This Week in Wall Street Reform | May 6 - 12, 2017

Please share this weekly compilation with friends and colleagues.
To subscribe, email press@ourfinancialsecurity.org, with “This Week” in the subject line.

TRUMP ADMINISTRATION & WALL STREET

Trump Review of Wall Street Rules to Be Done in Stages: Sources | Reuters
The U.S. government's review of a landmark 2010 financial reform law will not be complete by early June as originally targeted, and officials will now report findings piece-by-piece, with priority given to banking regulations, sources familiar with the matter said on Monday. President Donald Trump has pledged to do a "big number" on the Dodd-Frank financial overhaul law, which raised banks' capital requirements, restricted their ability to make speculative bets with customers' money and created consumer protections in the wake of the financial crisis. In February, Trump ordered Treasury Secretary Steven Mnuchin to review the law and report back within 120 days, saying his administration expected to be cutting large parts of it. But the Treasury Department is still filling vacancies after the transition from the Obama administration and there are not enough officials to get the full review done by early June, three sources said.

Acting comptroller: It’s a "good time" to look at Dodd-Frank | HousingWire
OCC should 'eliminate burden that does not make sense'

Trump's deregulation call should be heeded abroad, CFTC's Giancarlo says | PoliticoPro

Dems request insider trading investigation into top Trump adviser | The Hill
Eight Democratic senators requested Tuesday that government regulators open an investigation into top presidential adviser Carl Icahn for allegedly using his position to conduct insider trading and manipulate the renewable energy markets.

Van Hollen, Brown, Warren blast Noreika appointment | PoliticoPro
Seven Democrats on the Senate Banking Committee Thursday told Treasury Secretary Steven Mnuchin that acting Comptroller of the Currency Keith Noreika has "obvious conflicts of interest" and lacks experience.

In a letter led by Sen. Chris Van Hollen (D-Md.), they asked Mnuchin why President Donald Trump didn't simply nominate Noreika — a banking attorney — to run the agency, what ethics agreements Noreika is bound by, what recusals he will be required to follow, and what authorities he will have in the job.

Rowe, Fink to take Nash's chief of staff duties at OCC | PoliticoPro

CONGRESSIONAL ATTACKS ON FINANCIAL REFORM

House Republicans Move to Gut Bank Regulations | NY Times
Progressive groups argued that the push to unravel Dodd-Frank was at odds with Mr. Trump's populist campaign message that the economy was rigged in favor of corporate interests. "It is an enormous package of gifts for Wall Street and the worst actors in finance," said Lisa Donner, executive director of **Americans for Financial Reform**, who said the bill House Republicans passed would increase the likelihood of another financial crisis.' The banking industry's top lobbyist, Rob Nichols, president of the American Bankers Association, cheered the committee's vote.

See **social media compilation** (Storify) on Hensarling bill markup.

Bamboozled: 3 ways lawmakers are gutting consumer protections | NJ.com
"It's not enough to shackle the bureau," said Lisa Donner, executive director of the non-partisan consumer advocacy group **Americans for Financial Reform**. "They also stab it and behead it."

The bill would also change how the agency is funded. Right now, CFPB gets its funding through the Federal Reserve, but under the CHOICE Act, it would become part of Congress' appropriations process. That means politics will come into play when it's time to decide funding. And that means pressure from lobbyists could impact the decisions made by legislators who get contributions from companies targeted by CFPB.

Donner said the bill includes some very specific items CFPB could no longer regulate, including payday lenders and car title lenders. Big banks, too, would no longer be CFPB's responsibility. "It's the end of the supervision that caught Wells Fargo systematically opening fraudulent accounts for consumers," Donner said.

Next on the House Republican Chopping Block: Bank Regulations | Huffington Post
"The [House Financial Services] committee has passed a bill that would give Wall Street and assorted predatory lenders a free hand to abuse consumers, and investors, and would increase the likelihood of another financial crisis,' said Lisa Donner, executive director of the group **Americans for Financial Reform**. 'It is an enormous package of gifts for Wall Street and the worst actors in finance..."

The bill would "deprive consumers and investors of any choice of their day in court when resolving serious disputes with powerful financial institutions and force them into a rigged system," said Amanda Werner, a campaign manager at **AFR**.

