AMERICANS FOR FINANCIAL REFORM

This Week in Wall Street Reform | May 23-29, 2015

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CONSUMER FINANCE & CFPB

Evangelicals Denounce Payday Lending, Join Fight for New Regulations
Sarah Eekhoff Zylstra, Christianity Today, 5/26/15
Opponents of payday lending have a new ally in the fight against predatory lenders: Leaders from the 15.7-million member Southern Baptist Convention (SBC). "We cannot sit by idly while some of the poorest among us are preyed on by people simply looking for a quick buck with no regard for the devastation they cause in the lives of others," said Barrett Duke, vice president for public policy and research at the SBC's Ethics and Religious Liberty Commission (ERLC).

CFPB rules would decrease payday loan volume by 70 percent, report says
Lydia Wheeler, The Hil, 5/28/15
If the Consumer Financial Protection Bureau (CFPB) follows through with its plan to regulate payday loans, new reports from industry groups say lenders stand to lose 70 percent of their business. Credit reporting agency Clarity Services released a report that found that the rules would reduce the number of regulated loans by more than 70 percent and monoline payday storefront businesses would cease to exist under the rules being considered.

Last week, a report from global consulting firm Charles River Associates found that the rules would have reduced the payday loan revenues of small lenders by 82 percent on average when applied to 2013 data.

A Short Term Loan Alternative to Costly Payday Lending
Matthew Frankel, Motley Fool, 5/29/15
Thanks to a program from the National Credit Union Administration,,, credit unions are allowed to charge up to a 28% APR -- still expensive, but far lower than the triple-digit interest of a payday loan. Loans are allowed in amounts of $200 to $1,000, with terms ranging from one to six months. The application fee must be $20 or less, and the borrower must have been a member of the credit union for at least one month before receiving a loan.

Additionally, rollovers (loan renewals) are prohibited, as are balloon payments. In other words, the loan will be fully amortized over the agreed-upon term.

Mayday for This Payday Loan Alternative
Alan Kline, American Banker, 5/22/15

State weighs selling stake in firm that owns payday lender
AP, CNBC, 5/27/15

CFPB Sets Stage For Car Title, Installment Loan Rules
Evan Weinberger, Law 360, 5/26/15

Military consumers have narrow escape on Capitol Hill
James R Hood, Consumer Affairs, 5/24/15

Banks: Postal Service not cut out for finance
Kevin Cirilli, The Hill, 5/27/15

CFPB's Strike Against 'Abusive' Conduct No Longer Academic
Joe Adler, American Banker, 5/26/15

U.S. Senator Introduces Legislation to Provide Congressional Oversight of CFPB
ACA International, 5/27/15
A bill to provide Congressional oversight of the Consumer Financial Protection Bureau is in the early stages of consideration in the U.S. Senate.

U.S. Sen. David Perdue (R-Georgia) recently introduced the Consumer Financial Protection Bureau Accountability Act of 2015 to bring the bureau under the Congressional appropriations process and provide critical Congressional oversight, according to a news release on Perdue's website. Currently, the CFPB operates under the Federal Reserve.

57 Federal Lawmakers Want End of Arbitration
Editorial, Sub Prime Auto Finance News, 5/26/15

Man named God settles lawsuit with credit agency
Salim Algar, New York Post, 5/28/15

Banks' Reliance on Overdraft Fees Varies Widely, Data Shows
Kevin Wack, American Banker, 5/28/15

White House Opposes Bill Giving Small Businesses Greater Voice In CFPB Rulemaking
Terrence McKelvey and Jodie Herrmann Lawson, Subject To Inquiry, 5/22/15
The White House cited this reduction in CFPB spending to offset the cost of the new small business advisory boards as the reason for its opposition to the bill. Congress also has experienced pressure from **Americans for Financial Reform**, a group created by Sen. Elizabeth Warren to reform the banking and financial system. Letters to Democrats in Congress have solicited opposition to the bill, and these letters have been signed by lobbyist groups such as La Raza, National Community Reinvestment Coalition, Greenlining Institute, National People's Action, and Service Employees International Union (SEIU).

