Americans for Financial Reform

This Week in Wall Street Reform | Mar. 5–Mar. 11, 2016

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CONSUMER FINANCE & THE CFPB

The head of the Democratic Party is trying to weaken Sen. Warren's consumer protection agency
Jeff Stein, Vox, 3/2
The head of the Democratic Party is supporting a Republican-backed effort to weaken Sen. Elizabeth Warren's Consumer Financial Protection Bureau, opening up a rift between the party's factions during an already bitter presidential primary fight. Democratic National Committee Chair Rep. Debbie Wasserman Schultz has joined conservative lawmakers' efforts to curtail coming CFPB regulations about predatory payday lending — a practice that often traps poor borrowers in endless cycles of debt.

The Huffington Post broke the story on Tuesday, obtaining a memo showing Wasserman Schultz hoped to attract other Democrats to support a bill to rein in the CFPB.

Payday loan act is a payday for somebody
Brian O'Connor, Chicago Tribune (syndicated), 3/7

It's Time for DNC Chair Debbie Wasserman Schultz to Ride Off into the Sunset
Charles Pierce, Esquire, 3/2

It's ridiculous that the leader of the national Democratic Party is protecting payday lenders
Editorial, Kansas City, 3/4
Those dots don't connect. Democrats can't purport to be the party that champions consumer rights when their chairwoman is aggressively working to leave consumers at the mercy of an industry whose business model is to lure low-income people into debt traps.

Fetterman calls for DNC Chair to resign over payday loan bill
Daniel Craig, Philly Voice, 3/7
John Fetterman, mayor of Braddock and candidate for Pennsylvania's U.S. Senate seat, is calling for Democratic National Committee Chair to resign. In a petition on Fetterman's campaign website, he says Debbie Wasserman Schultz should step down because of her co-sponsorship of a bill that would delay regulations on payday lenders.

Debbie Wasserman Schultz Targeted by Allied Progress in New TV Ad
Kevin Derby, Sunshine State News, 3/10

View Allied Progress ad on YouTube

Nonprofit group targets Wasserman Schultz over payday lenders
Nolan McCaskill, Politico, 3/9

[The payday loan family behind Debbie Wasserman Schultz's deregulatory zeal]

Gin Armstrong, LittleSis News, 3/11

Florida's leading family of payday loan profiteers is a major donor to Wasserman Schultz, and shelled out a series of large contributions to her campaign last June… For Florida-based Amscot Financial, predatory lending is a family business. CEO Ian MacKechnie – who is worth millions – has said that he "sympathizes with his hard-luck customers" and that he wants to "feel like we're offering valuable services at reasonable prices."

MacKechnie does not exactly bring a strong ethical record to this work, however. In the 1990s, Amscot Financial pleaded guilty to racketeering charges and agreed to end its insurance business after regulators found that it was tricking customers into buying unnecessary financial products. MacKechnie runs the business with his wife and two sons, but this is hardly a mom and pop operation. Amscot currently has 235 payday lending locations across Florida, and MacKechnie said he wanted to be the "Walmart of financial service" in a 2009 interview.

Political sleaze hurting financial regulation

Darrell Delamaide, USA Today, 3/8

While the presidential primary campaigns, especially on the Republican side, are giving us a particularly sordid version of American politics, what is going on behind the scenes in financial regulation is every bit as sleazy. Bernie Sanders, the Vermont senator who is seeking the Democratic nomination, has been railing against a "rigged economy" and "a corrupt campaign finance system," and the financial industry seems keen on proving him right.

Two episodes in recent weeks illustrate Sanders's point only too well. One is an effort by a Republican member of the Commodity Futures Trading Commission to derail that agency's proposal to curb speculative trading in commodities futures. The other is an attempt in Congress to gut new rules by the Consumer Finance Protection Agency aimed at stopping abuses by payday lender.

Lawmakers are fighting efforts to rein in predatory lending. Why?

David Lazarus, LA Times, 3/8

Nonprofit group targets Wasserman Schultz over payday lenders

Nolan McCaskill, Politico, 3/9

Consumers Must Be Protected and Have Access to Short-Term Credit

Rep. Alcee Hastings, Huffington Post, 3/7

When I established my first law practice, I relied upon a short-term loan to start the firm. At the time, this was the only avenue available to me. Now, as a member of Congress, I look back and recognize how vital that funding was to jumpstarting my long career in public service.

In an effort to ensure that others like me have continued access to payday loans, states such as Florida implemented regulations that make the industry more accountable to both consumers and legislators. The Florida approach is a model for other states that seek to achieve a balance between consumer protection and vital access to credit…

Montana high court sides with Butte consumer in debt-fraud case

Ed Kemmick, KPAX, 3/8

The Supreme Court upheld a District Court ruling against Global Client Solutions, the company that promised to help Ossello get out of debt, Last Best News reports. Global had argued that its contract with Ossello should have forced her to arbitrate their dispute, rather than taking it to court.