Reforming Dodd-Frank will boost local banks, communities they serve | Lexington (KY) Herald-Leader (Ballard Cassady)
As president and CEO of the Kentucky Bankers Association, I closely follow banking issues on a state and federal level and encourage the passage of the Financial CHOICE Act of 2016,

which will help strengthen the economy, allow banks to serve their customers and keep traditional banks in our communities.

Reply by **Peter Wedlund**

First, this Financial Choices Act does nothing like what Mr. Cassady or Congressman Barr suggests. It does not "prevent" banks or any other large financial institution from getting bigger. Worse, if those large institutions do fail, it eliminates the Dodd-Frank safe guard provisions by which they could be liquidated in an orderly fashion…

As for the complaints that this is killing smaller banks, or that we are losing smaller banks because of Dodd-Frank, the reality is -- we have been losing smaller banks by mergers and consolidations for decades. In the 1980's there use to be over 14,000 small regional banks, before Dodd-Frank legislation ever went into effect, that number had declined just over 5,600. Small banks have been merging with larger banks for DECADES. This is not new.

Consumer advocates make last-ditch effort with Congress to keep CFPB intact | MarketWatch

More than 100 members of organizations including the Consumer Federation of America, an association of nonprofit consumer organizations, Consumers Union, the public policy arm of the news organization Consumer Reports and the nonprofit **Americans for Financial Reform**, met with government officials of both parties and their staffs to lobby against several laws proposed recently. On Wednesday, the advocates went to about 160 meetings collectively, said Michael Best, a senior policy advocate for the Consumer Federation of America.

"People were really energized," Best said. "There was appreciation for hearing our perspective." Brian Simmonds Marshall, policy counsel for **Americans for Financial Reform**, added, "We were very glad we had so many consumer advocates in Washington when these crucial issues to consumer protection are being actively considered by Congress..."

These pieces of legislation are "as earth shattering in many ways as an attack on health care," said José Alcoff, an organizer of a campaign called #StopTheDebtTrap, who also organizes efforts to oppose risky payday lending practices. The laws may seem "fairly wonky," he said, but "the impact it will have on people is taking their homes, their savings, their access to the banking system."

Advocates from 36 States Head to Congress to Counter Unprecedented Attack on Consumer Protections | Common Dreams

Consumer advocates descend on DC to push back against Trump policies | ABC News

In addition to CFA and Consumers Union, co-sponsors include U.S. PIRG, National Consumer Law Center, Public Citizen, National Consumers League, National Association of Consumer Advocates and **Americans for Financial Reform**.

Top issues include opposing legislation that would gut the Consumer Financial Protection Bureau and scuttle proposed rules that would limit predatory payday loans and forced arbitration clauses in contracts.

Consumer groups descend on Washington to fight protection rollbacks | ConsumerAffairs

The effort is being coordinated by the Consumer Federation of America and is co-sponsored by Consumers Union, U.S. PIRG, National Consumer Law Center, Public Citizen, National Consumers League, National Association Consumer Advocates, and Americans for Financial Reform.

See joint statement, **Over 400,000 Call on Congress to Defend the CFPB.**

GOP Chairman Warns About Access to Records | Associated Press

In a series of letters, Rep. Jeb Hensarling of Texas said communications the agencies had with members of his panel and committee staff should not be released, arguing that it often includes sensitive and confidential information.

"All such documents and communications constitute congressional records not 'agency records' for purposes of the Freedom of Information Act, and remain subject to congressional control even when in the physical possession of the" agency, Hensarling wrote in one April 3 letter to Treasury Secretary Steve Mnuchin.

Records and material from the executive branch are subject to requests under the 1967 Freedom of Information Act. Congress, which wrote the law, has exempted itself.

