AFR EF Americans for Financial Reform Education Fund

This Week in Wall Street Reform | Jan. 20-Jan. 25

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

TABLE OF CONTENTS

- Consumer Finance and the CFPB
- Enforcement
- Private Funds
- Mortgages and Housing
- Small-Business Lending
- Student Loans and For-Profit Schools
- Systemic Risk
- Taxes
- Other Topics

CONSUMER FINANCE AND THE CFPB

U.S. consumer watchdog curtails its power to pursue 'abusive' behavior | Reuters
The New York Times also published this story.

The U.S. consumer financial watchdog on Friday outlined how it would define "abusive" practices when overseeing companies, in another win for the industry, which has long complained that the agency has overstepped its remit by applying the term far too aggressively.

Following the 2007-2009 global financial crisis, Congress passed the Dodd-Frank Act giving the Consumer Financial Protection Bureau (CFPB) broad authority to stamp out "abusive" acts or practices related to consumer financial products, in addition to "unfair" and "deceptive" practices.

While the latter two legal terms were well defined, Dodd-Frank was the first federal law to prohibit "abusive" lending practices

CFPB Limits Its Own Powers Against Abusive Conduct in New Policy | Bloomberg

The Consumer Financial Protection Bureau is putting limits on the ways that it will use its power to pursue banks and other financial companies for abusive practices against consumers.

The 2010 Dodd-Frank Act gave the CFPB the unique authority to go after companies for abusive practices alongside long-established standards for pursuing unfair or deceptive acts and practices (UDAP). The financial services Industry has long complained that there has been little guidance as to what constitutes an abusive practice.

Under a new policy statement obtained today by Bloomberg Law, the CFPB said it will no longer bring abusiveness claims against companies alongside claims that they have engaged in unfair and/or deceptive practices, unless the CFPB can provide a legal rationale for bringing a separate abusiveness claim.

The policy statement also says that the CFPB will only bring an abusiveness claim if the agency "concludes that the harms to consumers from the conduct outweigh its benefits to consumers (including its effects on access to credit)."

CFPB at long last defines enigmatic 'abusive' standard | American Banker

The Consumer Financial Protection Bureau stated guidance on its policy for combating "abusive" industry practices — defining a standard that has befuddled financial firms since it was introduced in the Dodd-Frank Act.

In a policy statement Friday, the CFPB said an "abusive" act or practice is one in which the harm to consumers outweighs the benefit. The agency said it will only seek monetary relief for abusive acts or practices from companies that "lack a good-faith effort to comply with the law."

CFPB Announces Policy Regarding Prohibition on Abusive Acts or Practices | CFPB

The Consumer Financial Protection Bureau (Bureau) today issued a policy statement providing a common-sense framework on how it intends to apply the "abusiveness" standard in supervision and enforcement matters.

The Dodd-Frank Act is the first Federal law to broadly prohibit "abusive" acts or practices in connection with the provision of consumer financial products or services. However, nearly a decade after the Act became law, uncertainty remains as to the scope and meaning of abusiveness. This uncertainty creates challenges for covered persons in complying with the law and may impede or deter the provision of otherwise lawful financial products or services that could be beneficial to consumers.

Joint Statement: CFPB Narrowing of Abusive Standards Will Protect Dishonest Businesses Instead of Cheated Consumers | AFR-EF

Today, the Consumer Financial Protection Bureau (CFPB) announced a policy statement limiting the circumstances under which it will act to protect consumers when companies engage in abusive practices.

"The CFPB's new abusive policy limits the protection of consumers in ways Congress did not intend, curbs the CFPB's ability to pursue lawbreakers in court, and undercuts the incentives that companies have to ensure they are complying with the law," said Linda Jun, senior policy counsel at Americans for Financial Reform Education Fund. "The CFPB's decision to hamstring its pursuit of abusive conduct is deeply disturbing. Congress defined 'abusive' and specifically gave the CFPB flexibility to enforce it because scammers are creative in the ways that they abuse consumers."

While the statement purports to clarify the standard for abusiveness under the law, in fact it inserts a great deal of vagueness, and signals that the CFPB is prepared to give companies a pass when they commit abusive acts.

Democrats urge Supreme Court to save consumer agency from chopping block | The Hill

Democrats are rallying around the consumer protection agency Congress created in the aftermath of the 2008 financial crisis as conservatives urge the Supreme Court to declare the regulator unconstitutional.