Democrats push end to mandatory arbitration
Dykema Gossett, Lexology, 5/22/15
On Thursday, May 21, 2015, fifty-eight Democratic members of Congress pushed the Consumer Financial Protection Bureau ("CFPB") to prohibit mandatory arbitration clauses in consumer financial contracts…

A number of consumer advocacy groups including Public Citizen, National Association of Consumer Advocates, **Americans for Financial Reform** and the National Consumer Law Center issued statements in support of the Democrats' request, and in doing so reiterated their belief that mandatory arbitration clauses harm consumers.

ENFORCEMENT

When is a Felony Not a Felony? When You're a Bank!
Alexis Goldstein, Medium, 5/27/15

EXECUTIVE COMPENSATION

Executive compensation — ever higher, even less justifiable

Editorial, St. Louis Post-Dispatch, 5/26/15

By almost any measure, one of the least-successful movements of the past decade has been the effort to rein in executive pay. “Say on pay” laws haven’t worked. Tax reforms haven’t worked. Shame hasn’t worked.

The latest evidence can be found in studies of 2014 pay packages of executives of publicly traded firms done by Equilar, an executive compensation research firm, for the New York Times and the Associated Press. The Times reported that median pay for the 200 top-paid CEOs was $17.6 million, a growth of 21 percent in one year.

It's the big kids on the block who seem to be out of control. The biggest problem with this pell-mell money chase is that it tempts CEOs into short-term thinking because their pay is largely based on stock performance. This leads them to do unwise things such as buy back their own stock, cut back on R&D, reduce capital investment and outsource abroad. The worst part is that this trend retards economic growth which hurts everyone, especially those at the bottom.

Executive Compensation

Jerry Jasinowski (president of National Assn of Manufacturers), Huffington Post, 5/28/15

At a time when our economy is sluggish and millions of working Americans are struggling to make ends meet, it is unseemly for the lucky few at the top of the corporate pyramid to be taking conspicuous advantage of their power…
It's the big kids on the block who seem to be out of control. The biggest problem with this pell-mell money chase is that it tempts CEOs into short-term thinking because their pay is largely based on stock performance. This leads them to do unwise things such as buy back their own stock, cut back on R&D, reduce capital investment and outsource abroad. The worst part is that this trend retards economic growth which hurts everyone, especially those at the bottom.

Dimon Chides ‘Lazy’ Shareholders Who Follow Proxy Advisers

Hugh Son, Bloomberg, 5/27/15

JPMorgan’s board is reviewing how it pays top executives including Dimon after a record low percentage of shareholders voted this month to approve their latest packages. Investors are seeking that a greater portion of executives’ incentive pay be based on performance, Lee Raymond, the board’s lead director and chairman of the compensation committee, said at the firm’s annual meeting May 19.
Proxy advisers Institutional Shareholder Services and Glass Lewis & Co. had recommended investors reject the pay resolution, saying the bank lacks preset goals to determine compensation and didn’t give a good reason for giving Dimon his first cash bonus in three years.

Dimon hits out at ‘lazy’ shareholders

Tom Braithewaite, Financial Times, 5/27/15

FEDERAL RESERVE

Big Banks Still Seen as Too Big to Fail, Fed’s Lacker Says

Pedro da Costa, WSJ, 5/26/15

“Regulation alone is not likely to be enough to counteract the moral hazard afflicting such a large — and growing — share of the financial sector’s liabilities,” said Mr. Lacker. “Creditors must not expect government support in the event of financial distress. Policymakers must actually allow financial firms to fail without government support.”

Staking out another minority position at the central bank, Mr. Lacker appeared to back calls by two senators to restrict the Fed’s emergency lending abilities.