Deadline Looms for GOP's Effort to Undo Obama Rules | Wall St. Journal

CONSUMER FINANCE & THE CFPB

Anthem Won't Pay Breakup Fee, Uber Clashes With Regulators (Again), and the Cool Richard Cordray | National Law Journal

Could the failure of Perdue's bill embolden the CFPB to finalize its arbitration rule, at the risk of seeing Congress nix its proposal to ban forced-arbitration clauses that prevent consumers from filing class actions? "It shows the CFPB arbitration fight is going to be a knockdown, drag-out event, and we're ready to defend the rule," said Amanda Werner, the arbitration campaign manager for Public Citizen and **Americans for Financial Reform.**

CFPB will begin small-business data rulemaking | PoliticoPro

Podcast When 'soft' data improves loan decisions, and when it doesn't | American Banker

Congressional efforts to kill CFPB prepaid card rule fall short | American Banker

Rob Portman slammed for seeking to nix prepaid debit-card protections | Columbus Dispatch

Do no harm to prepaid debit cardholders | Ohio.com (editorial)

Prepaid card regulations survive GOP repeal effort in Congress | CreditCards.com
Users of prepaid cards will be protected from surprise fees, fraudulent charges and other headaches next year, now that an Obama-era regulation has unexpectedly survived a repeal effort from Republicans in Congress.

"A lot of people rely on prepaid cards as their de facto bank accounts, and they made their voices heard," said Carter Dougherty, communications director at **Americans for Financial Reform**, a coalition that mounted an anti-repeal campaign.

The Prepaid Rule: A Big Loss for McConnell and Perdue, a Big Win for Consumers | The Hill (Karl Frisch)

See joint statement by NCLC, CRL and AFR.

New York bank regulator sues OCC over fintech charter | PoliticoPro

Banks say NCUA's alternative capital plan would violate law | PoliticoPro

ENFORCEMENT

SEC: Barclays to pay $97 million for overcharging clients | Washington Post
Barclays will pay $97 million to settle charges that it overbilled some of its advisory and brokerage clients. The U.S. Securities and Exchange Commission said Wednesday that affected clients will get a refund. In its complaint, the SEC said more than 2,000 accounts were charged about $48 million in fees for a service that Barclays did not provide and more than 22,000 accounts were charged about $2 million in excess fees. The complaint also said that Barclays steered some clients with brokerage accounts toward expensive mutual funds when cheaper funds were available.

HEDGE FUNDS AND PRIVATE EQUITY

Super-rich private equity stars rue 'lousy' reputation | Reuters
Stephen Schwarzman, chief executive and co-founder of the Blackstone Group, touted the fact that companies owned by his private equity business employed about 600,000 people and had grown 50 percent faster, on average, than the S&P 500 Index.

"The idea that you can do all that and have great success and be perceived at best in a marginal way in terms of contribution to society, you've got to really wonder who's doing the PR," Schwarzman said during a panel discussion at the Milken Institute Global Conference at the Beverly Hilton hotel.

"People mistake us for financial people. I don't know exactly why," said Schwarzman - worth some $12 billion, according to Forbes - drawing a distinction between private equity investors which own businesses and mere financiers. "If you had 600,000 employees, you might be a company. A responsible company. And that's what we are."

Strapped Pension Funds, and the Hefty Investment Fees They Pay | NY Times (Gretchen Morgenson)
[Pension fund] investments beat the market, sometimes. But their enormous fees — as much as 2 percent in management fees and 20 percent of any gains — must always be paid. And these costs push pension funds deeper into the hole.

Consider the Teachers' Retirement System of the State of Illinois, a $46 billion pension fund. At the end of fiscal 2016, the retirement system's funded ratio, a measure of its ability to meet its obligations, stood at 39.8 percent, on an actuarial basis. It had a long-term unfunded liability of $71.4 billion. The fund has 34 percent of its assets in alternatives. And in the 2016 calendar year, its private equity and hedge fund investments underperformed the rise in the Standard & Poor's 500-stock index.

Meanwhile, the fund incurred almost $750 million in direct investment expenses in fiscal 2016, up 7.6 percent from the previous year.

