Americans for Financial Reform Education Fund

This Week in Wall Street Reform | July 21-27

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Watch: What a Scalia Labor Department Could Mean For Fiduciary Advice in America
Scalia was pivotal to killing the previous fiduciary rule.

CONSUMER FINANCE AND THE CFPB

CFPB Turns its Back on Fair Lending Enforcement and Reporting **| The Afro-American**
Since its inception, the Consumer Financial Protection Bureau's (CFPB) mandate was to protect consumers from discriminatory lending as well as to ensure fair access to credit. In addition to violations of the Fair Housing Act, CFPB also has the authority to refer potential violations of the Equal Credit Opportunity Act (ECOA) to the Justice Department.

This June a coalition of 158 state and national advocates filed written comments against another recent deregulatory move planned by the CFPB. This effort would exempt hundreds of lenders from providing vital data that tracks the market and consumer access to credit.

Despite these and other enforcement options, CFPB's most recent fair lending report to Congress acknowledged a full year without any fair lending enforcement actions.

"The Bureau must refer to the Justice Department (DOJ) a matter when it has reason to believe that a creditor has engaged in a pattern or practice of lending discrimination in violation of ECOA," acknowledged the report. "In 2018, the Bureau did not refer any ECOA violations to the Justice Department…In 2018, the Bureau opened and continued a number of fair-lending-related investigations, however, it did not bring fair lending-related enforcement actions", the June 2019 report continued.

CFPB Issues Report on Tradeline Reporting by Third-Party Debt Collectors | National Law Review
The CFPB (Consumer Financial Protection Bureau) has issued a new report on tradelines reported by third-party debt collectors as reflected on credit reports compiled by nationwide consumer reporting agencies. The third-party collector tradelines consist of those reported by debt buyers and those reported by non-buyers (i.e. where the debt is still owned by the original creditor). A single debt collections firm may collect on both debts it owns and debts that others own. The report is based on information from the CFPB's Consumer Credit Panel, which is described as "a longitudinal, nationally representative sample of approximately five million de-identified credit records" from one of the three national CRAs for the period Q2 2004 through Q2 2018.

Equifax To Pay At Least $575 Million In Settlement With FTC, CFPB And States Over 2017 Hack | MarketWatch
Credit monitoring company Equifax Inc. EFX, +0.23% has agreed to pay at least $575 million, and potentially up to $700 million, in a settlement with the Federal Trade Commission, the Consumer Financial Protection Bureau, and 50 U.S. states and territories over the 2017 hack that exposed private information of about 147 million. Equifax will pay $300 million into a fund that will provide affected consumers with credit monitoring services and compensate customers for out-of-pocket expenses associated with the hack. The company will boost that fund by up to $125 million if it proves inadequate. Starting next January, the company will provide all U.S. consumers with six free credit reports a year for seven years, on top of the one free annual report that Equifax and two other credit reporting agencies already provide. The company will pay $175 million to the states, and $100 million to the CFPB in civil penalties.

CFPB Announces $60 Million Fine Against Debt Collectors | Wall Street Journal
The Consumer Financial Protection Bureau banned two debt collectors and fined them more than $60 million, extending a crackdown on abusive practices in a heavily scrutinized segment of the financial industry.

Consumer advocates remain skeptical of the CFPB's record of protecting consumers under Kathy Kraninger, who took over in late 2018.

"We need the CFPB not only to take action against the most outlandish actors, but also to set strong and clear rules of the road for everybody," said Lauren Saunders, associate director of the National Consumer Law Center.

Pa. Attorney General Announces Payday Loan Relief Settlement | CBS
Pennsylvania Attorney General Josh Shapiro announced a settlement with Think Finance, a payday lender that has targeted nearly 80,000 Pennsylvanians.

According to the suit, the national online payday lender engineered a $133 million scheme that was charging interest rates of 448%.

The settlement cancels all remaining balances on the illegal loans.