The Consumer Financial Protection Bureau (CFPB) could be on the chopping block as it faces a Supreme Court case over whether its unique structure violates the Constitution. Current and former Democratic lawmakers argued in court filings this week that the justices should reject the attacks from conservatives and free market groups against an agency they see as crucial to defending ordinary people from predatory financial firms.

"The independence of the Consumer Bureau is essential to curb the fraud and abuse that led up to the Great Recession and wreaked havoc on the economic strength and stability of countless American seniors, servicemembers, veterans, students and consumers across the country," Speaker Nancy Pelosi (D-Calif.) said in a statement on Wednesday.

House Speaker Nancy Pelosi on Twitter | Office of the Speaker

"By failing to defend the @CFPB, the Trump Admin is failing millions of Americans whose financial security is threatened by abusive financial actors. Led by @RepMaxineWaters, House Democrats will fight these attacks on the Consumer Bureau."

Waters Statement on House Amicus Brief in Seila Law v. CFPB | The U.S. House Committee on Financial Services

Congresswoman Maxine Waters (D-CA), Chairwoman of the House Committee on Financial Services, made the following statement on the amicus brief filed this week by the U.S. House of Representatives in support of the constitutionality of the Consumer Financial Protection Bureau's independent single-director structure.

"The Consumer Financial Protection Bureau was created by the Dodd-Frank Wall Street Reform and Consumer Protection Act following the 2008 financial crisis to ensure that consumers have a strong watchdog to protect them from harmful financial products and practices. The Trump Administration and Congressional Republicans continue to do all they can to eliminate this critical consumer protection agency, including by making desperate and baseless legal claims about the Consumer Bureau that other judges have rejected. With this amicus brief, the House of Representatives is setting the record straight that, as several appeals courts have found, the Consumer Bureau's independent structure is clearly constitutional.

Joint Brief: AFR Joins Argument Urging Supreme Court to Support CFPB Structure | AFR-EF

Public Citizen, Americans for Financial Reform Education Fund, Consumer Federation of America, Consumer Reports, National Association of Consumer Advocates, Tzedek DC, and U.S. Public Interest Research Group Education Fund:

The amici submitting this brief are consumer organizations with an interest in the constitutional analysis that determines whether the structure of the Consumer Financial Protection Bureau (CFPB) is consistent with separation-of-powers principles … The amici submitting this brief are consumer organizations with an interest in the constitutional analysis that determines whether the structure of the Consumer Financial Protection Bureau (CFPB) is consistent with separation-of-powers principles

Consumer and Civil Rights Groups Urge Federal Banking Regulator to Stop Rent-a-Bank Payday Loan Schemes | NCLC

The Center for Responsible Lending, National Consumer Law Center, Leadership Conference on Civil and Human Rights, NAACP, National Association for Latino Community Asset Builders, Americans for Financial Reform Education Fund, Consumer Federation of America, Public Citizen, and U.S. PIRG, sent a strong message late yesterday to a federal bank regulator, the Office of the Comptroller and Currency (OCC), opposing a proposed rule that would encourage rent-a-bank schemes that enable loans of 100% APR or higher in states that prohibit high-cost loans and even mortgages up to 138% that drive small business owners into foreclosure. The groups argued that the proposal could make it easier for non-bank lenders to launder money through banks and unleash a flood of predatory loans.

The 55-page comment states that the OCC lacks authority under the National Bank Act to authorize non-banks to charge usurious rates, and that the OCC has failed to follow the requirements of the 2010 Dodd-Frank Act before preempting state law. The comments also criticize the agency for failing to consider the risks the proposal poses to consumers and small businesses, especially those who are financially vulnerable. Additionally, the OCC is already failing to stop a rent-a-bank scheme by an OCC-supervised federal savings association, Axos Bank, which is enabling predatory loans by World Business Leaders.

Joint Letter: OCC Proposal Could Greenlight Predatory Lending Schemes | AFR-EF

"The OCC's proposal would place [state] rate caps in grave jeopardy. It would embolden rent-a-bank schemes…. Under traditional application of state usury laws, courts look beyond the form to the substance when a transaction is designed to avoid application of a state's usury laws. Yet the OCC's proposal flatly provides that state-regulated entities may charge usurious rates when they purchase loans originated by a bank. …The OCC has also evidently not stopped a rent-a-bank scheme between World Business Lenders and another bank, OCC-supervised Axos Bank, which involves loans like a $90,000 mortgage at 138% APR …."