INVESTOR PROTECTION AND THE SEC

Clayton picks Silicon Valley lawyer for corporate finance division | PoliticoPro

'SAFE' investments may not be so safe, U.S. SEC's Piwowar warns | CompliNet

MORTGAGES, FORECLOSURES & HOUSING

How Homeownership Became the Engine of U.S. Inequality | NY Times (Matthew Desmond)
Almost a decade removed from the foreclosure crisis that began in 2008, the nation is facing one of the worst affordable-housing shortages in generations. The standard of "affordable" housing is that which costs roughly 30 percent or less of a family's income. Because of rising housing costs and stagnant wages, slightly more than half of all poor renting families in the country spend more than 50 percent of their income on housing costs, and at least one in four spends more than 70 percent. Yet America's national housing policy gives affluent homeowners large benefits; middle-class homeowners, smaller benefits; and most renters, who are disproportionately poor, nothing. It is difficult to think of another social policy that more successfully multiplies America's inequality in such a sweeping fashion.

Brian Montgomery, Bush administration veteran, in line to lead FHA | PoliticoPro
If nominated and confirmed, it will be Montgomery's second tour as FHA commissioner. He held the job under Bush, staying on for six months after former President Barack Obama's inauguration. Prior to joining the agency, he was at the White House, serving as deputy assistant to the president from 2001 to 2005. He is currently vice chairman of the Collingwood Group, a housing finance consulting firm he co-founded.

Real Estate's New Normal: Homeowners Staying Put | NY Times
Homeowners are moving less, creating a drag on the economy, fewer commissions for real estate brokers and a brutally competitive market for first-time home shoppers who cannot find much for sale and are likely to be disappointed during real estate's spring selling season…

For many homeowners, the desire to stay put began out of caution or necessity… Millions of other homeowners lost their jobs or were stuck in homes worth less than they owed the bank — two big reasons that the median homeownership tenure rose to about eight and a half years last year, up from about three and a half in 2008, according to data from Moody's Analytics and First American Financial Corporation. That is the longest tenure since their data began in 2000.

Mass Dismissal of Brooklyn Foreclosures May Do No Favors for Homeowners | NY Law Journal

Warren calls out secrecy of Fannie-Freddie underwriting | PoliticoPro

FHFA director: Next year, taxpayers will foot any Fannie, Freddie losses | Housing Wire

Warren clashes with Watt, in reminder that mortgage crisis lives on | PoliticoPro

Crapo warns Watt not to retain Fannie and Freddie profits | PoliticoPro

Credit Access and Mortgage Finance Reform | Zigas Blog

REGULATION IN GENERAL

Ditch the Flawed Legislative Proposal to Police Agency Communications | RegReview (Daniel Walters)
U.S. Senators Rob Portman (R-Ohio) and Heidi Heitkamp (D-N.D.) created quite a stir in the regulatory community when they recently introduced a new version of the Regulatory Accountability Act. The bill—which proposes some of the most far-reaching legislative changes to the agency rulemaking process since the Administrative Procedure Act of 1946—generally aims to make it harder for agencies to issue new rules. But, in a little-noticed section, the bill also urges a potentially more sweeping change by attempting to regulate agency advocacy (or, in the far more pejorative language of the bill, agency "propaganda"). Regardless of the merits or demerits of the rest of the bill's proposed changes to the rulemaking process, these ill-conceived and possibly disastrous provisions on agency advocacy should not survive the legislative process.

How Congress Could Make Steve Bannon's Wildest Dream Come True | Fiscal Times (David Dayen)
Beyond the competing sets of spin about the success or failure of Donald Trump's first hundred days, even the most committed liberal partisan can admit that he has allowed corporate America to run wild.

A regulatory freeze on day one delayed every final rule awaiting its effective date. Many got pushed back further by federal agencies after the freeze lifted, including life-saving measures to prevent cancer-causing dust and toxic beryllium in workplaces. Lawmakers used a their power under the Congressional Review Act, which requires only a majority vote, to nullify 13 other rules. And now, the administration is venturing into rolling back regulations already in place, from new food product labeling to a ban on arbitration clauses in nursing home agreements to net neutrality, to name only a few.

Trump's Regulatory Accountability Act Is a License to Kill | Center for American Progress
Don't let the innocuous name fool you: The Regulatory Accountability Act recently introduced in the Senate is nothing less than President Donald Trump's License to Kill Bill. Described as the means of realizing Steve Bannon's dream to deconstruct the government, this bill is part of Trump's two-step strategy to first strip people of important health, safety, and consumer protections and then prevent agencies from ever protecting people from these harms again. By hamstringing the dedicated public servants charged with ensuring everything from safe infant formula to clean drinking water to a fair day's pay for a fair day's work, this bill would put corporate profits before people's lives and livelihoods.