Chief Justice Mike McGrath, writing for the majority, said Butte-Silver Bow District Judge Kurt Krueger was correct in ruling that the arbitration clause in Global's contract with Ossello "was unconscionable and therefore unenforceable." That means the case can go back to District Court to be decided on its merits. Ossello, 41, was facing more than $40,000 in unsecured debt that she owed to Discover Bank and other banks in 2012, when she received an unsolicited mailing from a company called World Law, which offered to provide her with debt-relief services.

House panel to question CFPB official targeted in Ally case

Zachary Warmbrodt and Jon Prior, Politico, 3/10

The House Financial Services Committee on Tuesday will hold a deposition to question CFPB assistant director Patrice Ficklin, who is at the center of a Republican investigation into whether the agency distributed money from an Ally Financial settlement without verifying that it went to the right people, sources familiar with the matter said. The committee claims the bureau wasn't verifying who was getting a share of the $80 million in settlements with Ally and that white borrowers are getting checks meant for minorities who were discriminated against, according to documents released in January.

CFPB Increases Scrutiny of Online Lenders

Yuka Hayashi, Wall St. Journal, 3/7

The Consumer Financial Protection Bureau signaled its increasing scrutiny of the growing online marketplace for loans, encouraging borrowers to submit complaints when they encounter problems with online lenders. The step is significant because the CFPB uses its robust database of consumer complaints to determine how it supervises companies, enforces laws and writes regulations.

Monday’s announcement is the latest sign that federal officials are playing catch-up with financial technology companies. The online lenders have proliferated in recent years, leaving gaps in regulations that have worried consumer advocates and frustrated competitors in the traditional financial industry.

CFPB Recovers $14.3 Million for Consumers

Kansas City InfoZine, 3/9

FTC Action Leads to Court Orders Against Scheme That Charged Millions of Dollars to Consumers' Bank and Credit Card Accounts Without Their Consent

Imperial Valley News, 3/9

FCC Details Planned Limits on Government Robocalls

Mario Trujillo, The Hill, 3/11

Government debt collectors could only robocall a person three times per month and would have to stop calling when asked to do so, according to a draft proposal at the Federal Communications Commission (FCC).

FCC asked to prohibit robocalls and texts on behalf of the government

Teresa Dixon Murray, The Plain Dealer, 3/9

Bamboozled: Government robocalls closer to getting banned

Karen Price Mueller, NJ.com, 3/10

We told you earlier this year about the HANGUP (Help Americans Never Get Unwanted Phone Calls) Act, co-sponsored by Sen. Bob Menendez…Twenty-five state Attorneys General have given it a thumbs-up, as have consumer groups including Consumers Union, Consumer Federation of America, Consumer Reports, National Consumer Law Center, NAACP, **Americans for Financial Reform**, US PIRG, Virginia Poverty Law Center, North Carolina Justice Center, Woodstock Institute and Mid-Minnesota Legal Aid.

DODD-FRANK (AND CONTINUED ATTACKS)

Financial Reform Is Working

Dennis Kelleher, Huffington Post, 3/7

No question, these are tough times and the economy and financial systems in the world are under some serious pressures. But it is singularly noteworthy that U.S. SIFIs seem to be holding up quite well so far. While no one is saying it, the financial rules implemented under the Dodd-Frank Act are the reason.

[Policy Makers Defend Postcrisis Financial Regulation]

Ryan Tracy, Wall St. Journal, 3/7

U.S. financial policy makers are taking stock of the vast new rule book written after the financial crisis and considering whether regulations designed to create safer markets have made them less functional. But it isn't clear they are ready to erase any parts of the new regime just yet.

In a series of speeches Monday, senior officials at the Federal Reserve and Treasury Department acknowledged that new regulations may be playing a role in some of the major trends affecting global finance, including increased market volatility and "de-risking"—the phenomenon where large global banks jettison whole classes of customers.
The regulators aren't suggesting a major rethink, and continue to defend postcrisis rules. That came across the loudest when President Barack Obama, after meeting with financial regulators, declared the financial regulatory structure to be better and stronger than it was when he took office in 2009 and criticized political opponents who think regulators should slow down.

[Obama Defends His Record on Financial Regulation]

Gabriel Rubin, Wall St. Journal, 3/7

DERIVATIVES AND COMMODITIES

[In win for Warren, CFTC Republican withdraws controversial report]

Patrick Temple-West, Politico, 3/11

A report released by a CFTC advisory panel that drew scrutiny from Sen. Elizabeth Warren has been withdrawn, the agency's Republican commissioner said today. "The report was never intended to be a distraction from the substantive policy work of the Committee and the volunteer members who give their time and expertise," Commissioner Christopher Giancarlo said today in a statement.

