This Week in Wall Street Reform | Jan 27- Feb 1

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TABLE OF CONTENTS

CONSUMER FINANCE AND THE CFPB

House passes legislation to overhaul consumer credit reporting | The Hill

The House on Wednesday passed legislation aimed at overhauling consumer credit reporting and providing additional protections and opportunities to rebuild credit.

The measure, which consisted of a package of six bills, passed along party lines. It includes language calling for the Consumer Financial Protection Bureau (CFPB) to establish a credit rehabilitation process, bar credit rating agencies from including delinquent or defaulted student loans on credit reports after the borrower makes nine monthly payments on time and require private lenders to offer repayment plans to those facing economic hardship who are looking to rehabilitate their credit scores.

The legislation also includes provisions that would strengthen restrictions on credit checks for employment decisions unless necessary for positions that require background checks "by a federal, state or local law, or for a national security clearance" and would shorten the time negative credit information stays on a report down to four years and make changes to the credit report dispute process.

News Release: AFR Applauds House Passage of Comprehensive CREDIT Act | Americans for Financial Reform

Yesterday, the House passed the Comprehensive Credit Reporting Enhancement, Disclosure, Innovation, and Transparency Act of 2020 (Comprehensive CREDIT Act), H.R. 3621, in a 221-189 vote. The bill would improve accuracy in credit reporting, increase access to credit reports and improve transparency in credit reporting so that certain individuals are not put at greater risk for predatory financial products.

The Comprehensive CREDIT Act will help improve the financial security of millions of Americans by increasing accuracy and transparency in credit reporting. This legislation will fix the broken system for credit reporting disputes, improve the accuracy of reporting, restrict the use of credit information for employment, protect the victims of abusive lending from punitive reporting practices, help consumers understand their credit worthiness, better protect consumers from the negative impacts of medical debt on their credit scores, and give a second chance to borrowers struggling with private student loan debt.

Letter to Congress: Letter in Support of the Comprehensive CREDIT Act of 2020 | AFR et al.

The --85 undersigned consumer, civil rights, labor, and community organizations write to express our support for HR 3621, the Comprehensive Credit Reporting Enhancement, Disclosure, Innovation, and Transparency Act of 2020 (Comprehensive CREDIT Act of 2020).

Credit reports and credit scores play a critical role in the economic lives of Americans. They are the gatekeeper for affordable credit, insurance, rental housing, and sometimes unfortunately even a job. Yet they suffer from unacceptable rates of inaccuracy. This bill would enact a sea change that would make the American credit reporting system more accurate and fairer to consumers.

The Federal Trade Commission’s definitive study showed that 21% of consumers had verified errors in their credit reports, 13% had errors that affected their credit scores, and 5% had errors serious enough to cause them to be denied or pay more for credit.[1] Trying to fix these errors can be a Kafka-esque nightmare in which the Big Three nationwide consumer report agencies (CRAs) –Equifax, Experian and TransUnion – consistently favor the side of the creditor or debt collector (“the furnisher”) over the consumer.

Statement: U.S. House passes landmark bill to clean up credit Bureau mistakes | U.S. PIRG

The U.S. House of Representatives today passed the Comprehensive CREDIT (Credit Reporting Enhancement, Disclosure, Innovation, and Transparency) Act of 2020 (HR3621). U.S. PIRG testified before the Financial Services Committee in favor of the bill, which would, among other changes:

-Take steps to make it easier to fix mistakes in credit reports.

-Improve free annual credit reports, which are already mandated by law, by including each consumer’s credit score.

-Narrowly restrict the use of credit reports for employment purposes.

-Limit the reporting of medical debt, which is both often incorrect, and not predictive of credit default.

-Shorten the period delinquencies can be reported on consumer reports from 7 to 4 years and lower the window for most bankruptcies from 10 to 7 years.

-Give struggling private student loan borrowers a chance to rehabilitate their credit.

[Consumer Advocates Praise Passage of Landmark Bill in U.S. House to Reform Credit Reporting Industry](#) | NCLC

National Consumer Law Center advocates (NCLC) applaud last night's passage of the Comprehensive CREDIT (Credit Reporting Enhancement, Disclosure, Innovation, and Transparency) Act of 2020 (H.R. 3621) by the U.S. House of Representatives. "For too many years, indeed decades, the Big Three credit bureaus – Equifax, Experian and TransUnion – have used and abused consumers by profiting from our information while allowing errors to run rampant," said National Consumer Law Center attorney Chi Chi Wu. "The credit bureaus have frustrated consumers' efforts to dispute those errors, and have carelessly exposed our sensitive data to thieves. Finally, the credit bureaus are being held accountable for the harm they inflict on millions of American consumers who have no choice but to have their information sold and mangled by these for-profit corporations."

The Comprehensive CREDIT Act is a landmark bill that amends the federal Fair Credit Report Act (FCRA) to make wholesale needed reforms to the credit reporting system. The bill addresses the high error rates in credit reports –the FTC found that 20% of consumers have verified errors in their credit reports and 5% have serious errors that could cause them to be denied or pay more for credit – by directing the Consumer Financial Protection Bureau (CFPB) to issue accuracy regulations. NCLC supported the bill on behalf of its low income clients.

Consumer Financial Protection Bureau announces action against Citizens Bank, N.A. | CFPB

Today the Consumer Financial Protection Bureau (Bureau) filed suit against Citizens Bank, N.A. (Citizens), a national banking association headquartered in Providence, Rhode Island. The Bureau's complaint alleges violations of the Truth in Lending Act (TILA) and TILA's implementing Regulation Z, including violations of amendments to TILA contained in the Fair Credit Billing Act (FCBA) and the Credit Card Accountability Responsibility and Disclosure Act (CARD Act).

As described in the complaint, the Bureau alleges that for several years Citizens violated TILA, as amended by the FCBA, and Regulation Z by failing to properly manage and respond to credit card disputes. The complaint alleges that Citizens automatically denied consumers' billing error notices and claims of unauthorized use in certain circumstances. The complaint further alleges that Citizens failed to fully refund finance charges and fees when consumers asserted meritorious disputes or fraud claims, and failed to send consumers required acknowledgement letters and denial notices in response to billing error notices.

Testimony of Deyanira Del Rio Co-Director, New Economy Project before the U.S. House Committee on Financial Services task force on financial technology | New Economy Project

My testimony today is informed by more than two decades of work with low-income New Yorkers and community groups to challenge systemic discrimination by Wall Street banks and other financial corporations, and to support responsible, cooperative, and community development finance. New Economy Project's many accomplishments include keeping payday lending debt traps out of New York, through vigorous defense of New York State's 25% usury cap and other consumer protections; ending in NYC an insidious form of employment discrimination based on a job applicant's credit history; and winning strong state regulations to curb discriminatory and abusive debt collection. We provide direct legal assistance to thousands of low-income New Yorkers and recently settled a groundbreaking class action lawsuit we brought against a debt buyer network, resulting in a $59 million monetary award and the vacating of almost $800 million in debt collection default judgments.

Waters Statement on Kraninger's Decision to Weaken an Essential Agency Enforcement Power | U.S. House Committee on Financial Services

Congresswoman Maxine Waters (D-CA), Chairwoman of the House Financial Services Committee, issued the following statement regarding the Consumer Financial Protection Bureau's policy statement on the Dodd-Frank Wall Street Reform and Consumer Protection Act's prohibition of unfair, deceptive, or abusive acts or practices (UDAAP) in the consumer financial marketplace.