Will Trump's 2-for-1 order lead to 'dynamic scoring' for regulations? | The Hill (Patrick McLaughlin and Stephen Strosko)

RETIREMENT SECURITY & FIDUCIARY DUTY RULE

Why are we attacking 'Obama holdovers' in the government? | The Hill
Nothing about the delay… merits the misleading attack levied on career civil servants in an April 24 column in The Hill. The column mischaracterizes the fiduciary rule (it requires a heightened standard of care, not compliance), and present dubious economic analysis as if it were gospel (in fact, nearly all independent analysis of the financial advice market suggests the fiduciary rule will save retirees billions of dollars in fees and forgone returns). But they go beyond most other opponents by launching a groundless assault on the career civil servants who worked on the delay, and who are powerless to defend themselves.

See earlier column by Douglas Holtz-Eakin and Meghan Milloy.

Why a Fiduciary Rule Won't Squeeze Out Small Investors | The Experts (Patrick Lach)
Some opponents of the now-delayed fiduciary rule argue that small investors will be shut out of the market for investment advice because investment brokers will stop working with them. I would argue that these opponents are overlooking two important facts: what brokers can do under the current laws and the new technology now available to those small investors.

Pension Savers Need Straight Advice. Why Delay? | Newsweek (Christine Owens)

The Public Will Uphold The Fiduciary Rule Even If The DOL Won't | Forbes (Brian Menickella)

Don't Have a Retirement Plan? How GOP, Wall Street Are Hurting You | Forbes (John Wasik)
I'm always perplexed at why Congress doesn't make it easier for people to save for retirement. Most of Europe makes it easy. Australia has a mandatory savings plan.

Yet the richest country on earth can't provide retirement security for most Americans. There's a stealth war on retirement savings and Wall Street is behind it.

This is neither paranoia nor is it a partisan statement. Wall Street has long coveted privatizing Social Security funds because it can charge outrageous fees on private accounts. That's pretty much what many big banks, brokers and insurers have done to 401(k)s, which were never meant to be mainstream retirement plans.

Republicans demand Labor Department documents, briefing over 'fiduciary' delay | PoliticoPro
House Republicans are asking the Labor Department for documents and a senior-level briefing stemming from concerns that agency staffers are subtly working to preserve an Obama administration conflict-of-interest rule for financial brokers.
In an April 28 letter to Labor Secretary Alexander Acosta, three Republicans asked for agency communications regarding an April 7 announcement that the start of the so-called fiduciary rule for brokers offering retirement advice would be delayed until June 9. The Republicans, who include House Financial Services Chairman Jeb Hensarling (R-Texas), also want a May 10 briefing with Tim Hauser, an official in the Labor Department division that wrote the announcement and the fiduciary rule.

The lawmakers said they are concerned that the delay was written in a way that might thwart President Donald Trump’s Feb. 3 memo asking for the fiduciary rule to be reviewed.

ICI head casts doubt on further delay of DOL fiduciary rule | Investment News

Robo advisers can be fiduciaries — if standards are met | MarketWatch

Getting the most from adviser, conflict of interest rule | Lehigh Valley (PA) Business

Robo advisers can be fiduciaries — if standards are met | MarketWatch

How to Get a Straight Answer About Adviser Fees | Wall St. JournalSJ

House GOP tells Acosta to delay. then repeal, DOL fiduciary rule | InvestmentNews

Merrill Lynch Eases Ban on Commission-Based IRAs | Wall St. Journal
Merrill opted to loosen its stance after brokers and clients alike expressed concerns with the firm’s one-size-fits-all approach to paying for retirement advice, the people said. Seven months earlier, Merrill announced fees, not commissions, would be the future for individual retirement accounts under the Labor Department’s fiduciary rule requiring brokers to act in the best interest of retirement savers.