Otting: Banks may soon get long-awaited direction on small-dollar loans | Politico Pro

Comptroller of the Currency Joseph Otting on Wednesday said he and his fellow bank regulators hope to take additional steps soon to make it easier for banks to offer small-dollar loans as an alternative to payday lenders and check cashers.

"The national banks are waiting to see what the regulatory community is going to come up with in the form of either guidance or a rule, and we're hopeful that we're going to be able to produce a joint agency document sometime early this year," Otting told reporters at a press roundtable.

It's not the comptroller's first attempt to nudge national banks toward offering loans that can fall between just a few hundred to a few thousand dollars, but still very few banks offer such a product. In May 2018, the OCC released a bulletin encouraging banks to offer installment loans, which can be paid back over a period as short as 45 days or as long as a year.

Does Personal Finance Still Work in Our Changing Economy? | The New York Times

Don't buy a car you can't afford. Save 10 percent of your income for retirement. And, for crying out loud, stop throwing away money on lattes.

We've heard it all before.

Traditional personal finance advice is often tossed around in blanket statements. While the advice is sound in theory, the way we actually deal with money is much more complicated.

Our changing economy has made this a more common reality. Consumer spending is increasing and unemployment rates are low, but wage growth has been slow, some people have given up the job search and income inequality is still very much a thing. With a financial system so drastically changing — and seemingly for the worse — what can we do about money?

FICO Changes Could Lower Your Credit Score | The Wall Street Journal

Changes in how the most widely used credit score in the U.S. is calculated will likely make it harder for many Americans to get loans.

Fair Isaac Corp., FICO -1.39% creator of FICO scores, will soon start scoring consumers with rising debt levels and those who fall behind on loan payments more harshly. It will also flag certain consumers who sign up for personal loans, a category of unsecured debt that has surged in recent years.

The changes will create a bigger gap between consumers deemed to be good and bad credit risks, the company says. Consumers with already-high FICO scores of about 680 or higher who continue to manage loans well will likely get a higher score than under previous FICO versions. Those with already-low scores below 600 who continue to miss payments or accumulate other black marks will experience bigger score declines than under previous models.

CFPB Director Kraninger made time for big bank holiday parties | Allied Progress

There ain't no party like a big bank holiday party because a big bank holiday party … probably has a pretty amazing spread, eh, Director Kraninger? In case you missed it, the Trump CFPB quietly posted its Leadership Calendars for December 2019, and they revealed Kathy Kraninger had blocked off time to attend two separate holiday parties hosted by the Bank Policy Institute and the American Bankers Association.

It makes sense that Director Kraninger would pencil herself in for eggnog and good cheer with banking industry insiders just days after she declared bankers "are really helping drive the agenda" at the CFPB. It's what friends do.

BankThink: A plan to give CFPB's new task force some teeth | American Banker

The Consumer Financial Protection Bureau recently announced the composition of its new task force, aimed at improving and strengthening federal consumer financial laws and regulations.

The task force's five members are all eminently qualified, with more than 150 years of academic, government and private-sector experience in consumer financial law and policy between them. But experience and professional distinction is no guarantee of productivity.

To be successful, the task force will have to make judicious use of the limited time (around a year) and staff at its disposal. With 15 enumerated consumer laws and important parts of other financial laws within the CFPB's remit, it will face multiple competing demands on its attention.

Davos Digital-Payments Rift Pits Facebook Against Central Banks | Bloomberg

A rift among the global elite over the future of digital payments was on display during a panel discussion at the World Economic Forum's annual meeting in Davos, Switzerland.

At stake is the potential overhaul of the global financial system that could see companies like Facebook Inc. pitted against the world's central banks in the race to develop a worldwide digital currency. On the one side are private companies looking to capitalize on the cryptocurrency trend that could circumnavigate traditional banking systems -- on the other are central banks at risk of being left behind.

New York City votes to ban cashless businesses in step against discrimination | The Guardian

New York City's council has voted to ban cashless businesses, in what politicians said was an effort to rein in "the excesses of the digital economy" and stop discrimination against low-income residents.

