Treasury to require tax return preparers to undergo training, pass an examination, and complete ongoing education.

Former CFTC Commissioner: Regulation Would Solve Bitcoin Volatility I Coindesk
A former US markets regulator says he is concerned by the volatile prices seen in cryptocurrency markets – and that he believes regulation can solve the issue.

Writing for CNBC, Bart Chilton – who served as a commissioner for the Commodity Futures Trading Commission (CFTC) from 2007 to 2014 – wrote today that big fluctuations in the price are worrisome. Earlier this month, bitcoin shot above the $5,000 mark, subsequently tumbling amidst a spate of bad news developments. At press time, the price of bitcoin is trading at around $3,651, according to the CoinDesk Bitcoin Price Index (BPI).