"This is a model of how aggressive enforcement by one state can lend itself to nationwide relief for consumers," said Attorney General Josh Shapiro. "The settlement will provide relief to approximately 80,000 Pennsylvanians who fell victim to the $133 million payday loan scheme engineered by Think Finance and its affiliates, as well as to consumers across the country who were also affected. Our Bureau of Consumer Protection will hold accountable anyone who tries to exploit Pennsylvania consumers by charging illegal interest rates."

Consent Order Forces Lenders To Cease Payday Loans | New Hampshire Union Leader
Two unlicensed payday loan companies and their CEO, accused of making payday loans or small loans to hundreds of New Hampshire consumers, have agreed to a consent order with the New Hampshire Banking Commission to provide refunds to customers and pay up to $188,000 in fines.

The consent order ends a lengthy dispute over unlicensed lending by CashCall, Inc., WS Funding, LLC and the president and CEO of both companies John Paul Reddam, according to a press release.

In an order to cease and desist issued in 2013, the New Hampshire Banking Department alleged the lenders engaged in a scheme to loan money using Western Sky Financial, LLC as a front to enable the lenders to evade licensing by state agencies.

Time To Fix The Military Lending Act | The Hill (Ben Himpler)
In an effort to protect military personnel from predatory payday lenders and unscrupulous businesses, Congress passed the Military Lending Act (MLA), which put in place protections for various extensions of credit, but excludes auto loans. The Department of Defense, however, in 2017 crafted an interpretive rule that swept up the GAP waiver in a broader effort to protect military personnel from what was perceived to be unnecessary products.

The Pentagon essentially said that it was fine for a service member to add the cost of snow tires or leather interior to a car loan, but voluntary protection products, such as buying GAP insurance, were not. As a result, service members have limited protection for a significant purchase and a financial shock.

EXECUTIVE COMPENSATION

Equifax CEO Pushed Out After Data Hack Getting Nearly $20 Million In Bonuses | CBS News

The disgraced former CEO of Equifax, which this week agreed to pay $700 million for claims tied to its massive data breach in 2017, is in line to receive as much as $19.6 million in stock bonuses since leaving the company following the disclosure of the consumer-data hack. That's roughly 1,000 times the $20,000 maximum payout that any financially damaged customer can collect from Equifax as part of the the largest cybersecurity settlement by U.S. regulators in history.

Former CEO Richard Smith's stock bonuses cover a period that includes the former executive's performance in 2017, the year in which Equifax botched a software patch that allowed hackers to enter its databases and obtain the personal financial information of nearly 150 million Americans. On top of the stock awards, Equifax has agreed to cover Smith's medical bills for life, a benefit the company estimates is worth another $103,500, according to a company filing. He also walked away with a $24 million pension, and $50,000 in tax and financial planning services.

Nike Reports Its CEO Compensation Was 550 Times Median Company Employee | The Oregonian

Parker, Nike's CEO and president and board chair, saw his total compensation hit $13.9 million in the company's 2019 fiscal year. That's 550 times the salary of the "median" Nike employee, which is $25,386, according to the company.

The ratio of 550-to-1 is far from the highest in corporate America. But Nike's pay gap is far larger than average. "The median CEO pay ratio at S&P 500 companies was 163:1," according to a paper published this month by the Harvard Law School Forum on Corporate Governance and Financial Regulation.

More Minnesota Companies Tying Environmental, Social Goals To Executive Pay | Star-Tribune

As more investors and companies are placing greater emphasis on environmental, social and governance factors, referred to as ESG, the philosophy is starting to work its way into more discussions on how companies can achieve those goals and if they should be used in executive pay formulas.

"What we are seeing and hearing both from proposals from 2018 and early indications looking forward to 2019 is the increase in the use of three very important letters: E … S … G," Brian Blackwood, a managing director with Willis Towers Watson, said of this year's proxy season.

Blackwood said many of those additional shareholder proposals have included mandates for board diversity, pay equity and workforce diversity. In addition, boards and their compensation committees are considering ESG principals in compensation-plan design as it relates to business risks and talent management.

