AFR Americans for Financial Reform

This Week in Wall Street Reform | May 28-June 3, 2016

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CONSUMER FINANCE & THE CFPB

Payday Loans' Debt Spiral to Be Curtailed | NY Times
The payday loan industry, which is vilified for charging exorbitant interest rates on short-term loans that many Americans depend on, could soon be gutted by a set of rules that federal regulators plan to unveil on Thursday…

Under the guidelines from the Consumer Financial Protection Bureau — the watchdog agency set up in the wake of 2010 banking legislation — lenders will be required in many cases to verify their customers' income and to confirm that they can afford to repay the money they borrow. The number of times that people could roll over their loans into newer and pricier ones would be curtailed.

The new guidelines do not need congressional or other approval to take effect, which could happen as soon as next year.

Payday Loan Rule: Progress, but Still a Long Way to Go | The Atlantic
The long-awaited rule includes provisions that would require lenders to determine that borrowers can repay their debt by assessing their credit history and means. It would restrict the number of short-term rollover loans borrowers can take in succession to prevent what's known as a "debt spiral." It would also require borrowers to be notified when a lender plans to deduct funds from their bank account and rein in a lender's ability to repeatedly attempt to deduct those funds.

New Rules To Ban Payday Lending 'Debt Traps' | NPR
Under the proposed rule, so-called "payday," "auto-title" and other short-term lenders would be required to determine that people they loan money to can make the payments and fees when they come due and still meet basic living expenses and major financial obligations…

Watchdog groups for decades have been critical of payday lenders. "The lesson from the last 20 years since this industry started is that it's been remarkably effective at evading attempts at regulation and using a very high-powered lobbying machine to push for loopholes," says Mike Calhoun, the president of the Center for Responsible Lending.

Payday lenders, consumer advocates battle in Kansas City | Kansas City Star
Payday lenders and consumer advocates squared off in Kansas City on Thursday morning over newly proposed federal lending rules that satisfied neither side.

An audience of more than 1,000 rained applause in equal measure on payday industry officials and payday loan opponents inside the Music Hall at Municipal Auditorium. The Consumer

Financial Protection Bureau had assembled experts for a two-hour panel discussion on the rules it had made public only hours earlier.

A Lame Response to Predatory Loans | NY Times Editorial
The Consumer Financial Protection Bureau has been promising for more than a year to rein in the payday lending industry, whose business model relies on luring Americans into ruinously priced loans that can carry interest rates exceeding 400 percent. The proposal that the agency unveiled Thursday represents a down payment on that promise. But the final rule — expected next year — will need stronger, more explicit consumer protections for the new regulatory system to be effective. The best solution would be for Congress to give the public the same protection from predatory lending that members of the military received under the Military Lending Act of 2007.

Trade group threatens to sue CFPB over payday loan rules | The Hill
A financial services trade group is threatening to sue the Consumer Financial Protection Bureau (CFPB) over its proposed payday lending rules, just hours after their release. Dennis Shaul, CEO of the Community Financial Services Association of America (CFSA), said the grounds for a lawsuit are substantial.

Wasserman Schultz reverses opposition to new payday lender | Tampa Bay Tribune
Rep. Debbie Wasserman Schultz on Friday became the second Florida Democrat to back away from opposition to new payday lender rules pushed by the Consumer Financial Protection Bureau…

Her support of a bill to delay the new regulations was a source of controversy, drawing TV ads from a liberal group that called her "Debt Trap Debbie." It also put her opposite President Obama, Elizabeth Warren, Hillary Clinton and other advocates of a crackdown on the lenders.

The proposed rules were published Thursday. Rep. Patrick Murphy, a candidate for U.S. Senate, also retreated from the House bill, which held up Florida regulations as a model.

Clinton hails proposed payday loan rules | The Hill

A Political Assault on Paydays | Wall St. Journal Editorial
The Obama Administration has justified its regulatory assaults on for-profit education and coal mining with this nuanced legal reasoning: We don't like you. Now the Consumer Financial Protection Bureau is looking to wipe out a financial service that millions of Americans need thanks to the lousy economy of the Obama years.