Last month, the CFTC's energy and environment market advisory committee recommended the agency stop considering "position limits" rules to curb speculative bets on energy commodities. Those conclusions were applauded by business groups and Republicans in Congress. But one of the panel's members representing a liberal-leaning watchdog group blasted the report, saying its authors had conflicts of interest with the companies that position limits rules would affect. Democrats in Congress quickly expressed their concerns about the report.

THE ELECTION AND WALL STREET

[Progressive Coalition Asks Candidates for Wall Street Reform Plan]

ValueWalk, 3/9

Today, a coalition of progressive and Wall Street reform organizations sent a letter to the campaigns of Hillary Clinton, Bernie Sanders, and the four Republican candidates urging them to give specific examples of names they would consider for roles overseeing Wall Street, like Treasury Secretary, Attorney General, and SEC Chair.

With the influence of Wall Street remaining a central theme in the Democratic primary, the groups applauded Clinton and Sanders's efforts to release strong Wall Street reform plans, but noted Senator Elizabeth Warren's frequent refrain: "personnel is policy." The organizations leading the Presidential Appointments Matter coalition include Rootstrikers, the Progressive Change Campaign Committee, Revolving Door Project, and Public Citizen's Congress Watch. The campaign has also earned supportive statements from **Americans for Financial Reform** and Better Markets.

[Hillary Clinton Stops Short of Ruling Out Wall Street Aides]

Donna Borak, Wall St. Journal, 3/10

Democratic presidential front-runner Hillary Clinton on Wednesday said she would work to "end the revolving door" between Washington and Wall Street—but stopped short of ruling out continuing her party's recent tradition of turning to the financial industry for Treasury secretaries. "I think it's important also to look at what we want to accomplish," said the former secretary of state, during her debate with her challenger, Vermont Sen. Bernie Sanders.

She then went on to boast of what she considered the economic success during the administration of her husband, President Bill Clinton, during the 1990s, a time when Mr. Clinton relied heavily on Wall Street officials to staff his administration.

Democratic Debate Spotlights Wall Street-Washington Ties

Donna Borak, Wall St. Journal, 3/10

Front-runner Hillary Clinton pointed to a bill introduced by Sen. Tammy Baldwin (D., Wis.) that seeks to lessen Wall Street's clout over Washington. Mrs. Clinton has supported the bill, co-writing an opinion piece in the Huffington Post with Mrs. Baldwin in August…The Baldwin bill, introduced in July on the fifth anniversary of the 2010 Dodd-Frank Act, would ban former financial-industry employees from accepting bonuses from their companies when they leave to join the government. A companion bill by Rep. Elijah Cummings (D., Md.) was introduced in the House.

Other supporters include the AFL-CIO, **Americans for Financial Reform**, and the Government Accountability Project.

Campaign 2016 and Wall Street Reform

Interview with Marcus Stanley, C-SPAN, 3/11

Marcus Stanley, policy director of **Americans for Financial Reform**, analyzes the role of Wall Street reform in the 2016 presidential contest. He also discusses President Obama's remarks about the regulatory reforms adopted since the 2008 financial crisis.

EXECUTIVE PAY

How 'pay for performance' compensation really pays off — for companies at tax time

Allan Sloan, Washington Post, 3/4

Tim Cook got almost $400 million of restricted stock when he was named Apple chief executive in 2011, succeeding Steve Jobs. Regardless of whether Apple shareholders fared well or badly over the grant's 10-year term, all Cook needed to do to collect that stock (worth about $700 million at today's price) was keep his job. It was the kind of deal that pay mavens derisively call "pay for pulse."

But two years later, Apple and Cook retroactively changed the terms of his grant, making about 40 percent of it "pay for performance" based on how Apple shares do relative to those of other companies in the Standard & Poor's 500-stock index. Apple quoted Cook as saying he wanted to align his interests with those of regular shareholders. What Apple didn't say then — and now says only in passing — is that the change also gave the company a chance to get more than $200 million in tax deductions.

Wall Street Bonuses Fell in 2015, and 2016 Isn't Looking Rosy

Liz Moyer, NY Times, 3/7

The Warning in Wall Street Paydays

Editorial, NY Times, 3/9

Bonuses were down 9 percent from 2014, mainly because of lower trading profits and higher regulatory compliance costs. Still, the average bonus is nearly three times the median annual household income in the United States. The overall bonus pool of $25 billion is enough for 2.6 million restaurant and bar servers who typically earn about $10 to $11 an hour to get a raise to $15 — with $10 billion to spare, according to the Institute for Policy Studies.