"The Consumer Bureau is the centerpiece of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which Congress passed after the financial crisis to provide America's consumers with a watchdog to crack down on abusive practices," said Chairwoman Waters. "Unfortunately, Consumer Bureau Director Kathy Kraninger and the Trump Administration continue their efforts to undermine the law and the Consumer Bureau's mission to better protect consumers. Friday's announcement that the Consumer Bureau will enact a policy to gut the Dodd Frank Act's prohibition on unfair, deceptive or abusive acts or practices will only encourage bad actors to engage in the reckless anti-consumer behavior that led to the financial crisis. Director Kraninger's new policy creates new standards that must be satisfied before the Consumer Bureau will enforce the "abusive" component of UDAAP, hampering the agency's ability to protect consumers or to punish bad actors. This policy will also hinder the Consumer Bureau's ability to hold entities accountable by rewriting the law to require a cost-benefit analysis when considering whether an act or practice is abusive. Even worse, it allows entities that engage in abusive conduct to avoid paying penalties, literally letting those who abuse consumers get off scot-free.

Forced Arbitration: A Clause for Concern | Consumer Reports

Mandatory arbitration deprives consumers of important options if a product is faulty or harmful. Here's how to fight back.

In July 2018, Ronald Gorny woke up in his Chicago home and noticed a few small insects scurrying on his new upholstered headboard.

Gorny pulled back the sheets to find dozens more bugs, all seemingly engorged with blood, according to a class-action lawsuit his lawyers filed against Wayfair, the online housewares company that sold him the headboard. A photo he snapped shows his finger stretching the headboard's fabric to reveal a shiny, dark creature about the size of a pencil tip and what appear to be stains on the surrounding fabric.

An exterminator later confirmed that the insects were Cimex lectularius, commonly known as bed bugs, the complaint alleges, and seemed to be coming from inside the headboard.

CFPB announces additions to executive team | CFPB

The Consumer Financial Protection Bureau (Bureau) today announced additions to its executive team. The leadership positions are:

Susan M. Bernard will serve as Assistant Director for Regulations in the Research, Markets and Regulation Division. Before joining the Bureau, she served as the Director of the Office of Regulations and Policy in the Center for Food Safety and Applied Nutrition at the U.S. Food and Drug Administration. Dr. Bernard earned her doctorate and master's degrees in public health from the Johns Hopkins Bloomberg School of Public Health at Johns Hopkins University in Baltimore, Maryland and J.D. from Northeastern University School of Law in Boston, Massachusetts.

Donna Roy will serve as Chief Information Officer in the Bureau's Operations Division. Ms. Roy has more than 18 years of Federal service. Before joining the Bureau, she served as Executive Director, Information Sharing and Services Office at the U.S. Department of Homeland Security where she was focused on innovative solutions for identity management, national scale collaboration and trust platforms, and scalable data infrastructure solutions to customers within a dynamic environment. Ms. Roy is a United States Marine Corps veteran. She is a graduate of Wades College in Dallas, Texas.

Longtime CFPB Rulewriter Set to Leave Post, Sources Say | Bloomberg Law

One of the Consumer Financial Protection Bureau's longest-tenured rule writers is leaving his post, according to multiple sources.

David Silberman, associate CFPB director for Research, Markets & Regulations, is expected to leave the bureau Friday, according to five current and former officials. A going away party for Silberman, who has been at the CFPB since before it officially launched in 2011, was held last week, the sources said Thursday.

Neither the CFPB nor Silberman could be reached for comment Thursday.

Silberman's departure marks a major shift at the CFPB. A former general counsel at privately held Kessler Financial Services.

Justice Department Official Tapped to Lead CFPB Enforcement | Bloomberg

The Consumer Financial Protection Bureau has selected Thomas Ward, a senior Justice Department political appointee, to lead its enforcement division.

The CFPB announced the appointment internally Wednesday and in a letter to House Financial Services Committee Chairwoman Maxine Waters (D-Calif.).

"Mr. Ward is eminently qualified to be the Bureau's Enforcement Director, as he brings a wealth of experience as both a litigator of complex cases and a manager of other attorneys," CFPB Director Kathleen Kraninger said in the letter obtained by Bloomberg Law.

Ward is currently deputy assistant attorney general in the Torts Branch of the Justice Department's Civil Division.

Consumer And Civil Rights Groups Urge Federal Banking Regulator To Stop Rent-A-Bank Payday Loan Schemes | NH Labor News

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, 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.

Exclusive report: The "financial motive" behind SCOTUS case aimed at killing consumer bureau | Salon

The vast majority of amicus briefs filed in support of a lawsuit seeking to gut the Consumer Financial Protection Bureau (CFPB) came from parties with an "axe to grind" against the agency, according to a report by the government watchdog group Allied Progress that was provided exclusively to Salon.

The CFPB, which has collected more than $12 billion for consumers from companies accused of wrongdoing after it was created in the wake of the 2008 financial crisis, could be dissolved entirely after Seila Law, a law firm that ran afoul of the agency, argued that it was unconstitutional for the CFPB to have an independent director who can only be removed "for cause" by the president, according to CNBC.

Kathleen Kraninger, the Trump-appointed CFPB director, notified lawmakers last year that she would not defend the constitutionality of her position in the Seila Law v. CFPB case, prompting Democrats to take up the court battle. House Democrats filed an amicus brief in defense of the CFPB last week. They were joined by the attorneys general of 24 states in arguing that the agency should survive.

CFPB Formalizes Policy on Using 'Compliance Aids' | Banking Journal
As part of a broader regulatory effort to clarify the role of guidance, the Consumer Financial Protection Bureau is issuing a policy statement on how regulated entities may use official bureau "compliance aids." This kind of resource—similar to the compliance resources the bureau has issued for some time—is not regulation or official interpretation and is thus not binding.

"Where there are multiple methods of compliance that are permitted by the applicable rules and statutes, an entity can make its own business decision regarding which method to use, and this may include a method that is not specifically addressed in a Compliance Aid," the bureau said. "In sum, regulated entities are not required to comply with the Compliance Aids themselves."

Debt Collection Rule Could Leave Non-English Speakers Vulnerable | Bloomberg Law

Debt collectors can be downright mean when going after people who owe money, but this one appeared to have reached a new low—the caller threatened to get the debtor deported.

The January 2019 complaint, filed with the Consumer Financial Protection Bureau, was one of only 12 like that have been filed, a tiny fraction of the more than 277,000 debt collection complaints the agency has received. But consumer and immigration activists say it signals a potentially broader problem.

Most consumers, particularly those with limited English proficiency, and especially those concerned about their ability to stay in the country, would not know that debt collectors are barred from making threats like the one in the California example.

"People are terrified of anything that involves going to court, or even in some cases writing a letter, which is really the first step in responding to a debt collection attempt," said Susan Shin, the legal director of the New Economy Project, a New York-based activist organization.