The city council on Thursday almost unanimously passed legislation, which will fine retail outlets, including stores and restaurants, if they refuse to accept cash payment.

Supporters of the ban argue that electronic-only payments discriminate against low-income people, undocumented immigrants and people of color, who are less likely to have a bank account or access to credit.

If the bill is approved by the mayor, Bill De Blasio, New York City would become the latest place to ban businesses from only accepting payment by debit or credit. New Jersey, Philadelphia and San Francisco brought in their own bans on cashless businesses in 2019.

ENFORCEMENT

Wells Fargo Ex-CEO Banned, to Pay $17 Million in Fake-Account Scandal | The Wall Street Journal

A regulator barred former Wells Fargo & Co. chief executive John Stumpf from the banking industry over the firm's fake-account scandal, an extraordinary sanction for a top executive at a large bank.

Mr. Stumpf agreed to the ban in a settlement with the Office of the Comptroller of the Currency. He also agreed to pay $17.5 million. The firm's former chief administrative officer and chief risk officer settled similar charges, and five other former executives, including the former consumer-bank chief, were also charged.

The sanction and charges are the latest blow in the downfall of Mr. Stumpf and the bank he once led. For much of Mr. Stumpf's tenure, Wells Fargo was seen as a folksy industry darling that had escaped the financial crisis largely unscathed. But that reputation was left in tatters after it became public that an aggressive sales culture led employees to open millions of possibly fake accounts.

Committee for Better Banks Responds to Federal Regulators' Actions Against Former Wells Fargo Executives | Committee for Better Banks

In response to fines and work restrictions brought against former Wells Fargo executives by the federal Office of the Comptroller of the Currency, Committee for Better Banks member Patrick Creaven, a five-year Wells Fargo Communications Associate from Concord, Calif., said:

"The civil action brought against former Wells Fargo executives for defrauding millions of consumers is a step toward accountability at the company, but these charges on their own will not bring justice for employees who were unfairly scapegoated, or change the corrupt system in place at Wells Fargo that fueled the disastrous sales scandal of 2016 in the first place.

"Let's be clear: we are not seeing the change necessary to repair the harm done to workers, customers and investors. Frontline bank workers were the first to sound the alarm on the company's widespread fraud, yet Wells Fargo continues to layoff thousands of these employees as part of a broader strategy to cut costs. Not only do these layoffs instill significant fear in Wells Fargo employees, they prevent customers from receiving the high-quality care and services that they deserve from their bank.

"We're seeing momentum for further accountability build. State and federal legislators are taking action and introducing legislation to demand answers from Wells Fargo. If Wells Fargo wants to hear solutions that will actually restore trust in the company with investors and customers alike, CEO Charles Scharf must meet with frontline workers who are members of the Committee for Better Banks so you can hear our sincere independent perspectives and ideas for change without fear of retaliation or reprisal."

PRIVATE FUNDS

Krystal burger chain files for bankruptcy a second time | CBS News

Southeastern slider chain Krystal has filed for Chapter 11 bankruptcy protection, citing debts of as much as $100 million.

"The actions we are taking are intended to enable Krystal to establish a stronger business for the future and to achieve a restructuring in a fast and efficient manner," according to an emailed statement from the Krystal Co.

Company-owned and franchised Krystal restaurants will continue running as usual, it added.

In filing for bankruptcy in the Northern District of Georgia, Krystal Holdings listed debts between $50 million and $100 million.

The bankruptcy filing came just two months after the company announced a new executive team and hired an investment firm to try to franchise 100 to 150 of the Krystal units to other owners.

PE firms aren't keeping portfolio companies as long as they used to | Pitchbook

The median holding time of private equity assets continues to decline. As of the end of 2019, it's down to 4.9 years, the first sub-five-year reading since 2011, according to PitchBook's 2019 Annual US PE Breakdown. During the time period since 2011, PE holding times saw a peak of 6.2 years back in 2014.

Much of the overall downfall is due to top-quartile hold times, which were down to 7.1 years on a median basis last year. In 2016, top-quartile hold times peaked at almost nine years. That's a fairly quick collapse in just a few years, probably a healthy one. We'll likely see an increase in top-decile holding times because of the growing proliferation of long-dated funds hitting the market.

Nonprofits worry sale of dot-org universe will raise costs | AP

The company that controls the dot-org online universe is putting the registry of domain names up for sale, and the nonprofits that often use the suffix in their websites are raising concerns about the move.