On Thursday the CFPB rolled out 1,300 pages of rules for America's 20,000 payday shops, which lend small amounts (on average $355) with short repayment periods. The interest rate tends to be $15 per $100, and the credit helps customers in a pinch—say, to repair a car necessary to keep a job. The CFPB would by its own estimate eliminate more than 80% of such loan volume with new underwriting standards, arbitrary borrowing caps, and other measures aimed at making the business unprofitable.

Advocate Group to CFPB: Can You Help with Translation? | National Mortgage News
The Consumer Financial Protection Bureau and other federal banking agencies should do more to protect consumers with limited English proficiency, a report from **Americans for Financial Reform** says.

New regulation proposal won't do enough to rein in predatory payday lenders | Salon

Warren wing clashes with Wasserman Schultz on payday lending | Politico

Federal suit would take Google's payday lending crackdown one step further | LA Times

As Feds Crack Down On Payday Lenders, Fintech Startups See An Opportunity | Fast Company

Payday Lenders' $8M TCPA Settlement Gets Preliminary Nod | Law 360

Payday Loan Rules Would Help Low-Income Families Avoid $8 Billion in Fees | TalkPoverty

Rutledge pans proposed new limits on payday loans | Arkansas News

CFPB's Cordray tells Berger payday rule addresses PALs | NAFCU

CFPB Rule a Staggering Blow to Consumers | CFSA

The Demonization of 36 percent APR | US News

Missouri Man Paid $50,000 in Interest After Taking $2,500 in Payday Loans | ABC News

High-Cost Credit Better than No Credit? Not Necessarily | Collection&CreditRisk

Hundreds of Organizations Launch Website to Collect Public Comments on CFPB Rule to rein In Predatory Payday Lending | Allied Progress

Faith groups join push for national payday loan rules | National Catholic Reporter

See **additional media coverage** of payday proposal. See also statements by **AFR** and by **many of our members and allies**, and **social media posts and photos** of the CFPB's Kansas City field hearing.

Survey: How Americans contend with unexpected expenses | Bankrate

Bill attempts to protect people from flaws in credit-reporting system | Washington Post

Past Imperfect: How Credit Scores and Other Analytics "Bake In" and Perpetuate Past Discrimination | NCLC

CUs Debate Arbitration Rule Necessity | Credit Union Times

Forced arbitration steals consumers' rights | Tennessean

DODD-FRANK (AND CONTINUED ATTACKS)

GOP's Jeb Hensarling Takes Aim at Dodd-Frank, Volcker Rule | **Wall St. Journal**
The legislation will revoke the ability of regulators to designate firms as "systemically important," a controversial power that has allowed officials to impose stringent new rules and oversight on big financial firms that fall outside the traditional authority of the government.

The bill crafted by the chairman of the House Financial Services Committee would also unwind other key provisions of the landmark 2010 Dodd-Frank financial-overhaul act. It would scrap the so-called Volcker Rule, which bans banks from making bets with taxpayer-insured deposits, and would

impose new limits on the powers of the director of the five-year- old Consumer Financial Protection Bureau.
The long-awaited legislation, called the Financial Choice Act, will outline seven broad initiatives proposed by Rep. Jeb Hensarling (R., Texas), chairman of the House Financial Services Committee, who plans to describe the plan Tuesday in a speech in New York. The full bill won't be released until the following week.

Banks Shouldn't Forget Main Street | Wall St. Journal

Small Banks Are Doing Well, So Why Aren't They in Better Shape? | Newsthrive

Billionaire Steve Schwarzman just went off on the Dodd-Frank Act | Business Insider

THE ELECTION AND WALL STREET

Trump Pledge to Scrap Regulations Might Be Sisyphean Task | Bloomberg
Presumptive Republican presidential nominee Donald Trump has pledged to scrap major laws and job-destroying" regulations from the Obama administration, but will probably find fulfilling that pledge not nearly as easy as rescinding a few executive orders. One tool for overturning regulations, the Congressional Review Act CRA) of 1996, has seen a resurgence in the past year. But to date, every resolution of disapproval has been vetoed and there remains only one successful use of the CRA in its 20-year history.