Former Fed Chair Proposes Broad Changes to U.S. Financial Regulatory System

Grayson Weeks, RegBlog, 5/28/15

INVESTOR PROTECTION & THE SEC

Massachusetts securities regulator William Galvin sues SEC over small-company offerings

Mark Schoeff Jr., Investment News, 5/26/15

The top securities regulator in Massachusetts has filed a lawsuit against the Securities and Exchange Commission to stop a recently adopted rule he claims curtails state oversight of stock offerings by small and emerging companies. In his suit in the U.S. Court of Appeals for the District of Columbia, Massachusetts Secretary of the Commonwealth William Galvin asserts that the SEC regulation is "arbitrary, capricious and otherwise not in accordance with" securities laws.

SEC Names New Chief of Staff

Lisa Beilfuss, WallStreet Journal 5/28/15

The Securities and Exchange Commission on Thursday named Andrew Donohue chief of staff, replacing Lona Nallengara, who last week said he would leave the agency in June. Most recently, Mr. Donohue worked as a managing director at Goldman Sachs & Co. He previously held senior roles at Merrill Lynch Investment Managers and Oppenheimer Funds, the SEC said in a news release. As chief of staff, Mr. Donohue will be a senior adviser to SEC Chairwoman Mary Jo White on policy, management, and regulatory issues.

SEC Names Andrew J. Donohue as Chief of Staff

Press Release, SEC, 5/28/15

SEC Should Require Political-Spending Reporting, Ex-Chairmen Say

David Michaels, Bloomberg, 5/26/2015

Former SEC officials press for corporate giving disclosure

Lydia Wheeler, The Hill, 5/27/15

See **Former SEC Commissioners Letter**

MORTGAGES & HOUSING

Lawmakers want grace period for new mortgage rules

Lydia Wheeler, The Hill, 5/27/15

CFPB, DOJ take action against Provident Funding for discriminatory lending

Brenda Swanson, HousingWire, 5/28/15

CFPB, DOJ Hit Provident Brokers Over Pricing Discretion

Rachel Witkowski, American Banker/National Mortgage News, 5/28/15

Maybe Alan Greenspan Was Right About Floating-Rate Mortgages

Jody Shenn, Bloomberg, 5/27/15

CFPB and Department of Justice Take Action Against Provident Funding Associates for Discriminatory Mortgage Pricing

Press Release, CFPB, 5/28/15

Habitat for Humanity seeks Dodd-Frank relief

Kevin Cirilli, The Hill, 5/29/15

Judge enters $27.7 million judgment against Hoffman and affiliates

Susan Salisbury, Palm Beach Post, 5/29/15

RETIREMENT FUND ADVISERS AND FIDUCIARY DUTY

White House presses ahead with contentious financial adviser rule

Kevin Cirilli, The Hill, 5/27/15

"Inaction is not an acceptable option," Jeffrey Zients, the director of the National Economic Council, said at a forum hosted by The Bipartisan Policy Center… Business groups, backed by Republicans and some moderate Democrats, say the rules are unnecessary, and warn they would have sweeping, unintended effects...

Pamela Everhart, Fidelity Investments senior vice president of government relations, said at the BPC event her company would accept a best interest standard. "We say bring it on," Everhart said. "These are life decisions ... but the rule has to have structures in place so they can have access to the advice."

STUDENT LOANS & FOR-PROFIT EDUCATION

Judge Upholds 'Gainful' Rule

Michael Stratford, Inside Higher Ed, 5/28/15

A federal judge on Wednesday dismissed a lawsuit that challenged the U.S. Department of Education's rewritten "gainful employment" rule, handing a victory to the Obama administration in its longstanding regulatory battle with for-profit colleges.