Nonprofit organizations and some tech activists plan to protest Friday outside the Los Angeles headquarters of the regulatory body for domain names where its board is meeting to discuss plans by private-equity firm Ethos Capital to buy the Public Interest Registry for $1.1 billion.

Opponents are concerned the cost of registering a dot-org website will skyrocket, and they worry about the potential loss of freedoms of speech and expression if the registry is in the wrong hands.

Fairway Market Files for Bankruptcy Protection | The New York Times

Fairway Market, the nearly century-old supermarket chain that is a New York institution, is known for its hard-to-find global offerings, low prices and no-frills demeanor.

It has also been regularly dogged by speculation of its financial health.

On Thursday, it filed for Chapter 11 bankruptcy protection just under four years after declaring bankruptcy and receiving financing from Blackstone, the private equity firm.

The company filed papers saying that it had accepted an initial bid from Village Super Market to buy as many as five Fairway stores in New York and its distribution center for about $70 million. But the deal was described as a stalking horse agreement, meaning other businesses may bid for the properties.

Fairway planning to file for Chapter 7 bankruptcy, close all its stores | The New York Post

Legendary Big Apple grocer Fairway Market is getting ready to call it quits, The Post has learned.

The New York City chain — known for its wide selection of cheeses and cheap produce — is planning to file for a Chapter 7 bankruptcy, which means the grocery chain does not currently have a plan to continue to exist — unlike when it filed what's known as a Chapter 11 reorganization plan in 2016, sources told The Post.

On Wednesday, Fairway denied that it was closing all of its stores, saying it was in talks to keep some stores operating.

Under the liquidation plan, Fairway will close all 14 of its stores, including its flagship store at Broadway and West 74th Street, sources said. The liquidation could be announced as soon as Wednesday, sources said.

How Private Equity Wrecked New York's Favorite Grocery | Bloomberg Opinion

Have we finally reached the point where we automatically assume that every new retail disaster has been caused by a private equity firm? Yes, I believe we have. When the New York Post published a report on Tuesday contending that New York's Fairway Market grocery chain was going to liquidate — a claim denied by the company, which subsequently filed for Chapter 11 bankruptcy protection on Thursday — I began exploring whether private equity was indeed responsible for its problems.

It was.

The year was 2007. Fairway, a treasured New York institution that was founded in 1933, had grown from one store on Manhattan's Upper West Side to four stores, three in New York City and one on Long Island. The stores were supermarket size, but they didn't much resemble a Safeway or a Kroger. They were eclectic, with 50 brands of olive oil, dozens of varieties of olives, cheese, smoked salmon, imported beer and who knows what else. It was quintessential New York. On a per-square-foot basis, the four Fairways were among the highest grossing grocery stores in the country.

MORTGAGES AND HOUSING

Brown demands information from Fannie and Freddie on private equity investment in manufacturing housing | U.S. Senate

U.S. Sen. Sherrod Brown (D-OH) – ranking member of the U.S. Senate Committee on Banking, Housing, and Urban Affairs – is demanding that government-sponsored enterprises (GSEs) Fannie Mae and Freddie Mac, provide data on private equity-owned manufactured housing communities (MHC).

"I am writing regarding the increase in private equity investment in and ownership of manufactured housing communities (MHC) and a troubling trend of rent increases and resident displacement in many of these communities. I have seen first-hand how residents in these communities, many of whom are elderly and have fixed incomes, have experienced rent and other housing cost increases with few consumer protections. The information I am requesting here will help me better understand Fannie Mae's role in financing private equity-owned MHC properties and what resident protections, if any, are included in the Enterprise's financing process," wrote Brown.

CFPB planning to eliminate DTI requirement from QM lending rules | Housing Wire

Over the last several months, a number of the nation's largest lenders and housing trade groups have called on the Consumer Financial Protection Bureau to make changes to the Ability to Repay/Qualified Mortgage rule.

More specifically, Bank of America, Quicken Loans, Wells Fargo, Caliber Home Loans, along with the Mortgage Bankers Association, the American Bankers Association, the National Fair Housing Alliance, and others asked the CFPB to do away with the QM rule's debt-to-income ratio requirement. And now, it looks like they're going to get their wish.