DERIVATIVES AND THE CFTC

Letter to Regulators: Don't Weaken Derivatives Risk Controls | AFR-EF

AFR Education Fund wrote a letter to banking regulators urging them to maintain risk controls for derivatives transactions at large banks

To Whom It May Concern:

The Americans for Financial Reform Education Fund (AFR) appreciates the opportunity to comment on the above referenced Proposed Rule (the "Proposal") concerning margin and capital requirements for Covered Swaps Entities (CSEs) by the various prudential regulators (the “Agencies”). Members of the AFR Education Fund include consumer, civil rights, investor, retiree, community, labor, faith based, and business groups.[1]

This is AFR’s second comment on this Proposal, as we submitted a comment in December, 2019 strongly opposing the Agencies’ intent to eliminate initial margin protections for swaps between CSEs and their affiliated entities.[2] Beyond the points made in that comment concerning the lack of any justification for eliminating these important prudential protections, we now offer comment on several points made in other comments to the Agencies.

Expanding permissible use of registered funds as collateral: We oppose requests made by ISDA, the Managed Fund Association, and Blackrock to expand the permissible use of registered funds such as Money Market Funds (MMFs) and Exchange Traded Funds (ETFs) as initial margin for derivatives transactions. We are particularly concerned regarding Blackrock’s request that shares of ETFs be counted as redeemable and therefore as permissible collateral for derivatives transactions, and strongly oppose this request.

PRIVATE FUNDS

Cerberus in Union’s Crosshairs as Firm Prepares Albertsons IPO | The Wall Street Journal

As Cerberus Capital Management prepares to take Albertsons Cos. public, some of the grocery company’s workers are waging a campaign against the private-equity firm, saying it is squeezing them for its own financial gain.

Unions representing about 10,400 workers at Albertsons’s Safeway stores in the mid-Atlantic region have been publicly criticizing Cerberus for more than three months, claiming the firm is trying to break a commitment to backstop a pension fund that is critically low on cash. The unions have raised concerns.

Stein Mart strikes deal to be taken over by private equity firm | Retail Dive

Dive Brief:

-Stein Mart reached a deal to be acquired and taken private by Kingswood Capital Management for 90 cents per share, according to a press release. The bid represents a 38% premium on the company's stock price.

-The deal would be financed with debt provided by Wells Fargo, National Association and Pathlight Capital, as well as equity from Kingswood. An entity run by Jay Stein, the retailer's chairman and grandson of the founder, will contribute equity and indirectly own one-third of Stein Mart after the deal closes.

-The transaction is subject to closing conditions and a shareholder vote. The company expects the deal to close in the first half of 2020.

Blackstone’s Corporate Private-Equity Funds Badly Trailed the S&P 500 Last Year. Here’s Why | Barron's

Blackstone Group’s marquee corporate private-equity funds lagged far behind the S&P 500 index during 2019, an indication that the large size of the firm’s portfolio and challenging investment conditions may be weighing on results.

Blackstone’s (ticker: BX) corporate private-equity funds had gross returns of 9.3% in 2019, way behind the S&P 500’s total return of 31.5%, and down from 19.1% in 2018, when the funds handily topped the S&P’s negative 4.4% return. The 2019 returns were reported in the firm’s fourth-quarter earnings report earlier Thursday.

Blackstone, the industry leader, didn't provide net returns after fees, which can run at around 2% annually plus 20% of profits industrywide.

The firm now manages $90 billion of corporate private-equity investments in 94 portfolio companies. The private-equity industry is sitting on a massive amount of uninvested capital or "dry powder." Competition for new deals remains intense, with transaction prices at or near record levels. All this acts as a damper on returns.

On Blackstone's earnings conference call earlier Thursday, Jonathan Gray, the firm's president, said that "opportunities for continued growth, even in a challenging investment environment, are significant." Gray noted on the call that Blackstone historically has generated 15% net annual returns in private equity.

How Private Equity Buried Payless | The New York Times

The financiers who had taken over Payless ShoeSource didn't have much experience selling low-priced footwear, but they had big ideas about how things ought to be done. One was capitalizing on enthusiasm for the 2018 World Cup in the Latin American countries where the company had hundreds of stores.

When they saw an opportunity to buy a million pairs of World Cup-branded flip-flops, the money men turned shoe sellers overruled the midlevel supply managers at corporate headquarters in Topeka, who had pointed out a couple of problems.

First, the sandals mostly wouldn't arrive on store shelves until after the World Cup was over.

Second, they were branded with the flags of countries like Mexico and Argentina — countries where Payless didn't have any stores.

Ultimately, the flip-flops had to be unloaded at steep markdowns, one of many missteps at a company that by early 2019 would liquidate its stores in the United States and enter its second bankruptcy in rapid succession, putting 16,000 people out of work. (It emerged from bankruptcy last month, with its third ownership group in four years.)

As in any corporate failure, there is no one cause. Over seven years, Payless went through a wringer of private equity and hedge fund stewardship that left it with inadequate technology, run-down stores and no financial cushion to survive an era of upheaval in retail.

But the collapse of Payless is more than a story of one discount shoe company that couldn't hack it in a changing business environment. It provides disquieting clues about one of the great mysteries of the modern economy.

Why hasn't the finance-driven capitalism of the last few decades created faster growth? What if the masters of financial efficiency are making choices that don't actually create the more dynamic, productive economy they promise?

In extreme cases, what if they don't really know what they're doing at all?

Private equity 'will not go away,' lessons from the non-physician | Healio

While the debate is ongoing within many practices about what is the best route for growth in the individual practice, private equity remains an option. In the Open Your Eyes to Private Equity panels, consultants, investors and industry experts weighed in, giving perspective on their roles in this ever-changing area.

Dems Cash in From Private Equity Firms They Defended at House Hearing | ReadSludge

Reps. Gottheimer and Meeks formed a joint fundraising committee just days after defending private equity at a committee hearing. A new FEC filing shows it raised money almost exclusively from two companies that consumer advocates called out during the hearing.

On Nov. 19, 2019, the House Financial Services Committee held a hearing on the dangers of private equity in which Democrats including Rep. Alexandria Ocasio-Cortez (N.Y.) and Chairwoman Rep. Maxine Waters (Calif.) criticized the industry's practices for, as Waters put it, "preying on hardworking Americans to maximize their profits."

But not every committee Democrat was in agreement. Rep. Josh Gottheimer (D-N.J.) praised the private equity industry for delivering returns for pension funds serving law enforcement officers, teachers and firefighters. "Pensions in New Jersey and across the country are struggling from years of underfunding, and that's why these returns are so important," Gottheimer said. "Our job in the committee is to, of course, make sure we are punishing bad actors while not interfering with those that produce good returns."

United for Respect tweeted, One of our leaders, @Giovann58838648, spoke about losing her job after Toys R Us was bankrupted by Private Equity during a congressional hearing last year. Right after, Rep @JoshGottheimer & @RepGregoryMeeks raised 💰💰 from these Wall Street firms.

Private Equity Needs Due Diligence Help To Go Mainstream | Financial Adviser

There are myriad tools for conducting due diligence in the publicly traded capital markets: software programs, regulatory filings, mandatory earnings reports and more. These deep sources of information put the power of analysis in people's hands, whether those hands belong to an investment professional or your average Joe.

But what about private equity, hedge funds and illiquid investment products? These require a bespoke set of due diligence skills that until now have been monopolized by institutional investors.