College President Millionaire's Club Growing In South Carolina | The Nerve
As the new University of South Carolina president, Robert Caslen likely will be paid far more than the $650,000 salary that was reported after the school's board of trustees in a split vote Friday hired him to run the state's biggest university.

Caslen, a retired U.S. Army lieutenant general and former West Point military academy president, succeeds the retiring Harris Pastides, whose total annual compensation, according to his latest income-disclosure statement, was nearly $1.15 million.

At least two other university presidents in South Carolina are close to joining – if not already in – the seven-figure club.

3 Bills to Rein in Executive Pay | Inequality.org
The new Stop Wall Street Looting Act would protect workers and communities against the vulture-like private equity firms that have plundered Toys R Us, Shopko, and many other companies. The bill was introduced by Sen. Elizabeth Warren (D-MA), the Co-Chairs of the House Congressional Progressive Caucus, and a bevy of other Democrats, including another presidential contender, Sen. Kirsten Gillibrand (D-NY).

Rep. Tulsi Gabbard (D-HI), another Democratic presidential candidate, has just introduced the Wall Street Banker Accountability for Misconduct Act, which would require senior executives of large banks to place a substantial share of their pay each year into a "deferment fund" for 10 years. The amount to be deferred is at least 50 percent of all executive compensation that exceeds 10 times median employee pay. In other words, if median pay is $100,000, half of everything the CEO earns above $1 million would be set aside. If the bank faces civil or criminal fines, the payments would come out of this fund.

Sens. Jack Reed (D-RI) and Richard Blumenthal (D-Ct.) and Rep. Lloyd Doggett (D-Texas) have just reintroduced the Stop Subsidizing Multimillion Dollar Corporate Bonuses Act, which would extend the $1 million deductibility cap to all forms of compensation for all employees. The bill would generate an estimated $20 billion over 10 years.

INVESTOR PROTECTION, SEC, CAPITAL MARKETS

SEC Plan Gives Audit Relief to Firms That Wiped Out Over $290 Million | Wall Street Journal
A government proposal to exempt more companies from audit requirements would give relief to 11 companies that restated financial results in 2018 and wiped out more than $290 million in market value.

The Securities and Exchange Commission's proposal, which is open for public comment until Monday, has drawn criticism from accountants and praise from businesses. A key aspect of the plan is that more public companies wouldn't need to undergo the audit that probes for weaknesses that could allow fraud or accounting blunders to go undetected.

More than 100 companies that could get relief have reported restatements that altered combined net income by $295 million from 2014 through 2018, according to a [comment letter](#) from researchers at Stanford University, the University of Pennsylvania, the University of North Carolina and Indiana University. Eleven of the restatements occurred in 2018 and wiped out about $294 million in market value, the researchers wrote.

One company in the group is [Insys Therapeutics](#) Inc., said Prof. Taylor, who co-wrote the letter. Insys, an opioid manufacturer whose market value peaked at $3.2 billion in 2015, sought bankruptcy protection in June after pleading guilty to bribing doctors to boost use of its spray version of fentanyl, a synthetic opioid. It agreed to pay $225 million in fines and forfeiture.

[BDs Should Stop Using the A-Word in Light of Reg BI: Attorneys](#) | ThinkAdvisor
As examination of the Securities and Exchange Commission's Regulation Best Interest continues, industry attorneys are directing broker-dealers and dually registered advisors on how to proceed when it comes to using the terms "adviser" and "advisor."

Eversheds Sutherland attorneys write in a recent alert that Reg BI effectively prohibits a broker-dealer and its associated persons from using the term "adviser" or "advisor" if the broker-dealer is not a registered investment advisor or the associated person is not a supervised person of an RIA.

In light of this restriction, the attorneys state that dual registrants or standalone broker-dealers who currently permit their associated persons to use the term adviser or advisor in their designation "will likely have to revisit this practice if their associated persons are not also registered as an, or supervised by a registered, investment adviser."