In a letter sent last week to several prominent members of Congress, CFPB Director Kathy Kraninger said the bureau has decided to propose an amendment to the QM Rule that would "move away" from DTI as a factor in mortgage underwriting. Specifically, Kraninger said the CFPB has decided to shift from the DTI standard and move to an "alternative, such as a pricing threshold.

Small Balance Loan Originations in Rural and High-Needs Areas | Fannie Mae

Fannie Mae is dedicated to supporting homeownership in some of the country's toughest markets, including rural markets that face unique challenges. In our most recent white paper, focused on rural and high-needs rural areas (rural tracts in Lower Mississippi Delta, Middle Appalachia, and Persistent Poverty counties) identified in the Federal Housing Finance Agency's Duty to Serve rule, we highlight the key role these areas play in the origination of small balance loans, defined as loans below $100,000 for this analysis.

According to Home Mortgage Disclosure Act (HMDA) data for 2012 to 2017, small balance loan originations account for an above-average share of single-family site-built home loan originations in all rural and high-needs rural areas. As seen in the figure below, this makes it so that these areas' market shares for small balance loans are nearly double their overall market shares for site-built home mortgage originations.

CFPB publishes updated HMDA Small Entity Compliance Guide | CFPB

The Consumer Financial Protection Bureau published an updated version of the HMDA Small Entity Compliance Guide (Guide). Changes to the Guide include updates to incorporate content from the HMDA Final Rule issued in October 2019.

For The Trump Administration: Affordable Housing Means Middle-Income Housing For Counties With 43 Million People | NCRC

The Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC) are proposing regulatory changes to the Community Reinvestment Act (CRA) that make it easier for banks to get an "Outstanding" rating while underserving people and communities with low- and moderate-incomes (LMI) that it was meant to help.

Under the new proposed CRA list of qualifying activities, financing for affordable rental housing intended for middle-income households in "high-cost" counties would qualify as CRA credit to banks under their community development obligations.[1] What this means is that banks will get as much credit financing the construction of affordable rental housing designed for middle-income individuals and families as they would for rental housing focused on low-income individuals and families.

The Neighborhoods We Will Not Share | The New York Times

Persistent housing segregation lies at the root of many of our society's problems. Trump wants to make it worse.

In the mid-20th century, federal, state and local governments pursued explicit racial policies to create, enforce and sustain residential segregation. The policies were so powerful that, as a result, even today blacks and whites rarely live in the same communities and have little interracial contact or friendships outside the workplace.

This was not a peculiar Southern obsession, but consistent nationwide. In New York, for example, the State legislature amended its insurance code in 1938 to permit the Metropolitan Life Insurance Company to build large housing projects "for white people only" — first Parkchester in the Bronx and then Stuyvesant Town in Manhattan. New York City granted substantial tax concessions for Stuyvesant Town, even after MetLife's chairman testified that the project would exclude black families because "Negroes and whites don't mix." The insurance company then built a separate Riverton project for African-Americans in Harlem.

A few years later, when William Levitt proposed 17,000 homes in Nassau County for returning war veterans, the federal government insured his bank loans on the explicit condition that African-Americans be barred. The government even required that the deed to Levittown homes prohibit resale or rental to African-Americans. Although no longer legally enforceable, the language persists in Levittown deeds to this day.

SMALL-BUSINESS LENDING

Small Business Lending and the Great Recession | CFPB

The Consumer Financial Protection Bureau released a data point on the evolution of small business lending before, during, and following the Great Recession. Small businesses are an important engine for growth within the American economy, and this report shows how their access to credit from traditional sources has declined during the Great Recession and has recovered somewhat and unevenly since the end of the Great Recession.

This report details the evolution of small business lending across geography and sources of lending. It utilizes data from the Community Reinvestment Act (CRA) on small business lending at the county level from 2004-2017 and Census data on the number of employer and non-employer firms.

STUDENT LOANS AND FOR-PROFIT SCHOOLS

Purdue Global Has Had a Rocky Start. Is It Growing Pains or a Sign of Trouble? | The Chronicle of Higher Education

A $43-million loss last year was due in part to marketing costs. And the institution expects to turn a profit this year.

Langevin rejects DeVos rule denying debt relief to students defrauded by predatory colleges | Warwick Beacon

Congressman Jim Langevin (D-RI) has voted in favor of H.J. Res. 76, which blocks a rule submitted by U.S. Secretary of Education Betsy DeVos that makes it more difficult for students defrauded by predatory, for-profit colleges to get student debt relief. These colleges may have used unlawful practices that leave students with a large amount of debt, worthless degrees, and no job prospects. The bill passed the House by a vote of 231-180.