No more.

The retail market is looking to grab a bigger share of the private equity marketplace, and due diligence approaches are becoming more open-sourced. That means the tools, evaluation methodologies and analytics once held dear by endowments and the like are going mainstream.

Interest in the private equity and private debt markets has swelled, and yet these account for less than 5% of individual investors' assets under management, according to a report last November by Blackstone to the Securities and Exchange Commission. The report was provided to the SEC's Small Business Capital Formation Advisory Committee and looked at ways of expanding retail access to private markets.

Private equity should breathe a sigh of relief as Sanders surges | Axios

Bernie Sanders has opened up leads in both Iowa and New Hampshire, according to most recent polls.

The big picture: Private equity might be hyperventilating into a paper bag, but it should be breathing a sigh of relief. At least temporarily.

The state of play: Buyout firms face an existential threat from either a Sanders or Warren presidency, but much more of a rhetorical threat from Warren's campaign.

Sanders wants to largely dismantle modern capitalism, which would include private equity. In short, burn down the house and rebuild from scratch.

Warren wants to "fix" modern capitalism, believing private equity is one of its most broken pieces. A remodel with private equity in the driveway dumpster.

Between the lines: If Sanders were to win the nomination, or remain a contender until the final primaries, it's unlikely that he'll mention private equity very often (outside of generalist broadsides against Wall Street and the 1%).

Red Flags in Alluring Private Equity Track Records | Institutional Investor

Past performance of private equity and venture capital managers can give investors a strong sign of how they'll do in the future.

But new research from alternatives firm Pantheon finds that future performance can be dramatically influenced by a number of other factors as well, including how well a manager has dealt with the succession of its founders.

"As always, the truth is likely to be nuanced: not all track records are created equal. In some cases, track records can be a poor indicator of future performance," according to the report published Tuesday. "This tends to be the case when past performance is skewed by deals where luck has played a disproportionate role, when the GP [general partner] is shifting strategy, or when there is a misalignment of interests, organizational change, or succession is mismanaged."

Pantheon reported that managers in the top quartile of performance have a more than 35 percent probability of successor funds also be in the top quartile, according to the report. For the study, Pantheon considered probabilities greater than 25 percent as evidence of persistence.

"Persistence is also strong for bottom quartile VC funds (42 percent probability of remaining in the bottom quartile), suggesting that it is highly unlikely to see underperforming venture capital GPs rise again in the rankings," according to the report, called "Persistence Pays Off."

Private equity and the mark-to-market myth | Financial Times

News overnight from the Wall Street Journal: Southland Royalty, a private equity owned oil-and-gas company with assets in Wyoming, has filed for bankruptcy.

Formed in 2015, Southland had received around $1.1bn in equity commitments from its private-equity owner, Encap, and other investors including Southland's management. A further $540m in debt was provided by a revolving line of credit, according to the WSJ.

Another bankruptcy in the US's struggling energy sector isn't that surprising. But this is:

EnCap wrote down the value of its investment in Southland by 25 per cent in early 2019, according to the first person. The October investor report showed that the firm valued its investment in the company at $773.7 million at the end of September, nearly the same amount as the $775.5 million it had invested in the business until then. EnCap wrote down the investment to zero at the end of 2019, a person familiar with the matter said.

Like that, it's gone.

How did an investment marked at 0.99 times its invested equity collapse so suddenly? It's not the broader energy market. Since September 30, the Dow Jones US Energy Index is down 7.75 per cent, according to S&P Global Market Intelligence.

Perhaps then, as some private equity critics have ventured, it's that markings in private assets are more mark-to-myth than mark-to-model.

Why Private Equity Keeps Wrecking Retail Chains Like Fairway | Slate Magazine

The list of retailers that have been bought and wrecked by private equity firms keeps on growing. This week, the beloved New York grocery chain Fairway filed for its second bankruptcy in less than four years and announced plans to sell off its stores, thanks to a disastrous run of mismanagement by a series of buyout shops. It's on a list of casualties that now includes Toys R Us, Payless ShoeSource, and Sports Authority, among many others. That's on top of financially troubled names like Neiman Marcus that have managed to avoid Chapter 11 or liquidation (so far).

Last year, a group of progressive nonprofits reported that of the 14 largest retail bankruptcies since 2012, 10 had involved companies owned by private equity. The thud of corporate failures has become so constant that it's essentially become a meme in the financial press. "Have we finally reached the point where we automatically assume that every new retail disaster has been caused by a private equity firm?" Bloomberg's Joe Nocera wrote after the Fairway news broke. "Yes, I believe we have."

Why, exactly, have private equity's adventures in the retail business created such a string of disasters? There's probably no single answer, but here are three theories.

Safeway owner Albertsons seeks IPO amid woes over underfunded pensions | The New York Post

Supermarket giant Albertsons is looking to take itself public even as tensions escalate with unions and a powerful US agency over a soon-to-be insolvent pension plan, The Post has learned.

Albertsons, which owns the Safeway, Shaw's and Acme chains, is locked in a battle over a group pension plan covering some 50,000 supermarket workers in the Washington, D.C., area that's projected to be insolvent by February 2021, according to public filings.

The United Food and Commercial Workers International Union, which represents 112 Safeway stores in D.C., Maryland and Virginia, claims Safeway in its 2012 and 2016 worker agreements included a guarantee to cover one-third of all pension losses in the group plan — beyond its obligations to Safeway employees.

That would amount to roughly $565 million — a painful tab that would eclipse the $500 million in profits Albertsons might make this year on roughly $60 billion in sales.

Blackstone scours the globe for large deals | Pensions & Investments

Blackstone Group Inc. executives think a global private equity fund gives the manager better flexibility to find attractive deals.

Blackstone's private equity business has amassed almost double the amount of capital it had a year ago. The firm's private equity group had $71.8 billion of dry powder as of Sept. 30, up from $40.5 billion a year earlier, according to its latest Securities and Exchange Commission 10-Q filing.

In the fourth quarter, Blackstone raised the largest-ever private equity fund, the $26 billion Blackstone Capital Partners VIII, a global fund that invests in the U.S., Europe and Asia.

Prakash A. Melwani, senior managing director and chief investment officer of the private equity group, said in an interview that the dry powder will better allow Blackstone to pursue its strategy of targeting larger deals where there is much less competition.

"We are finding the best investments globally," Mr. Melwani said.

Indeed, the types of investments that Blackstone Capital Partners VIII is focusing on include investments in Asian companies in which Blackstone has control as well as large-scale buyouts and cyclical energy dislocations, according to agenda materials for the Oregon Investment Council, an investor in the fund and member of the Blackstone Capital Partners Limited Partner Advisory Committee. The Tigard-based council runs the $77.2 billion Oregon Public Employees Retirement System, Salem.

MORTGAGES AND HOUSING

Toledo Mayor Wade Kapszukiewicz released the following statement today regarding proposed changes to the Community Reinvestment Act | City of Toledo Ohio News

The City of Toledo is deeply concerned with the recommended changes to the Community Reinvestment Act (CRA) that will weaken banks' responsibility to provide adequate banking services to low-to-moderate income communities. Weakening the CRA will have a disproportionate impact on communities that bear the brunt of concentrated poverty, racial segregation, declining housing stock, and a lack of affordable housing. Homeownership is still the greatest opportunity for wealth accumulation. The lack of access to mortgage lending due to discriminatory barriers has a significant impact on communities of color and poor neighborhoods that are perceived to be unworthy of investment. We believe our community offers a great opportunity for families to build a good quality of life. CRA is a meaningful and crucial vehicle to create opportunity for community and economic investment.