[Democrats' Effort to Kill SEC's Reg BI Hits a Snag](#) | Financial Advisor IQ
Last month, the U.S. House of Representatives voted to pass a financial services and appropriations bill that includes an amendment that would effectively strip the SEC of its ability to implement its Reg BI package, [as reported](#). The amendment to the Financial Services and General Government Appropriations, 2020 bill — HR 3351 — was introduced by Waters.

The amendment states: "None of the funds made available by this Act may be used by the Securities and Exchange Commission to implement, administer, enforce, or publicize the final rules and interpretations."

The latest hurdle came in the form of a [budget pact](#) for 2020-2021 signed by the White House and leaders of the Senate and House of Representatives on Monday.

According to this budget pact, there will be "no poison pills, additional new riders, additional Chimps [Changes in Mandatory Programs], or other changes in policy or conventions that allow for higher spending levels or any non-appropriations measures unless agreed to on a bipartisan basis by the four leaders with the approval of the President."

The SEC Remains a Secondary Concern to Chuck Schumer | The American Prospect
Consider the Securities and Exchange Commission (SEC), the putative "cop on the beat" for Wall Street. Throughout the spring of 2018, progressives like us pushed Schumer to move faster on identifying a Democratic commissioner to succeed Kara Stein, whose term technically expired in 2017, and who could only hold her seat until the end of 2018. Those calls became more urgent when Republican commissioner Michael Piwowar announced on May 7, 2018, that he would step down in two months.

Mitch McConnell arguably understands, pursues, and wields power in Congress more effectively than anyone since Lyndon Johnson. So what came next was clear to McConnell. Less than a month after Piwowar's announcement, an ideologically reliable Senate staffer named Elad Roisman was identified, recommended to Trump, and nominated. Only seven weeks later, Roisman had a confirmation hearing. Four weeks later Roisman was sent by the Banking Committee to the full Senate. And by September 4, 2018, Roisman had been confirmed—less than four months after Piwowar's sudden departure was announced.

Schumer, who had known since 2017 that Stein could not serve past the end of 2018, did not move nearly as quickly. He did not recommend a potential nominee to Trump until the end of July 2018. Since Roisman's Banking Committee hearing had already occurred, Schumer's pick (Allison Lee) could not be paired with Roisman. Ultumately, Lee was not confirmed unil June 20, 2019—nearly a year after Roisman joined the SEC and nearly six months after Kara Stein's last day of service.

Rias Failed To Supervise Employees Who Had Disciplinary History: SEC | Financial Planning
Failure to disclose conflicts, lax supervision, omitting crucial discipline details … these are just a few of many compliance lapses the SEC said it found after scrutinizing dozens of RIAs that employed individuals with a disciplinary history.

A new risk alert published by the SEC's Office of Compliance Inspections and Examinations warns of these and other errors it observed in 2017 when it visited more than 50 advisors who collectively served nearly 220,000 clients and managed roughly $50 billion in assets. Of those, the SEC says, the "vast majority" cater to retail investors.

Almost every firm the SEC visited in the sweep received a letter detailing some compliance failures including supervision, disclosures and conflicts of interest.

Facebook to Pay $100 Million SEC Fine Over Cambridge Data Use | Bloomberg
Facebook Inc. will pay $100 million to resolve U.S. Securities and Exchange Commission claims that the social networking giant misled investors about the misuse of account holders' data, adding to the litany of fines against the firm over privacy violations.

Even though Facebook was aware by late 2015 that an outside developer had been misusing information gathered from its customers, the company publicly downplayed any risk of the data being handled in violation of its rules as “merely hypothetical," the SEC said in a Wednesday statement. The allegations relate to data obtained by Cambridge Analytica, a consulting firm hired by President Donald Trump’s 2016 campaign.