“This resolution will protect students who have been defrauded by predatory schools,” said Langevin. “It is terrible that Americans pursuing a quality higher education to get ahead in life have been targeted in such a shameful way. The federal government should be in the business of creating pathways to success, not promoting policies that fuel fraudulent institutions.”

Muddied Picture for Defrauded Borrowers | Inside Higher Ed

Democrats in the U.S. House of Representatives were able to pass a measure last week expressing opposition to Education Secretary Betsy DeVos’s borrower-defense rule. But because of politics and both ongoing and upcoming legal battles, the vote did little to clear up what will happen to students who are asking for their loans to be discharged because they were defrauded by colleges.

Hardly clear are two questions: how to deal with the backlog of more than 200,000 borrowers, most of whom attended for-profit institutions, who’ve been waiting for the Education Department to process their requests for debt forgiveness.

Senate must decide whether to side with scam colleges or defrauded students |St. Louis Post-Dispatch

The House has voted to overturn a Trump administration rule that makes it more difficult for students who were defrauded by their colleges to seek loan forgiveness. The measure now moves to the Senate — where its fate should be kept under a glaring spotlight.

Republican senators have the opportunity to show America whether they’re willing to rein in predatory for-profit colleges and address a towering crisis facing their former students. All indications are that they aren’t.

President Donald Trump and Education Secretary Betsy DeVos didn’t create the college-loan crisis, but they appear determined to make it worse. DeVos has long displayed a soft spot for scammy for-profit colleges (of the kind that Trump himself once owned before he agreed to a $25 million fraud settlement) and hostility toward struggling students.

Teachers Union Lawsuit Claims DeVos 'Capriciously' Repealed Borrower Protections | NPR

One of the nation's largest teachers’ unions sued U.S. Education Secretary Betsy DeVos on Wednesday. The complaint: She repealed a rule meant to protect student loan borrowers from for-profit and career-focused schools that graduate them with too much debt and limited job prospects.

Randi Weingarten, president of the 1.7 million-member American Federation of Teachers (AFT), says the lawsuit's message is clear: "Protect the students of the United States of America — not the for-profit [schools] that are making a buck off of them."

The 2014 rule that DeVos repealed, known as "gainful employment," served as a warning to for-profit colleges and any school that offers career certificate programs: If graduates don't earn enough income to repay their student debts, schools could lose access to federal aid.

Because many of these programs derive the bulk of their revenue from federal student loans and grants, it was a potentially devastating threat. So devastating that, Weingarten says, "the rule worked. What started happening is that these places — not just the for-profits, but anyone who was covered by this — they started cleaning up their act."

ACICS no longer seeking recognition from key oversight group | Education Dive

The Accrediting Council for Independent Colleges and School (ACICS), a troubled national accreditor that had its federal status revoked under the Obama administration, is no longer seeking recognition from the main private association that vets accreditors in the U.S., weakening its legitimacy in the higher education sector.

The announcement comes after a Council for Higher Education Accreditation (CHEA) committee recommended ACICS' recognition with the association be denied.

Observers told Education Dive that ACICS' move to withdraw puts new pressure on the U.S. Department of Education to once again take away its federal recognition, in light of the accreditor's continued troubled finances and failures in monitoring its member institutions, problems the department flagged in November.

For-Profit Accreditor Drops Recognition Bid | Inside Higher Ed

The Accrediting Council for Independent Colleges and Schools on Friday said it would withdraw its application to be recognized by the Council for Higher Education Accreditation, a membership group for colleges that recognizes institutional and programmatic accrediting organizations.

ACICS, a struggling national accreditor that mostly oversees for-profit colleges, came under fire during the Obama administration after the collapse of Corinthian Colleges and ITT Tech. The U.S. Department of Education revoked the accreditor's recognition, meaning that after a transition period it would no longer be able to serve as a gatekeeper for the federal aid eligibility of colleges. But the Trump administration in 2018 restored ACICS's status.

Recognition by CHEA isn't necessary for an accreditor to oversee federal aid eligibility. But approval by the association can affect decisions by state authorizers, specialized accrediting agencies, licensing boards and some institutional authorities in other countries.