The lack of branch locations also significantly increases the difficulty small businesses face in securing loans. While business owners can travel to other branches, research shows that the further the distance between the firm and the bank, the higher the loan interest rate. As a matter of fact, a 2014 MIT study shows that the impact is hyper-local, within a 6-mile radius of the branch closure. For communities like Toledo, we depend on the success of small businesses to attract and retain employment opportunities. A declining branch network creates an opportunity for predatory financial service providers to prey on our residents and small businesses by filling in the gap where traditional financial institutions have left a void.

Mayor of Dayton Nan Whaley tweeted: The Community Reinvestment Act is critical for driving investment into low-income communities. New proposals threaten to gut CRA and drain wealth from cities like Dayton. Federal gov't should be leveling the playing field, not further concentrating wealth.

Deputy Mayor of Housing and Economic Development for New York tweeted:
Congress passed the Community Reinvestment Act to combat impacts of redlining+disinvestment-impacts we still see today. CRA should be strengthened, not undermined. #TreasureCRA
Make your voice heard here.

Otting Finally Appears Before Committee to Explain Harmful Community Disinvestment Proposal | Committee in Financial Services U.S. House of Representatives

Today this Committee convenes for a hearing to conduct oversight of the Office of the Comptroller of the Currency (OCC), including to review its approach to overhauling the Community Reinvestment Act (CRA). Comptroller Otting, welcome back. I am pleased that this Committee will finally be able to hear from you after you missed our hearing in December.

The Community Reinvestment Act is an important law that was enacted to combat redlining and to ensure that banks make responsible investments in the communities where they are chartered.

Unfortunately, the OCC has put forth a rule that runs contrary to the purpose of the CRA and would lead to widespread bank disinvestment from low- and moderate-communities throughout the country. Comptroller Otting's proposal, which closely follows the recommendations made by his former bank colleague and now Secretary of the Treasury, Steven Mnuchin, would allow banks to skate by and do the bare minimum for a passing grade. Banks could claim CRA credit for investing in sports stadiums and bridges to nowhere. It would also allow banks to earn failing grades in nearly half of their CRA assessment areas and still pass their overall CRA exam.

Myths And Facts: A Review Of Otting Testimony On Proposed Changes To The Community Reinvestment Act | NCRC

The Comptroller of the Currency, Joseph M. Otting, submitted testimony in advance of his appearance before the House Financial Services Committee on Jan. 29, 2020. His testimony cited and challenged NCRC's analysis of a proposal to overhaul rules that enforce the Community Reinvestment Act. This is NCRC's response to Otting's testimony.

CRA: Comptroller Otting's testimony | Committee in Financial Services U.S. House of Representatives

Chairwoman Waters, Ranking Member McHenry, and members of the Committee, thank you for this opportunity to update the Committee on several activities underway at the Office of the Comptroller of the Currency (OCC). As requested, my testimony includes a discussion of the OCC and the Federal Deposit Insurance Corporation (FDIC) proposal to strengthen and modernize the Community Reinvestment Act (CRA) regulatory framework, the condition of the federal banking system, our supervision of regulated entities and the risks they face, our diversity efforts, incentive-based executive compensation policies for regulated entities, and our agencies' priorities, including efforts to enhance compliance with the Bank Secrecy Act (BSA) and antimoney laundering (AML) regulations and our efforts to support responsible innovation in the federal banking system.

Joint Letter: Letter to HUD Opposing Deregulatory Barriers to Affordable Housing | AFR et al.

The 55 undersigned community, housing, civil rights, consumer and other advocacy organizations submit these comments in response to the Department of Housing and Urban Development's (HUD) request for information (RFI) on eliminating regulatory barriers to affordable housing. The most fundamental problem with housing today is that rising housing costs are rapidly outpacing stagnant household incomes for most families, making it difficult or impossible for them to find affordable housing options. The majority of new residential housing projects are higher-cost, often luxury, residential properties, and corporate owners are raising rents and sale prices on existing housing units. At the same time, the federal government, along with many state and local governments, have withdrawn from providing or developing affordable housing units.   Compounding the problem, there is a set of deregulatory efforts now under way that are withdrawing crucial commonsense oversight from the housing and financial markets, enabling discrimination, and thereby increasing barriers to affordable housing.

FHFA Announces Realignment of Agency Structure | Federal Housing Finance Agency

“The Federal Housing Finance Agency (FHFA) announced a realignment that will further bolster FHFA’s capacity as a world-class regulator of Fannie Mae and Freddie Mac (the Enterprises) and the Federal Home Loan Banks. The realignment of its structure is designed to ensure that the Agency is well-positioned for the Enterprises to responsibly exit conservatorship.

“The changes we are implementing today will solidify FHFA as a world-class regulator,” said FHFA Director Mark Calabria. “The revised structure and appointments of highly qualified senior leaders will ensure that FHFA continues to protect taxpayers from future bailouts and deliver on our obligation to create a competitive, liquid, efficient and resilient housing finance market.”

How To Consider Community Development Financing Outside Of Assessment Areas By Designating Underserved Counties | NCRC

Under the Community Reinvestment Act (CRA) regulations, CRA examiners evaluate a bank’s record of responding to credit and banking needs in local communities in which it has branches. These areas are referred to as assessment areas (AAs). Over the years, industry stakeholders have sought to engage in community development financing in geographical areas outside of AAs. The agencies have responded by allowing banks to do so provided they have first met needs in their AAs.

Community development (CD) loans and investments are for affordable housing, economic development, revitalization of neighborhoods and community facilities. CD financing is distinguished from retail lending to homeowners and small business owners in that CD financing involves large-scale projects that have a community-wide benefit such as refurbishing a recreation center.

In order for neighborhoods to revitalize successfully, CD financing must work in tandem with retail lending. For example, loans to first-time homeowners will create sustainable neighborhoods with minimal residential turnover only if the homeowners reside in pleasant neighborhoods that feature ample access to stores and community facilities. Likewise, CD financing of economic development and neighborhood revitalization will be durable only if residents can obtain home or small business loans.

SMALL-BUSINESS LENDING

FTC Alleges Fuel Card Marketer FleetCor Charged Hundreds of Millions in Hidden Fees | Federal Trade Commision

The Federal Trade Commission filed suit against a company that sells fuel card services to businesses, alleging that it has charged customers at least hundreds of millions of dollars in hidden fees after making false promises about helping customers save on fuel costs.

FleetCor is a publicly traded company headquartered in Atlanta, Georgia and reported $2.4 billion in annual revenues in 2018. FleetCor markets its fuel card services under its own “Fuelman” brand name, as well as through co-branded cards, to businesses around the country. Its business customers give FleetCor’s fuel cards to their employees to use in refueling company vehicles.

According to the FTC’s complaint against FleetCor and its CEO, Ronald Clarke, the defendants falsely have told potential customers that they would save money, be protected from unauthorized charges, and have no set-up, transaction, or membership fees.