These comparisons do not by themselves prove that Wall Street pay is excessive. But there is no denying that in an economy marked by widening income inequality, gains at the top of the income scale imply stagnation or losses at the bottom... The Dodd-Frank financial reform law called for new regulations to prohibit banks and other financial firms from offering compensation deemed excessive or that could encourage reckless risk-taking. At a meeting on Monday with financial regulators, President Obama drew attention to the fact that nearly six years after passage of the legislation, these regulations remain unfinished…

FEDERAL RESERVE

[Fed Proposes New Rule Capping Business Between Banks]

Peter Eavis, NY Times, 3/4

One of the problems with big Wall Street banks in 2008 was that they had too many of their financial eggs in one basket. When Lehman Brothers and the American International Group started to collapse, the banks that did huge amounts of business with those two firms faced the prospect of crippling losses. Speculation raged about how big those losses might be and how widely they might spread, stoking a panic that froze the global financial system.

The Federal Reserve on Friday proposed a new rule that, in a relatively simple manner, sets out to lessen the chance of such contagion happening again. The rule effectively places a cap on how much business banks can do with another bank or company. The hope is that if a failing bank were unable to make payments on trades or loans, the losses at other banks would be limited…

Banking specialists who favor more stringent Wall Street rules expressed some concerns… 'A derivatives exposure that looks small in normal times can become enormous in times of financial stress," said Marcus Stanley, policy director at **Americans for Financial Reform**. "This rule may not contain adequate protections against that kind of risk.'"

HEDGE FUNDS AND PRIVATE EQUITY FUNDS

The Billionaires' Loophole

Alec Macgillis, New Yorker, 3/14

…Until recently, relatively little attention had been paid to one source of Rubenstein's wealth, which he has quietly fought to protect: the so-called carried-interest tax loophole. The tax break has helped private equity become one of the most lucrative sectors of the financial industry. Since the end of the recession, private equity has reported record profits, and at least eighteen private-equity executives are estimated to be worth two billion dollars or more each. And during the current Presidential campaign, with its populist themes, the loophole has become a target among Democrats and Republicans alike…

Barack Obama, during his first Presidential campaign, pledged to reform the tax on carried interest and, in 2012, went after Mitt Romney for having enjoyed its benefits as the co-founder of Bain Capital. This year, Bernie Sanders, Hillary Clinton, and Donald Trump have all attacked the loophole, often using hedge-fund managers as the rhetorical target. As Trump put it in August, "They're paying nothing, and it's ridiculous. . . . These are guys that shift paper around and they get lucky." Jeb Bush, who made a foray into private equity in 2014, also called for closing the loophole during his ill-fated campaign.

Universities Are Becoming Billion-Dollar Hedge Funds with Schools Attached

Astra Taylor, The Nation, 3/8

Have you heard the latest wisecrack about Harvard? People are calling it a hedge fund with a university attached. They have a point—Harvard stands at the troubling intersection between higher education and high finance, with over 15 percent of its massive $38 billion endowment invested in hedge funds. That intersection is getting crowded. Yale's comparatively modest $26 billion endowment, for example, made hedge fund managers $480 million in 2014, while only $170 million was spent on things like tuition assistance and fellowships for students. "I was going to donate money to Yale. But maybe it makes more sense to mail a check directly to the hedge fund of my choice," Malcolm Gladwell tweeted last summer, causing a commotion that landed him on NPR…

Marcie Smith, executive director of the Responsible Endowment Coalition, calls this a "rage-inducing picture." "Universities raking in a record $40 billion in 2015, Wall Street-stacked boards of directors approving self-dealing investments, all while tuition continues to rise, student debt continues to mount, and value of a college degree declines," she says. "The state of higher education is yet another example of austerity in America, and signals the dangerous creep of a free-market fundamentalism that thinks all institutions in society exist to enrich the bankers."

A liberal arts college pinned its hopes on a corporate leader, and a culture clash ensued

Danielle Douglas-Gabriel and Susan Svrluga, Washington Post, 3/10

[New York Legislators Plan to Introduce Measure on Carried Interest Tax]

Noam Scheiber, NY Times, 3/6

A coalition of progressive groups is starting a state-level campaign to close the so-called carried interest loophole, which allows fund managers to pay a substantially reduced federal tax rate on much of their income. Two New York State assemblymen plan to introduce a bill on Monday that would raise taxes on state residents who benefit from the lower rate, to precisely offset the tax savings they receive at the federal level. In addition to correcting what its members see as a glaring inequity in the tax code, the coalition hopes to generate revenue that could be spent on public investments in areas like schools and economic development.