HEDGE FUNDS AND PRIVATE EQUITY FUNDS

Private Equity's Free Pass | NY Times
In some ways, the practices used at Michaels by Bain and Blackstone — and by other private equity firms at other companies — closely resemble those employed by investment banks like Goldman Sachs and Morgan Stanley. For example, all of these financial firms advise corporations on mergers and acquisitions, on issuing debt and on how to rejigger their financial structures. And they are exceedingly well paid for these services.

But there is a crucial difference. The investment bankers are generally designated as broker-dealers — entities that perform crucial functions in financial markets. This lucrative status comes at a cost: Broker-dealers are subject to Securities and Exchange Commission regulations aimed at reining in excesses and requiring that the advice they provide is appropriate. When this so-called suitability standard is violated, brokers face regulatory and legal penalties.

How the Feds Pulled Off the Biggest Insider-Trading Investigation in U.S. History | Bloomberg

HIGH SPEED TRADING AND FINANCIAL TRANSACTION TAX

Closing in on EU Financial Tax Victory | Inequality.org
[We] are very close to achieving a major milestone: the world's first regional coordinated financial transaction tax among 10 European countries. If we can achieve this victory, it would drive momentum for similar taxes in other countries, including the United States, where Bernie Sanders has managed to make this a presidential debate issue.

On June 17, finance ministers from these 10 countries are expected to announce a deal on the major elements of this new tax. The countries involved are: Austria, Belgium, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia, and Spain.

INVESTOR PROTECTION AND THE SEC

SEC Names Christopher Hetner Cyber-Security Adviser to Jo White | NY Times

MetLife Suit Raises Questions of Extent of Corporate Liability | NY Times

MORTGAGES & HOUSING

GOP lawmakers aim to block liberal groups from big-bank settlement funds | Politico pro
At issue are the multi-billion- dollar agreements between the Justice Department and Citigroup and Bank of America over the kind of shoddy mortgage practices that fueled the 2008 financial crisis. Republican lawmakers are angry that liberal groups like the National Council of La Raza are able to receive money from those settlements, often by offering financial counseling to the banks'; victims.

What Happened When the FBI Investigated Foreclosure Fraud in Florida | Vice
Six years ago, FBI agents in Jacksonville, Florida, wrote a memo to their bosses in Washington, DC, that could have unraveled the largest consumer fraud in American history. It went to the heart of the shady mortgage industry that precipitated the financial crisis, and the case promised to involve nearly every major bank in the country, honing in on the despicable practice of using bogus documents to illegally kick people out of their homes.

REGULATION IN GENERAL

'Star Wars' and separation of powers | Washington Post

Group braces for $113B in looming Obama regulations | The Hill

RETIREMENT SECURITY & FIDUCIARY DUTY RULE

Obama Retirement-Savings Rule Faces Industry-Led Court Battle | Wall St. Journal
Big business and financial industry trade groups are taking to the courts to block a controversial Obama administration rule shaking up the way Americans receive retirement investment advice, having failed in their long-running fight to stop the regulations in the bureaucracy, or in Congress.

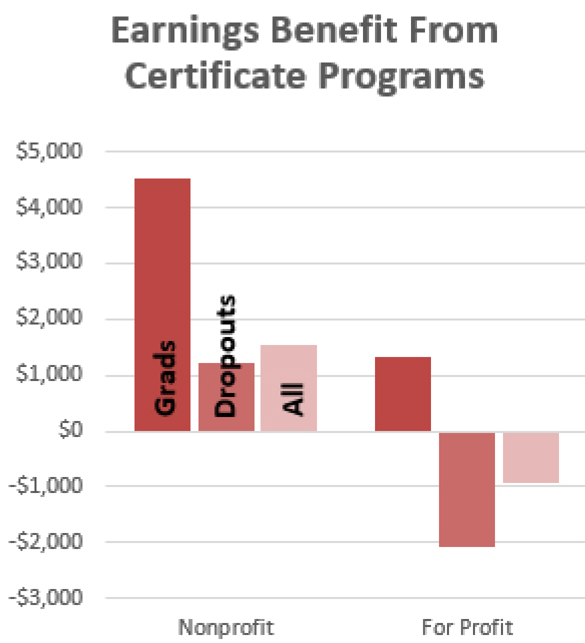
Fiduciary Duty in Congress | Wall St. Journal

Financial industry takes White House to court on 'fiduciary' rule | The Hill

When Your 401(k) Is Better for Your Employer | NY Times

More Investors Turning to Lower-Cost Options for Financial Advice | Newsfactor

STUDENT LOANS & FOR-PROFIT EDUCATION



Average Student at a For-Profit College Worse Off After Attending | Wall St. Journal
The working paper, published this week by the National Bureau of Economic Research, tracks 1.4 million students who left a for-profit school from 2006 through 2008. Because students at these schools tend to be older than recent high-school graduates, they've spent time in the workforce. The researchers used Education Department and Internal Revenue Service data to track their earnings before and after they left school.