STUDENT LOANS AND FOR-PROFIT SCHOOLS

Brown, Mendez demand answers from CFPB director on failure to protect student loan borrowers | The U.S. Senate Committee on Banking, Housing, and Urban Affairs

We write regarding the Consumer Financial Protection Bureau's (Bureau) ongoing failure to conduct oversight of federal student loan servicers. It has now been more than two years—and more than a year that you have been Director—since the Bureau examined the companies that service the student loans for 43 million borrowers.[1]

For the past year, you and your staff have provided a variety of excuses and shifting explanations for the Bureau's failure to fulfill this critical oversight role:

· During a March 2019 hearing before the Senate Committee on Banking, Housing, and Urban Affairs, you testified that you were in the process of hiring a new student loan ombudsman who would be responsible for reestablishing the information sharing Memorandum of Understanding (MOU) with the Department of Education (Department) that would allow the Bureau to resume examinations of federal student loan servicers;[2]

· During a March 2019 hearing before the House Committee on Financial Services, you also testified that you wanted to have the student loan ombudsman in place to reestablish the MOU with the Department so that the Bureau could resume examinations of federal student loan servicers;[3]

· In an April 2019 letter, you reiterated that you wanted to have the student loan ombudsman in place to reestablish the MOU with the Department; and

· In September 2019, after he had been appointed as the student loan ombudsman, Robert Cameron also led us to believe that he was working to reestablish the information sharing MOU with the Department.

ITT Tech Directors Get Away With It, But Modany Still Faces Claims | Republic Report

An Indiana federal judge has let the directors of collapsed, disgraced for-profit college ITT Tech off the hook, rejecting claims from the company's bankruptcy trustee that the board's failure to fire CEO Kevin Modany breached their fiduciary duties.

But U.S. District Court Judge James Patrick Hanlon rejected Modany's own effort to escape liability, ruling that the trustee, Deborah Caruso, can proceed with her claim that Modany unlawfully put his self-interest above the company when he refused to consider offers to sell the business that required him to step down.

Judge Hanlon found in an opinion released Wednesday that Modany knew that state and federal law enforcement agencies were refusing to settle their claims against ITT Tech unless he resigned or was fired. Yet Modany, who risked losing a big severance payment if he was terminated for cause, resisted. The judge found that Caruso had presented sufficient facts to indicate "that Mr. Modany pursued a strategy designed to maximize his compensation and allow him to remain as CEO and acted with a purpose other than ITT's best interests."

Sean Spicer Shills for Predatory For-Profit Colleges | Republic Report

As White House press secretary, he started off telling us the falsehood that President Trump drew the biggest inaugural crowd ever, then defended Trump's lie that millions voted fraudulently in 2016, and kept going downhill from there. Seeking his fortune after leaving the administration, Sean Spicer started his own consulting firm, became an advisor to the main Trump super PAC, and danced with the stars.

Now Spicer is dancing with the parasitic for-profit college industry, shilling for the owners of Globe University, a Minnesota-based chain of career schools that shut down after the state's attorney general proved in court that the schools were aggressively ripping off students.

This week Spicer published an op-ed in the Washington Times entitled "Political vendettas against career schools hamper access to necessary programs; Globe University suffers the wrath of partisan idealogues." According to Spicer's essay, there are only "a few bad actors" in the for-profit college industry, Globe wasn't one of them, and it got a raw deal from a rabid Obama administration.

Purdue Global Budget: More than $132m spent on marketing last year | Phil on EdTech

I shared Purdue University's 2019 Financial Report a few weeks ago, showing that Purdue University Global lost $43 million in its first full year of operation after the Kaplan University acquisition. In a postscript I noted:

The $28.5 million marketing investment does NOT imply that Purdue Global spent only that amount on marketing and will not need to in the future. What it means is that based on internal budgeting Purdue Global spent $28.5 million more than what they believe is a steady state marketing level, and that they believe they can go back down to steady state marketing in FY2020. [snip] this information indicates that Purdue Global likely spent more than $130 million on marketing in FY2019.

New rules limit states' oversight of online colleges. How will they react? | Education Dive

State attorneys general were left out when the U.S. Department of Education rewrote its state authorization rules for distance education. The department "didn't feel attorneys general had a strong role to play in the potential regulations compared with other groups overseeing colleges," a spokesperson told Bloomberg early last year.

But the end result, announced Nov. 1, will certainly affect attorneys general, because it reduces their ability to regulate distance education. The new rules expressly forbid states from enforcing laws that go beyond the requirements of any interstate agreement they belong to that authorizes out-of-state institutions to offer distance education in their state. Because every state but California is part of such an agreement, most state laws on distance learning will be void when the rules go into effect July 1.

To Cancel Student Debt, You Don't Need Congress | Truthout

The 2020 Democratic primary elevated the student debt debate to the national stage and has sparked discussion at dinner tables and workplaces across the country. Americans are asking themselves and the candidates: how much student debt should we cancel, and how shall we cancel it? Sen. Bernie Sanders wants to cancel it all — and has introduced legislation to do so. Sen. Elizabeth Warren wants to cancel up to $50,000 in debt for households making less than $250,000 on Day 1 of the next administration. Warren recently updated her plan to clarify that she will use executive authority to cancel student debt, without needing to wait for Congress to act.

This debate — over how the government should cancel student debts — is not without precedent. The fight by former students of for-profit colleges to secure the debt cancellation they are owed by law provides a key example of why past administrations' approaches to debt cancellation fell short. Their fight teaches us how to make sure students don't get left behind in the future.

How a Data Company at the Center of the Student Loan System is Costing Borrowers Millions | Student Borrower Protection Center

Every day, consumer reporting companies across the country collect information and produce reports about hundreds of millions of Americans. These reports are provided to or bought by other companies and used to determine access to credit, employment, housing, insurance, and more. The information contained in the reports significantly impacts millions of people's lives. Consequently, federal law protects all consumers and gives them the right to access these reports, dispute inaccurate information, and have errors investigated and corrected in a timely manner.

In the student loan system, however, millions of borrowers have been denied access to some of these important rights.

A data company at the center of the student loan system

Each month, a company at the center of the student loan system called the National Student Clearinghouse collects and maintains data on roughly 97% of all students enrolled in colleges and universities in America, or more than 19.5 million people. This includes information about students' college enrollment status, whether they graduated, and what degree they received. These records are packaged and sold as reports to student loan companies, big banks, insurance companies, employers and more—companies looking to verify whether a student has finished college or is currently enrolled.

Toby Merrill and Eileen Connor | The Boston Globe

Long before the Democratic candidates for president were warning about our national student debt crisis, Toby Merrill and Eileen Connor were doing something about it. They worked separately at first, and then together at Harvard Law School's Project on Predatory Student Lending. Housed in Jamaica Plain, the project uses litigation to go after for-profit colleges that have misled students about the cost of their education and made false promises about well-paying jobs after graduation.

DeVos sued over repeal of rule that kept money from some private, for-profit schools | San Francisco Chronicle

A teachers' union is suing U.S. Education Secretary Betsy DeVos for the repealing of Obama administration rules withdrawing federal funds from private, for-profit vocational schools whose graduates could not find work that enabled them to repay their student loans. The "gainful-employment" rule took effect in 2015 and was intended to deny funding for federal loans and Pell grants to vocational schools, or some of their programs, if large numbers of recent graduates were not earning enough in their first three years to meet repayment schedules. A 1965 federal law had directed those schools to prepare their students for gainful employment to keep their federal funding, but the 2015 rule was the first to set standards for income and debt levels.