[If Feds Don't Want Extra Carried Interest Tax, New York Will Gladly Take It]

Jon Shazar, Dealbreaker, 3/7

[New York Challenges a Tax Privilege of the Rich]

Editorial, NY Times, 3/11

Virtually every tax dodge involves somehow passing off relatively high-taxed ordinary income as low-taxed capital gains. The best solution would be for Congress to do away with special low tax rates for capital gains. But for now, the New York bill and the push for similar legislation in other states could offer a bold and smart step forward.

[For Hedge Funds, Start of 2016 Offers Little Relief From 2015]

Matthew Goldstein and Alexandra Stevenson, NY Times, 3/10

HIGH SPEED TRADING AND FINANCIAL TRANSACTION TAX

[Eurozone Financial Transaction Tax Plan Stalls, Says Minister]

Matthew Dalton, Wall St. Journal, 3/10

INVESTOR PROTECTION AND THE SEC

[Should Fiduciary Advisers Swear Off Mandatory Arbitration?]

Norb Vonnegut, Wall St. Journal, 3/8

For the purpose of this column, let's assume arbitration is a fair process. You could defend the clause to the prospect and cite the Financial Industry Regulatory Authority's website: "Arbitration is similar to going to court, but is usually faster, cheaper and less complex than litigation." David Weintraub, a securities-arbitration lawyer who represents both investors and financial advisers, agrees on the comparative cost and ease of arbitration. Among the reasons: The arbitration process avoids what can be numerous pretrial appearances before judges, as well as the depositions that are standard practice in court cases but discouraged by Finra for its arbitrations.

But even so, "there is no upside for the client signing a contract containing an arbitration provision," Mr. Weintraub says. That is because the investor could always suggest arbitration to resolve a dispute once it arises. And firms will agree because they "don't want to appear in front of judges and juries," he says. That is no surprise in the aftermath of 2008, when the stock-market meltdown made investors furious.

[Hearing on SEC nominees expected next week]

Zachary Warmbrodt, Politico, 3/7

The Senate Banking Committee next week is expected to hold a long-awaited hearing on two academics' nominations to become SEC commissioners, sources familiar with the matter said. "I'm not in charge of that but that's what I hear," said Sen. Heidi Heitkamp, a Democrat on the panel. "That's basically what we anticipate, but that doesn't mean that's what's going to happen."

[SEC alleges widespread fraud at Aequitas, sues top execs]

Jeff Manning, Oregon Live, 3/10

The U.S. Securities and Exchange Commission moved decisively into the Aequitas Capital Management scandal Thursday, suing the Lake Oswego company and three top executives for allegedly running a $350 million Ponzi scheme.

The SEC claims Aequitas defrauded more than 1,500 investors into believing they were making health care, education and transportation-related investments, when their money was really being used in a last-ditch effort to save the firm.

The commission has asked the court to appoint a receiver to take control of Aequitas. It also removed Aequitas chief executive Bob Jesenik and his longtime partner, Brian Oliver, from positions at the company and sought to ban them from the securities industry.

Aequitas lied to investors, hid financial weakness
Jeff Manning, OregonLive, 2/20

SEC's White Says Stock-Market Overhaul Won't Happen This Year
Dave Michaels, Wall St. Journal, 3/8

MORTGAGES & HOUSING

Big Banks Paid $110 Billion in Mortgage-Related Fines. Where Did the Money Go?
Christina Rexrode and Emily Glazer, Wall St. Journal, 3/9
In New York, the annual state fair is using bank-settlement money to build a new horse barn and stables. In Delaware, proceeds are being used to subsidize email accounts for local police. In New Jersey, a mortgage firm owned by a former reality-television star collected $8.5 million as a reward for reporting a bank's misconduct. Banks also helped tens of thousands of homeowners with their mortgages in neighborhoods from Jacksonville, Fla., to Riverside County, Calif., funded loans for low-income borrowers and donated to dozens of community groups and legal-aid organizations.

Yet some of the biggest chunks of money stayed with the entity that levied the fines in the first place. Of $109.96 billion of federal fines related to the housing crisis since 2010, roughly $50 billion ended up with the U.S. government with little disclosure of what happened next, according to a Wall Street Journal analysis.

Underwater Mortgage Borrowers Struggle to Come Up For Air
Scott Morgan, DS News, 3/10
Negative equity is down to 13.1 percent nationwide, but is still a nagging problem choking real growth and limiting new inventory, according to a new report by Zillow. Wednesday's report found that six million homeowners were underwater in the Q4 of 2015. And while that number is still a problem, it is significantly lower than the peak 16 million underwater homeowners that existed in Q1 of 2012, and the 8 million underwater homeowners of a year ago. According to Zillow, the millions of underwater homeowners who have resurfaced over the past year have led to a $75 billion decline in negative equity, which has helped keep the U.S. housing market jogging along steadily. But while the overall picture is vastly improved from even just a year or two ago, there are still 820,000 homeowners who owe more than twice as much on their mortgages as their homes are worth.