Merrill to Unveil Tweaked DOL Plan This Week | AdvisorHub

DOL Rule, Dodd-Frank Face Intransigent Senate | InsuranceNewsNet

See **statement** by National Association for Fixed Annuities asking White House, DOL Chief to Stop Fiduciary Rule

Acosta, Labor Department Need to Act Swiftly on Fiduciary Regulation | Morning Consult

STUDENT LOANS & FOR-PROFIT SCHOOLS

For-profit colleges under scrutiny as students default on loans | WTVR (Virginia)

Are For-Profit Colleges Failing to Live Up to Their Promises? | Newsweek

Acosta Looking to Freeze DOL Fiduciary Regulation | NAPA.net

Interest rates on federal student loans will increase this year | PoliticoPro

Interest rates on federal student loans will increase this year | PoliticoPro

State lawmakers: get tough on for-profit colleges | Policy Matters Ohio

SYSTEMIC RISK

Hoenig: Banking system too consolidated | PoliticoPro
FDIC Vice Chairman Tom Hoenig today argued that his proposed structural changes to banks are necessary because the largest lenders are disproportionately big with activities that are too consolidated.

Hoenig has drafted a plan that would change this dynamic, by requiring banks to partition various activities into affiliates that would be separately capitalized and managed from the insured operations of the company.

In a speech to a Systemic Risk and Organization of the Financial System conference hosted by Chapman University, Hoenig attributed the trend of consolidation and its risks to multiple factors.

Mnuchin Said to Start Review That Could Ease Volcker Rule's Bite | Bloomberg
At a closed-door meeting in Washington on Monday, Treasury Secretary Steven Mnuchin directed five key agencies to re-examine what's permitted under the Volcker Rule, said two people familiar with the matter. The provision, widely despised on Wall Street, bars banks from wagering on markets with their own capital. Mnuchin's action could lead to changes that give banks more flexibility to trade without running afoul of the rule.

Marcus Stanley, policy director at **Americans for Financial Reform**, said he's dubious that Volcker is handcuffing lenders. "You're talking about banks that are making tens of billions a year on trading activity," said Stanley, whose group supports aggressive oversight of Wall Street. "It doesn't seem to me that they've exited the markets."

Trump can rein in FSOC without help from Congress | The Hill (J.W. Verret)

TAXES

[DeFazio introduces "Wall Street Speculation Tax](#) | Oregon Business Report

OTHER TOPICS

Beating Wall Street Means Fighting Wealth Extraction from Communities of Color | Truthout.org (interview with Saqib Bhatti and Maurice Weeks)
MAURICE WEEKS: The nature of housing in the country has obviously changed since the foreclosure crisis. A lot of our recent work has been around Wall Street buying up formerly distressed properties, foreclosed properties in bulk, often aided by HUD or other federal agencies. We, last year, ran a campaign that targeted HUD for their involvement in this program around distressed asset pools, which was basically just a program to, in bulk, hand homes off to Wall Street. We were making the case that these were mostly people of color who were foreclosed on and had these distressed properties. We shouldn't give these homes right back to the people who caused the crisis. There is a huge need in Black and Brown communities for affordable housing and lots of people who really want to move back into these homes that were lost. We should be focusing on that instead of giving lots of properties directly to Wall Street.

We have also been targeting specifically this multinational organization Blackstone, which was both a key actor in that program and also is one of the largest single-family-home landlords. They are just buying up thousands upon thousands of homes in the country and we just think it is really troubling that this private equity group essentially has their hands on so much of American property.

We have continued beating the drum about Wells Fargo. Wells Fargo is an interesting case because it is not just that they foreclosed on so many Black and Brown families and caused that massive loss of Black and Latino wealth, not just through the foreclosure crisis, but through private prisons and the Dakota Access Pipeline investment and donations to police foundations and their role in the student loan crisis. They are sort of this perfect intersection of all of these ways of screwing over and extracting wealth from people of color coming together to create their business model, essentially.

Treasury reaches milestone, selling off last major TARP investment | PoliticoPro

Schumer recommends Rohit Chopra for open FTC slot | PoliticoPro

The Watchdogs Keeping Wall Street in Check | New Yorker (Sheelah Kolhatkar)