Teachers Sue Betsy DeVos Over Student Loans | Forbes

The American Federation of Teachers (AFT) sued DeVos and the Department of Education for repealing an Obama-era regulation that they claim leaves student loan borrowers stuck with "tens of thousands of dollars of student loan debt" and "worthless degrees."

The complaint alleges that DeVos repealed the "gainful employment" rule that would have protected students from for-profit colleges and universities. The gainful employment rule was created to ensure that students earned enough money from employment after graduation to repay their student loans. For a college to have access to federal student aid, a typical graduate's debt at that school must not exceed both 8% percent of their total income and 20% of their discretionary income.

The AFT claims that without the gainful employment rule, students cannot make informed decisions about which college or university to attend. As a result, student could default on their student loans at a higher rate, which could cost taxpayers $5.3 billion.

Democratic congressional inquiry targets OPMs | Education Drive

The letters target five OPM companies that make up a large share of the $3.5 billion global OPM market: 2U, Academic Partnerships, Bisk Education, Pearson Learning and Wiley Education Solutions.

The senators argue that these OPMs, which often provide recruiting services, could be violating a federal law that bars colleges that receive federal student aid from paying commission for recruiting and enrolling new students. The law, enacted in 1992, was designed to stop colleges from using predatory recruiting practices.

"Available evidence suggests that tuition-sharing arrangements in OPM contracts create perverse incentives that lead to aggressive and deceptive recruiting practices, similar to those that pervade the for-profit college industry," the lawmakers wrote in the letter they both signed.

However, the U.S. Department of Education issued guidance in 2011 that carved out some exceptions to the law. It allows OPMs to offer bundled-services contracts that include recruitment — so long as the college determines its own enrollment levels.

Priyanka Chopra's Favorite Coding Bootcamp Accused of 'Fraud' | The Daily Beast

Buzzy coding bootcamp Holberton School counts Priyanka Chopra as an investor, and U.S. Sen. Chris Murphy named it his "Innovator of the Month."

But on Friday, regulators at the California Bureau for Private Postsecondary Education (BPPE) sent Holberton a "notice and emergency decision" demanding they cease enrollment, instruction, and the collection of fees. Hyped as pioneers of Income Share Agreements (ISAs)—an alternative to student loans tentatively embraced by the Trump administration under which students agree to pay a portion of their salary after graduation—the school is now looking down the barrel of aggressive scrutiny in part for that very practice.

In their decision, a copy of which was obtained by The Daily Beast, California education regulators suggested Holberton represented an "immediate danger to the public's health, safety, and welfare." Among other alleged shortcomings, the bureau accused the school of failing to meet "institutional minimum operating standards," and alleged Holberton obtained approval to operate "by fraud in July of 2018," and "falsified their Application for Approval, enrollment agreements, and catalog and the institution engaged in numerous prohibited Business practices." The decision, dated Jan. 24, included a declaration from Bureau analyst Brian Kauth alleging that despite its approval being contingent on not offering ISAs, the school had gone ahead and done so anyway.

SYSTEMIC RISK

Banks Face Eased Volcker Restrictions on Venture-Capital Funds | The Wall Street Journal

Big banks in the U.S. face looser restrictions on investing their own money in venture capital funds under the latest plan to ease the Volcker rule's limits on speculative trading, according to people familiar with the matter.

U.S. regulators, including the Federal Reserve and the Office of the Comptroller of the Currency, on Thursday are set to propose removing the 3% limit on the stake banks can own in venture funds they offer to their clients. The limit on banks' stakes in hedge funds and private-equity funds.

News Release: Federal Reserve Rendering Volcker Rule on Speculative Trading "Close to Useless" | AFR-EF

In August regulators issued a rule that dramatically weakened the Volcker Rule limits on direct proprietary trading by banks. Today, they have proposed new changes that would greatly weaken restrictions on banks taking risks through ownership of external funds, including venture capital funds and securitization vehicles like collateralized debt obligations.

Wall Street Venture-Fund Curbs to Be Eased in Volcker Revamp | Bloomberg

Wall Street banks would face much looser restrictions on investing in venture-capital funds under regulators' latest rollback of the Volcker Rule, according to three people familiar with the matter.

Making it easier for lenders to take stakes in venture funds is among changes that the Federal Reserve and other watchdogs are set to propose this week, said the people, who requested anonymity to discuss the plan. The Dodd-Frank Act rule has been a top target of regulators appointed by President Donald Trump and some of the agencies involved plan to vote on the fresh overhaul Jan. 30.

The Fed, Securities and Exchange Commission and other agencies last year finished a major revamp of the rule's ban on banks speculating with their own cash. That prohibition was meant to curtail dangerous risk-taking on Wall Street after the 2008 financial crisis, but the broader rule also shut off the banks' ability to make major investments in private equity, venture capital and hedge funds.

Making And Unmaking Of The Volcker Rule Levin-Gellasch | Law360

Paul Volcker served many roles in Washington: as a U.S. Department of the Treasury official in the Nixon administration, as president of the Federal Reserve Bank of New York, as chairman of the Board of Governors of the Federal Reserve System, and as a private citizen advocating strong financial regulation. While in the government, he helped make the hard decisions to take the U.S. dollar off the gold standard in the 1970s, and tame runaway inflation in the 1980s.

One of his last efforts on behalf of the American people came decades after his last government paycheck, and came in response to the economic ravages of the financial crisis of 2008. His goal was to reign in reintroduced the world to Paul Volcker. The former Federal Reserve chairman had a good idea, the president said.

Volcker said that banks shouldn't be gambling with taxpayer-protected deposits. The government ought to prohibit high-risk bank practices. Obama named the proposal the Volcker Rule, and called on Congress to put it into law. Six months later, that rule became part of the Dodd-Frank Wall Street Reform and Consumer Protection Act. And the rest is history. Or maybe not.

Release | SPECIAL REPORT: Goldman Sachs' Twenty-Year RAP Sheet of Repeated Illegal Conduct | Better Markets

On the eve of Goldman Sachs' first investor day, Better Markets releases a RAP Sheet Report detailing two decades of illegal behavior by Goldman Sachs as reflected in major legal actions against the bank and tallying up the enormous bailouts the bank received in connection with the 2008 financial crash:

The Report released by Better Markets today reveals wide-ranging, predatory, recidivist lawbreaking by Goldman Sachs from 1998 through 2019, not including the bank's central role in the 1MDB criminal enterprise, which continues to unfold. In the last two decades, while receiving more than $874 billion in bailouts, Goldman Sachs has been subject to 36 major legal actions that have resulted in over $9.8 billion in fines and settlements. This pattern of illegal conduct appears to have increased after the 2008 crash.

Goldman Sachs Is Remaking Itself (Again) | The New York Times

Goldman Sachs is going to do something unusual this week: talk openly with investors.