The Eviction Economy
Matthew Desmond, NY Times, 3/5
Those of us who don't live in trailer parks or inner cities might think low-income families typically benefit from public housing or some other kind of government assistance. But the opposite is true. Three-quarters of families who qualify for housing assistance don't get it because there simply isn't enough to go around. This arrangement would be unthinkable with other social services that cover basic needs. What if food stamps only covered one in four families?

America stands alone among wealthy democracies in the depth and expanse of its poverty. Ask most politicians what we should do about this, and they will answer by calling for more and better jobs. Paul Ryan, the Republican speaker of the House, thinks we need to do more to "incentivize work." Hillary Clinton, the front-runner for the Democratic presidential nomination, thinks we should raise the minimum wage. But jobs are only part of the solution because poverty is not just a product of joblessness and low wages. It is also a product of exploitation.

MUNICIPAL FINANCE

[The Unexpected Cause of Water Crises in American Cities]

Carrie Sloan, Talk Poverty, 3/9

While the water crisis unfolding in Flint is perhaps the most egregious example of austerity in recent memory, it is part of a larger emergency developing nationally. In 2014, Detroit became the first major American city to enact mass water shutoffs, with 46,000 poor households receiving disconnection notices that May. And in Pittsburgh, Baltimore, and other cities, consumers face steep price increases in their water bills. These shutoffs and rate hikes can be traced back to one common source: Wall Street.

Baltimore is one of the most visible examples of how dangerous financial deals with Wall Street can push a city over the edge into crisis.

POLITICAL INFLUENCE OF WALL STREET & THE REVOLVING DOOR

[Why Obama says bank reform is a success but Bernie Sanders says it's a failure]

Steven Mufson, Washington Post, 3/7

President Obama met with top financial regulators Monday and later praised their efforts to protect consumers, make the financial system safer and stronger, and prevent the recklessness that led to the economic collapse at the outset of his presidency…

"This is one more reminder that it is crucial that people who lead these agencies are people strongly committed to reform and who will be as aggressive as they need to be despite pressure from the other side to slow down or weaken rules,' said [**Americans for Financial Reform** executive director Lisa] Donner.

[GAO to probe 'regulatory capture' of Wall Street watchdogs]

Peter Schroeder, The Hill, 3/4

Rep. Maxine Waters (Calif.), the top-ranking Democrat on the House Financial Services Committee; and Rep. Al Green (Texas), the top Democrat on that panel's oversight subcommittee, asked for the review. The letter was sent in October, but the GAO told the news service it was planning for the external review. Questions of "regulatory capture," which is the concern that regulators become too close to the entities they monitor and thus lose objectivity or strictness, have dogged regulators since the financial crisis.

The Fed in particular has faced pointed charges from congressional Democrats, especially after a former regulator at the Federal Reserve Bank of New York charged with monitoring Goldman Sachs claims she was fired from the regulator for refusing to soften her approach.

RETIREMENT SECURITY & FIDUCIARY DUTY RULE

[The Weird Claim that the Obama Administration Is Coming after Personal Finance Gurus]

Helaine Olen, Slate, 3/8

Don't worry, financial advice fans. The Obama administration isn't coming after Dave Ramsey, Suze Orman, Jim Cramer, or any other personal finance gurus. That's the impression you might have if you read [this Forbes blog post] from last Friday, which has notched nearly half a million views. In it, John Berlau argues that a Department of Labor proposal, which would tighten up rules on how financial advisers guide clients shopping for retirement plans, could also "muzzle" the financial entertainment complex, preventing TV and radio personalities from offering specific advice to callers on their popular programs. That, the post warns, could lead to a "potential chilling effect" on "free financial discussion in the media."

No, it couldn't. The Obama administration's push to expand the so-called fiduciary standard to cover individual retirement accounts—I'll explain what that means in a minute—won't cast a pall over the cable networks and the radio dial. It won't limit how anyone in the press talks about personal finance. "Advice needs to be compensated for it to count" under the proposed rule, says Barbara Roper, director of investor protection at the Consumer Federation of

America, and a longtime advocate for expanding the fiduciary standard. "There is no way this is a real issue." No consumer pays financial advisers on television or the radio for their specific, on-the-air advice.

[Yes, The Fiduciary Rule Could Censor Dave Ramsey And Others Providing Over-The-Air Financial Tips]
John Berlau, Forbes, 3/10

[Chamber steps up fight against financial adviser rule]
Tim Devaney, The Hill, 3/7
The U.S. Chamber of Commerce is waging a fierce lobbying battle over the Obama administration's new rules for retirement advisers. The Department of Labor's so-called fiduciary rule would require retirement advisers to disclose more information to clients, including on their compensation. But the business lobby warns this would raise the cost of investment advice and lead many people to invest on their own without guidance from a professional. The Chamber met with White House officials on two occasions last month in an attempt to curb the retirement rule. The business lobby's chief, Thomas Donohue, took part in one of those meetings, along with a team of lobbyists.