Finance Industry Groups Fear ‘Undue’ Burden With SEC Swap Plan | Bloomberg Law
An SEC proposal to set up some Dodd-Frank Act swap rules isn’t getting much love from the finance industry.

The Securities and Exchange Commission should better synchronize its plan with related regulations from the Commodity Futures Trading Commission, the Securities Industry and Financial Markets Association and the Institute of International Bankers told the agency in a recent letter. The SEC’s proposal is intended to improve SEC-CFTC rule harmonization on swap activity between the U.S. and other nations and would give guidance to firms engaged in the cross-border swaps, among other actions.

Comment Letter: AFR Education Fund Letter to the SEC Opposing Cross-Border Rule Proposal
On July 23, 2019, AFR Education Fund submitted a letter to the U.S. Securities and Exchange Commission (SEC) opposing a proposal that would create exemptions that would permit U.S. banks – and international banks active in the U.S. market – to do large-scale derivatives dealing in the U.S. without being designated as derivatives dealers under Dodd-Frank Act rules.

PRIVATE FUNDS

Private Equity’s Role In Retail Has Decimated 1.3 Million Jobs, Study Says | Washington Post
More than 1.3 million Americans have lost their jobs in the past decade as a result of private equity ownership in retail, according to a report to be released Wednesday. That includes 600,000 retail workers, as well as 728,000 jobs in related industries. Women and people of color have been disproportionately affected as debt-ridden retailers close thousands of stores, according to the report by six nonprofit organizations and workers’ advocacy groups, including Americans for Financial Reform and the Center for Popular Democracy.

Private equity firms and hedge funds have been aggressively buying up retailers since the mid-2000s, when a booming economy and low interest rates made leveraged buyouts particularly attractive. The firms pooled money — often from pension funds, wealthy investors and financial firms — and relied on large swaths of debt to acquire companies like Mervyn’s and Linens n Things, with the goal of turning them around.

In practice, that meant they often sold off real estate holdings, cut workers’ pay and benefits, and did away with jobs to turn a quick profit for investors, according to Heather Slavkin Corzo, a senior fellow at Americans for Financial Reform and the director of capital markets policy for the labor union AFL-CIO.

“When a private equity firm steps in, it’s a classic case of ‘heads I win, tails you lose,” Corzo said. “They have a real short-term focus on extracting as much cash as possible, as quickly as possible.”

Over A Million Retail Workers Lost Their Jobs Over The Past Decade, But Wall Street Might Be Just As Much To Blame As The Retail Apocalypse | Business Insider
More than 1.3 million retail workers lost their jobs at the hands of private equity firms over the past decade, according to a report published Wednesday by the non-profit organization United For Respect.

The report found that 597,000 total people lost their jobs at companies owned by private equity firms and hedge funds in the past decade, including brands like Sears, Toys R Us, and Shopko. Further, an estimated 728,000 workers experienced indirect job loss as a result of these cuts — when 100 jobs are directly eliminated, 122 indirect positions are subsequently cut, the findings showed.

Private Equity Owners Have Killed 600K Retail Jobs, Report Says | Retail Dive
Private equity-owned retailers have laid off nearly 600,000 workers over the past decade even as the industry as a whole added 1 million jobs, according to a new report from the Center for Popular Democracy, Private Equity Stakeholder Project and other groups.

All told, private equity ownership in retail has led to more than 1.3 million job losses (including jobs in adjacent industries and other indirect job losses) as ailing retailers have gone bankrupt and closed stores.

The report found that more than 1 million retail workers are still "at risk" owing to their employment at private equity and hedge fund-owned retailers.

Listen: Stopping Wall Street Looting; Airline Catering Workers Demand Fair Pay; What Went Down In The Minimum Wage Bill? | Working Life
I like the ring of The Stop Wall Street Looting Act, don’t you? True, it’s part of the business model of the joint, especially the private equity pirates. The Act is, in fact, aimed squarely at the private equity industry, who have stripped and destroyed hundreds of companies. I’ll talk about the Act with the national expert on the industry, Eileen Appelbaum, the co-director of the Center for Economic and Policy Research.