TAXES

Twitter thread on Wall Street benefiting from 2017 tax cut | AFR
Porter McConnell of @TakeOnWallSt reminds us that the #GOPTaxScam gave Wall Street "a bonus worth about 400,000 teacher salaries"

It May Be the Biggest Tax Heist Ever. And Europe Wants Justice | The New York Times

Less scrutinized has been the role played by Americans, both individual investors and branches of United States investment banks in London, including Morgan Stanley, JPMorgan Chase and Merrill Lynch Bank of America

American bankers didn’t try cum-ex at home because they feared domestic regulators. So they moved operations to London and treated the rest of Europe as an anything-goes frontier.

”There was this culture in London, and it really came from New York,” he said. “These guys were either from New York or trained in London at New York banks, and they looked at Europe as their playground. People at the highest levels were collaborating to rip off countries.”

Before it all unraveled, the cum-ex ecosystem of lawyers, advisers and auditors enjoyed heady days. Last year, the lawyer who testified anonymously at the Bonn trial described the culture of the cum-ex world to Oliver Schröm and Christian Salewski, two reporters on the German television show “Panorama,” under disguising makeup. It was a realm beyond morality, he said: all male, supremely arrogant, and guided by the conviction that the German state is an enemy and German taxpayers are suckers.

He remembered looking down from his office on the 32nd floor of a Frankfurt skyscraper and pitying the pedestrians.

“That was the normal world to which we no longer belonged,” he told the reporters. “We looked out the window from up there, and we thought, ‘We’re the cleverest of all, geniuses, and you’re all stupid.’”

Patriotic Millionaires’ letter to Davos calls for ‘higher and fairer’ taxes on the global elite | CNBC

The Patriotic Millionaires, a group of wealthy people who support hiking taxes on the rich, are taking their message global at the World Economic Forum.

In a letter the group plans to release Wednesday, the Patriotic Millionaires will call for international tax reform. Previously, the organization has focused its message on the United States, where it has lobbied in favor of a millionaire tax and against tax loopholes for investment funds.

The letter, titled “Millionaires Against Pitchforks,” warns that tax evasion has “reached epidemic proportions” and contributes to “extreme, destabilizing inequality.” It is timed to land as millionaires and billionaires gather here for the World Economic Forum — which the group’s president, Erica Payne, calls “one of the most obnoxious displays of privilege that is found on the world stage.”

CRA Reform Proposals Would Count Sports Stadiums As Community Development | NCRC

Under the proposed Office of the Comptroller of the Currency (OCC) and Federal Deposit Insurance Corporation’s (FDIC) regulatory changes to the Community Reinvestment Act (CRA), financing to improve stadiums located in low- and moderate-income (LMI) areas that are designated Opportunity Zones (OZ) would be credited to a bank, improving their CRA ratings.

NCRC examined the location of 37 recently constructed or proposed stadiums across the country. Nearly half would fully satisfy the proposed criteria. A further 12 are either in an LMI area or designated OZ, and it is plausible to expect that the criteria could be expanded to include these as well. Professional sports stadiums are not the only ones that might benefit from this new proposal. Improvements to hundreds of college stadiums, downtown sports arenas and other facilities that meet the loose definition of "athletic stadium" could be considered "community development" projects if they are located in a qualified neighborhood. Due to the difficulty of being able to accurately determine what would quality, the amount of these opportunities could multiply significantly. Because of the scope and expense of stadium construction, this could become an easy way for banks to meet all of their CRA obligations to a community, by financing low-risk and profitable stadium construction and expansion.

OTHER TOPICS

Joint Letter: To USDA on the Need to Improve Loss Mitigation for RHS Loans | AFR-EF

National Consumer Law Center (on behalf of its low-income clients) National Housing Law Project and Advocates for Basic Legal Equality Americans for Financial Reform Education Fund Connecticut Fair Housing Center Legal Aid Society of Southwest Ohio Mountain State Justice Ohio Poverty Law Center:

The RHS single-family direct loan program continues to provide an essential resource for hundreds of thousands of rural families who would otherwise never achieve the benefits of homeownership. On behalf of the clients, communities, and neighborhoods we represent, we write to support two of RHS's proposed changes to the direct loan program rules. These changes will provide greater access to the program for new participants and preserve program benefits for those who already participate.