The 151-year-old investment bank has earned a reputation as the impenetrable (and very profitable) black box of Wall Street. But on Wednesday — in a bid to overcome that secretive mantle and convince the outside world that it is ready for a new era of accountability — Goldman Sachs will open its doors to shareholders, analysts, the media and even regulators for its first "investor day."

The chief executive, David M. Solomon, is hoping that the event will be an opportunity to show that this isn't the Goldman Sachs of yore — attempting a makeover of an institution that became known as an adrenaline-fueled sales-and-trading juggernaut but little more than that. Now the firm is angling to handle more mundane services like managing cash for big companies. It has also jumped into retail banking and credit cards.

TAXES

Editorial: Trump's tax cuts are exploding the deficit. The poor are going to wind up paying the tab | Los Angeles Times

The nonpartisan Congressional Budget Office issued yet another warning Tuesday that the federal government is heading down a dangerous fiscal path, racking up debt at an alarming rate. The CBO projects that deficits will average $1.3 trillion a year over the coming decade, with the economy settling into steady but sluggish growth. That's the most disturbing thing about the report: the expectation that giant deficits will be allowed to continue even when there's no recession driving up spending on federal safety net programs and causing tax revenue to plummet.

It's not inherently bad for the federal government to borrow money; extra spending by the government can help stimulate the economy during a downturn. But sustained and heavy deficit spending can have the opposite effect, raising borrowing costs and slowing GDP growth. The CBO projects that the fastest growing part of the federal budget will be interest payments on the rising debt — spending that delivers no tangible benefit for taxpayers while leaving less money for programs that do.

U.S. deficit to eclipse $1 trillion in 2020, CBO says, as fiscal imbalance continues to widen | The Washington Post

The U.S. government's budget deficit is projected to reach $1.02 trillion in 2020, according to a report released Tuesday by the nonpartisan Congressional Budget Office, as the federal government continues to spend much more than it collects in tax revenue.

A combination of the 2017 tax cuts and a surge in new spending has pushed the deficit wider. This year would mark the first time since 2012 that the deficit breached $1 trillion, a threshold that has alarmed some budget experts because deficits typically contract — not expand — during periods of sustained economic growth.

Overall, the CBO projected that the federal government will spend $4.6 trillion in the fiscal year that ends Sept. 30 and bring in $3.6 trillion in tax revenue.

And some of the costliest government programs are projected to experience expansions in the next decade. Spending for Medicare, which provides health care for older Americans, will rise from $835 billion in 2020 to $1.7 trillion by 2030, while annual federal spending on Social Security will grow from roughly $1.1 trillion to $1.9 trillion over that span.

ELECTIONS, MONEY, AND POLITICS

Candidates Biden, Buttigieg, Bloomberg and Klobuchar say they want to rein in Wall Street. Do they mean it? Capital & Main

Early Democratic primary state voters seem in favor of more government regulation of Wall Street. But are all presidential candidates listening?

Elizabeth Warren and Bernie Sanders lay it out as a top priority: In their view, the American financial system has devolved into a disaster for the vast majority of those in the country's working and middle classes, and if we want to reduce wealth and income inequality between them and the super-rich, we first have to shake up Wall Street.

Between the two of them, Warren and Sanders would hold private equity firms accountable for their bad bets and drastically reduce the fees they charge their customers. They would separate commercial from investment banking, cap credit card interest rates, tax financial transactions and clamp down on stock buybacks. Their regulatory legislation would cut big banks and CEO salaries down to size, eliminate student debt and protect low-income borrowers from predatory payday loans.

Bernie Sanders Goes After JPMorgan CEO Jamie Dimon in New Ad | Bloomberg

Bernie Sanders goes after Jamie Dimon in a new campaign ad, labeling the JPMorgan Chase & Co. chief executive officer "the biggest corporate socialist in America today."

The jab continues criticism by the Vermont senator and presidential candidate after Dimon knocked socialism in an op-ed published last week in Time magazine as part of its coverage of the World Economic Forum in Davos, Switzerland.

"Are you kidding me?" a Sanders aide exclaims in the ad, which was posted on Twitter. The spot cites Dimon's pay, including $31.5 million last year, and says JPMorgan received bailouts after the global financial crisis 12 years ago.

Dimon, a 63-year-old billionaire, has previously said JPMorgan, which expanded during the crisis by acquiring collapsing rivals, didn't need a bailout to survive at the time. In 2012, he said his firm temporarily accepted money from a Treasury Department program because "we were asked to" so weaker rivals could tap it without being singled out.

[Elizabeth Warren's little-known history in an obscure but influential legal organization](#) | The intercept

THE AMERICAN LAW INSTITUTE, which consists of 4,000 top litigators, judges, and law professors, is largely unknown to the public. Yet at the heart of the U.S. legal community, this invite-only cohort of lawyers writes rules and opinions that guide courts and legislatures across the nation.

Sen. Elizabeth Warren has played a significant role in ALI for decades, serving as a member of its leadership and ultimately as its vice president. While Warren's record as a lawyer has been highly scrutinized on the campaign trail, her time within ALI has gone virtually unnoticed. But Warren's battles within the organization reveal much about her politics and her political style, long before she became nationally known for spearheading the Consumer Financial Protection Bureau.

Warren remains a member of ALI and has continued to monitor the group's activities — even weighing in on a heated debate while on the presidential campaign trail last spring.

The Republican Case for Elizabeth Warren | The Wall Street Journal

A cardinal rule of politics is don't let your opponents define you. This has been a particular challenge for Sen. Elizabeth Warren, whose critics continue to insist that she is a left-wing radical. I am a Republican and have known and worked with Ms. Warren for many years. She is a capitalist and prairie populist, in the tradition of William Allen White and Teddy Roosevelt. She believes in a market economy. She just wants it to work for everyone.

OTHER TOPICS

Inequality and Economic Growth | Project Syndicate

In previous eras, top economic decision-makers considered inequality to be distinct from the main concerns of macroeconomic policy. Since the Industrial Revolution, the general view has been that, on average, people want higher incomes and a larger number of good jobs – and that the best way to achieve these goals is through faster economic growth. Not surprisingly, therefore, much thought has been devoted to the question of how to design and run monetary and fiscal policies that can sustain higher aggregate growth rates.

Inequality was regarded as a separate issue, which could be addressed at the margin through making net taxes more or less progressive. Rich people would contribute a higher share of their total incomes to the public finances than would the middle class.

Press release: Curbing carbon investment with Dodd-Frank regulations | The Great Democracy Initiative

New report explores how Dodd-Frank regulations can minimize Wall Street's investment in climate change

Climate change threatens our financial stability. Some experts predict that global economic losses could reach $23 trillion—three or four times the scale of the 2008 financial crisis. Despite these warnings, US-based financial institutions continue to increase their investments in dirty energy.

Recognizing that policy is needed to address Wall Street's role in the climate crisis, the Great Democracy Initiative released *A Regulatory Green Light: How Dodd-Frank Can*

Address Wall Street's Role in the Climate Crisis. As the report shows, the Dodd-Frank Act of 2010 provides regulators with the tools to require financial institutions to internalize the financial risks associated with investments in carbon-intensive industries and assets vulnerable to climate change. Authored by Graham Steele, director of the corporations and society initiative at Stanford Graduate School of Business, the paper demonstrates that existing regulatory tools could allow immediate and meaningful action without further legislation from Congress.