The result: Students on average were worse off after attending for-profit schools. Undergraduates were less likely to be employed, and earned smaller paychecks–about $600 to $700 per year less–after leaving school compared to their lives before. Those who enrolled in certificate programs made roughly $920 less per year in the six years after school compared to before they enrolled.

Chart of the Day: For-Profit Vocational Schools Are An Unholy Rip-Off | Mother Jones

A popular college investment promised students a career, but didn't pay off | Washington Post

Kaplan's Graham Lobbies White House Against Debt Relief for Defrauded Students | Huffington Post

Study: Students at nonprofit colleges have only 50-50 chance of graduating | The Hill

Showdown over Obama's student-loan swan song and Another delay for Gainful Rule | Politico

Weighing For-Profits' Access to Military Bases | Inside Higher Ed

20,000 For-Profit College Students Ask Education Dept. To Cancel Their Student Loans | Consumerist

Senators Call on ITT Tech to Halt Use of Mandatory Arbitration Clauses | Office of Senator Dick Durbin

Trump University: A Scam, But a Familiar One | Huffington Post

Trump Vows To Prey Upon New Marks For His 'University' | So That Happened (podcast)
The Consumer Financial Protection Bureau has published new rules that would govern the payday lending industry, in the hopes that new oversight will lead to fewer people falling victim to the industry's predations. Alexis Goldstein from **Americans for Financial Reform** joins us to evaluate whether the bureau's recommendations have real teeth.

SYSTEMIC RISK

Fed Governors Signal Bigger Bank Capital Requirements Looming | Wall St. Journal
Federal Reserve officials strongly signaled they will be toughening big-bank capital requirements even further than they have since the 2008 crisis, a move that will further increase pressure on the largest U.S. banks to consider shrinking. Fed governors Daniel Tarullo and Jerome Powell, in separate public comments Thursday, said the Fed will require eight of the largest U.S. banks to maintain even more capital to pass the central bank's annual "stress tests."

The Most Powerful Man in Banking | Wall St. Journal

Volcker rule compliance seen as uneven | Complinet

"TAKE ON WALL STREET" CAMPAIGN

A new campaign to hold Wall Street accountable emerges | Washington Post
Last week, 20 national organizations — including some of the Democratic party's biggest traditional backers, from the American Federation of Teachers and the AFL-CIO to the Communications Workers of America — launched the Take on Wall Street initiative. Warren, joined by Congressional Progressive Caucus co-chair Rep. Keith Ellison (D-Minn.) and AFL-CIO President Richard L. Trumka, among others, helped launch the effort. The first round of financial reform made some progress, but, as Warren put it, "Let's get real: Dodd-Frank did not end too big to fail. If you think it did, stand on your head, because you are looking at the world upside-down."

Unions, allies launch 'Take on Wall Street' | Workday Minnesota
[The goals include] closing two loopholes financiers use to evade taxes, which in turn loads taxes on everyone else. The "carried interest' loophole lets hedge fund managers pay taxes on their income at the lower federal capital gains rate, rather than at ordinary tax rates. As a result, the top 25 hedge fund managers in the U.S. "earned more than all kindergarten teachers combined," said Lisa Donner [of] **Americans for Financial Reform**. The other loophole lets companies deduct excessive executive compensation.

The Big Banks Can Be Beaten | OtherWords

TRADE NEGOTIATIONS

USTR emails shed light on financial services lobbying on TPP | Politico Pro
Emails obtained by an activist group under the Freedom of Information Act show Goldman Sachs was worried about the financial services industry being carved out of key investment protections in the Trans-Pacific Partnership pact, and lobbied U.S. Trade Representative Michael Froman to make sure it was not.