[Paul Ryan's Brain-Twisting Rationales for Why You Should Be Ripped Off]
Hamilton Nolan, Gawker, 3/10
How many ways can you say "I want to protect the right of financial advisors to rip people off?" Here is one way, from [Paul Ryan's website]: "Don't be fooled. In reality, this rule would create more paperwork and record-keeping requirements for planners, meaning higher costs for consumers." Haha. "We are determined to do everything possible to protect consumers and stop this rule." HAHA. Literally *the opposite* of what is true. It is remarkable... In conclusion Paul Ryan is actively working to ensure that your financial advisors are free to continue ripping you off. He is a star on the rise.

[Beware of your financial adviser]
Harold Pollack, Washington Post, 3/7
How widespread is misconduct within the financial advice industry? Economists Mark Egan, Gregor Matvos, Amit Seru released [a sobering working paper] last week that explores this question. These authors conduct an ingenious analysis of a unique BrokerCheck dataset that covers 644,277 currently-registered financial advisors in the United States, and an additional 638,528 who have left the industry between 2005 and 2015. Their paper documents disturbing patterns involving some of the nation's most prominent names in retail financial services.

STUDENT LOANS & FOR-PROFIT EDUCATION

[Will Obama's Education Department abandon defrauded college students?]
Astra Taylor, Washington Post, 3/10
Since Elizabeth Warren (D-Mass.) was elected to the Senate in 2012, she has shown an uncommon ability to make footage from committee hearings go viral, as many a government bureaucrat or business leader who has appeared before her can attest. But [her questioning of acting Education Secretary John B. King Jr.] during his confirmation hearing last month seems to have slipped under the radar. As she said to King, the Education Department has been woefully slow in assisting victims cheated by Corinthian Colleges, which "sucked down billions and billions of dollars in federal student loan aid by roping in students with false and misleading information and then saddling them with debt that was just going to be impossible to repay." Only 1,300 of the 40,000 students the department said could eligible for "fast-track relief" had received it, according to Warren. When King assured her that a team was working on the issue, she replied, "This isn't hard, what we're trying to do here. Students are waiting, their credit is getting worse and worse, the interest is accumulating on these loans, the process needs to move faster. And I don't get why it doesn't move faster. We know they've been defrauded."

[At Trump University, Students Recall Pressure to Give Positive Reviews]
Michael Barbaro and Steve Eder, NY Times, 3/11
Robert Guillo gave a glowing evaluation to his instructor at Trump University because, he said, the teacher pleaded for the best possible score, warning that without it, "Mr. Trump might not invite me back to teach again." Jeffrey Tufenkian offered excellent ratings because his Trump University-assigned mentor refused to leave the room until he did so, standing "right in front of me" as he filled out the evaluation form, he said. John Brown tried to give his Trump

University teacher a poor review — but said he was talked out of it by employees of the program, who called him three times, hounding him to raise his original scores.

Advocates and Lawmakers Press for Relief to Groups of Students Victimized by Predatory Practices
Alexis Goldstein, Medium, 3/11
For well over a year, lawmakers, law enforcement, advocates and scammed students alike have been pressuring the Department of Education to relieve the staggering debt of students who attended for-profit colleges like Corinthian which broke the law. In response, the Department convened a negotiated rulemaking session to clarify what the process would be going forward for students who were victims of illegal acts by their school, and wanted to assert their legal right to a "defense to repayment," or debt cancellation.

But as outlined in a letter delivered this week and signed by 34 organizations, the Department's draft of the proposed regulations has moved in the wrong direction. Among the worst items of their proposal is a requirement that defrauded borrowers seek debt cancellation within two years — or lose eligibility. This is particularly troubling because there is no limit on the number of years the government can *collect* on the student debt**.**

Democrats Press Obama on Debt Relief
Inside Higher Ed, 3/10

Students abandoned by closed for-profit colleges urge legislative action
Mary Ellen Klas, Tampa Bay Times, 3/9

Appeals Court Rejects For-Profit College Attack on Obama Rule
David Halperin, Huffington Post, 3/8
A three-judge panel of the U.S. Court of Appeals in Washington DC this morning rejected the for-profit college trade group's challenge to the Obama Administration's gainful employment rule, a regulation that holds career training programs accountable for consistently leaving students with overwhelming debt. Perhaps recognizing that the war of words over the rule had gone on long enough and that the case was not a close call, the Court of Appeals issued a brief four-page opinion affirming a trial court's rejection of the challenge brought by the troubled trade group APSCU.