For-profit colleges lose bid to scuttle government rules

Danielle Douglas-Gabriel, Washington Post, 5/27/15

Judge upholds U.S. 'gainful employment' rules for for-profit colleges

Joseph Ax, Reuters, 5/27/15

State comes to students' rescue? Hardly

Editorial, Miami Herald, 5/26/15

FTC Tangles With For-Profits

Ashley Smith, Inside Higher Ed, 5/27/15

Ashworth College Settles FTC Complaint Alleging it Misrepresented Information

Melissa Korn, WSJ, 5/26/15

Could Bridgepoint Be The Next For-Profit To Fold?

Duane Bair, Seeking Alpha, 5/22/15

Bay Area community colleges look to take in former Heald, Corinthian students

Sam Richards, Contra Costa Times News, 5/26/15

Corinthian Shutdown: Clinic to help ex-students with debt reduction

Jeff Horseman, The Press Enterprise, 5/26/15

Online For-Profit Schools to Focus on Post Graduate Career Success?

Editorial, The Edvocate, 5/26/15

Senator Durbin to ITT Tech: Stop the Hypocrisy & Give Students Their 'Day in Court'

Dick Durbin, eNews Park Forest, 5/28/15

SYSTEMIC RISK & FINANCIALIZATION

Wall Street Is Using the Power of Dodd-Frank Against Itself
Adam Davidson, New York Times, 5/27/15
Even today, five years after its passage, Dodd-Frank is still an amorphous beast. But one thing is clear: Dodd-Frank does little to prevent or counteract the rent-seeking and regulatory arbitrage that have become the hallmarks of the 21st--century bank. To fight rent-seeking, we would need banking laws made up of straightforward rules that educated laypeople could understand. They would have to eliminate our maddeningly complex regulatory infrastructure. There would be trade-offs: The financial system might not perform as efficiently, and the economy might not grow as quickly during boom times. But if done right, an overhaul of banking regulations could create a political context in which rent--seeking self-enrichment by banks is no longer the norm. We might even come to call it what it is: corruption.

Rethinking Financial Deepening: Stability and Growth in Emerging Markets
IMF, 5/15

Stock-Market Traders Pile In at the Close
Dan Strumpf, WSJ, 5/27/15

TRADE AND TPP

Progressive Groups Call On Obama Trade Official To Disclose Communications With Wall Street Banks
Zach Carter, Huffington Post, 5/28/15

OTHER TOPICS

Feast for investors sells workers short
Michael Kranish, Boston Globe, 5/31/15
This stock buyback boom, while obscure to much of the public, has become one of the most pervasive and divisive practices in corporate America. It affects jobs, investment, and the health of the economy, all in the search for higher share prices. It is also a major driver of the widening economic divide in this country, which could make it a prominent issue in the 2016 presidential election.

It boils down to a basic question being asked more and more these days, and not only by workers in Boxborough: Why are so many companies spending record sums of money buying back their shares instead of reinvesting more of their profits in their business and their workers?

The raw numbers are startling and revealing. Since the early 1980s, the nation’s top publicly traded companies have gone from having 70 percent of their profits available to reinvest in their business to just 2 percent in 2014.
The rest is being plowed into dividends and stock buybacks that mostly enrich a select group of investors and executives, according to William Lazonick, a University of Massachusetts Lowell professor whose research was published last fall by Harvard Business Review.

“Stock buybacks should be illegal,” Lazonick said in an interview at his Cambridge home. “They are manipulation of the market.”

Questions arise about banks' role in FIFA bribery case
Douwe Miedema and Karen Freifield, Reuters, 5/27/15

The last thing America needs? A left-wing version of the Tea Party.
Rep. John K. Delaney, Washington Post, 5/28/15
Washington is paralyzed by extreme political rhetoric that creates powerful sound bites but poor policy… [S]ome in our party continue to engage in time-consuming rhetoric attacking banks that has little chance of producing more financial reform and distracts from far more consequential areas of economic risk, such as climate change, chronic underinvestment in the next generation and our broken immigration and housing finance systems.