Federal Court Upholds Gainful-Employment Rule, Dealing For-Profit Group Another Loss
Andy Thomason, Chronicle of Higher Education, 3/8

Education Department moves to refund military borrowers for overcharges
Danielle Douglas-Gabriel, Washington Post, 3/7

SYSTEMIC RISK

Are Big Banks Necessary?
John Heltman, American Banker, 3/8
The drive to break up the big banks has won a surprising number of adherents from both sides of the political spectrum — everyone from Neel Kashkari, the Republican head of the Federal Reserve Bank of Minneapolis, to Bernie Sanders of Vermont, the Democratic socialist who has made it the heart of his campaign. The issue is usually analyzed from a political standpoint, focusing on whether a breakup is possible and how it could be done. But the topic raises a critical question that is seldom asked, much less answered: Is there a legitimate, coherent business case to be made for the largest and most complex banks to stay large and complex? Do megabanks serve a critical function that justifies their undeniable risk to the financial system?

Marcus Stanley, policy director for **Americans for Financial Reform**, acknowledged that the big banks did have economies of scale, but said there's little data to demonstrate that the largest G-SIBs need to be as big as they are to take advantage of them. Perhaps a bank would need to have several hundred billion in assets to compete in certain markets, but academic research on the subject is heavily dependent on how the research is modeled.

"Say you're a derivatives and repo dealer operating on a global scale. That's something that you have to be big to do, but these are also businesses that would have collapsed without massive public support in 2008," Stanley said. "If I'm looking at the period when I'm making money, things might look good, but if I'm looking at the period when I'm taking the public bailout, not so good."

What Crisis? Big Ratings Firms Stronger Than Ever, and Profits Nearing an All-Time High

Timothy Martin, Wall St. Journal, 3/11

The three big ratings firms that played a central role in the last financial crisis never got a downgrade of their own. Investors still overwhelmingly rely on Standard & Poor's Ratings Services, Moody's Investors Service and Fitch Ratings when deciding whether to buy bonds. The three issue more than 95% of global bond ratings, a total virtually unchanged from the pre-2008 period.

Profits also are nearing all-time highs as they ride a recent wave of debt sales and push into new lines of business. The resilience of the industry's largest players was on display again this week as Moody's, a unit of Moody's Corp., agreed to a $130 million settlement with a California pension fund. The pact resolved one of the industry's last remaining major crisis-related legal headaches and brought the total of fines and settlements to $1.9 billion, a fraction of the amount paid by U.S. banks for missteps during the same period. “The credit-rating agencies got away so easy, given what they did," said Marcus Stanley, policy director at **Americans for Financial Reform**, a nonpartisan coalition in favor of stronger Wall Street regulation. “The happy days are here again. There's not really been an interruption of the profit flow."

“Immigrants and poor people” were not the cause of the financial crisis

Phil Angelides and David Min, Quartz, 2/10

"In a few years people are going to be doing what they always do when the economy tanks. They will be blaming immigrants and poor people." -- The Big Short

It is fitting that *The Big Short* is heading into Oscar season on the fifth anniversary of the release of the Financial Crisis Inquiry Commission (FCIC) report, which documented how widespread failures in regulation and recklessness on Wall Street led to the recent financial crisis. Unfortunately, the movie's success has spurred Wall Street allies to dust off their revisionist claims that the federal government's affordable housing and community lending policies caused the crisis.

These assertions have been thoroughly debunked in every serious analysis of the crisis. Nine of the 10 FCIC members, including five Democrats, three Republicans, and one independent, explicitly rejected these claims. The same conclusion has been reached by a broad consensus of non-partisan experts, including the Government Accountability Office, the Harvard Joint Center for Housing Studies, the Federal Housing Finance Agency (FHFA), economists at various Federal Reserve Banks , and virtually all academics who have studied the mortgage crisis.

OTHER TOPICS

Scholars reflect back on Brandeis’s legacy

Wenli Bao, TheJustice.org, 3/8

[Alexis] Goldstein, a senior policy analyst at **Americans for Financial Reform**, said she was particularly interested in Brandeis’ idea of the power of corporations to “dominate the state,” especially in light of the current election and the debates over how much power corporations should hold in American politics and policy. She said she was inspired by Brandeis’ 1905 to 1914 fight against J.P. Morgan and his proposed New Haven Railroad merger, which Brandeis viewed as a potentially dangerous monopoly. She said that it took Brandeis nine years to win that fight and that she found that encouraging because he lost a lot along the way but still came out victorious. She pointed out that it has only been eight years since the financial crisis in 2008, so there is still plenty of time for recovery.