Chase For Yield Has Fueled Private Equity With Significant Consequences For Americans | Forbes
Critics cite that missing from AIC’s private equity success stories are private equity’s less than stellar involvement in Gymboree, Payless, Kmart, Sears, or ToysRUs. The senators’ and representatives’ proposing the bill cited numerous reasons in favor of the 'Stop Wall Street Looting Act of 2019,' primarily ending abuses in the private equity sector and protecting workers

from being fired. Comments in support of the bill from these legislators and numerous consumer advocacy groups and think thanks may be found here.

Lisa Donner, Executive Director of Americans for Financial Reform, a nonpartisan, not-for-profit consumer advocacy organization strongly supports the bill. “These powerful interests have rigged the rules to enable financial engineering that lets a tiny handful of people extract vast wealth at everyone else’s expense. It is time to change the laws to protect workers, communities, and pensions.” Marcus Stanley, policy director at AFR, explained that “The leveraged buyout acquisition model used by private equity funds desperately needs reform. This legislation would curb the incentives to load up companies with debt by ensuring that private equity managers themselves are liable for the excessive debt they impose on the companies they acquire.”

I’m a Private Equity Investor. Here’s Why We Need to Rein in Private Equity | Fortune
If you look at our economy from 30,000 feet, it’s easy to believe President Donald Trump’s boasts that we’re living in boom times.

But if you get closer to the ground, where too many good jobs are being replaced by precarious ones, where large-scale employers waver at the brink of going under, and where the faux boom’s profits are overwhelmingly going to the wealthy, you can see a practice escalating across the economy, a practice that has already had disastrous effects on workers generally and a practice with the potential to take down hundreds of thousands more jobs and put investors and consumers alike in jeopardy.

That practice is the unchecked and reckless overuse of heavy burdens of debt, and then of bankruptcy laws, by some private equity (PE) firms and hedge funds to the overwhelming detriment of employees and retirees.

Listen: The But the Gift Cards Edition | Slate Money
This week, the Slate Money hosts talk about Elizabeth Warren’s plan for private equity, the surprising effects of gentrification, and Netflix’s current downtick.

Stop Wall Street Looting Act: a Letter to Elizabeth Warren | CounterPunch and Thea Lee, EPI
Over the last decade, an increasing number of private equity and other private funds have taken controlling interests in hundreds of viable companies, using their assets to secure unsustainable loads of debt, and then stripping them of their wealth, preventing them from investing in the products and people that will allow the companies to thrive in the future. The funds charge investors high fees without providing them visibility or control into their activities and feed a growing market for risky corporate debt that is reaching dangerous levels. Your proposal would address the worst abuses of this business model while preserving productive investments by requiring PE firms to face accountability for their management decisions, limiting their ability to loot the companies they take over, empowering investors to fully understand private equity and other private funds, and protecting workers, customers, and other stakeholders or businesses across the country.

Elizabeth Warren Seeks to Cut Private Equity Down to Size | Naked Capitalism
Elizabeth Warren's Stop Wall Street Looting Act, which is co-sponsored by Tammy Baldwin, Sherrod Brown, Mark Pocan and Pramila Jayapal, seeks to fundamentally alter the way private equity firms operate. While the likely impetus for Warren's bill was the spate of private-equity-induced retail bankruptcies, with Toys 'R' Us particularly prominent, the bill addresses all the areas targeted by critics of private equity: how it hurts workers and investors and short-changes the tax man, thus burdening taxpayers generally.

Not only would Warren's legislation prohibit some of the most destructive private equity activities, but it would end their ability to act as traditional asset managers, taking fees and incurring close to no risk if their investments go belly up. The bill takes the explicit and radical view that:

Private funds should have a stake in the outcome of their investments, enjoying returns if those investments are successful but ab-1sorbing losses if those investments fail.

Needless to say, this upends the traditional private equity model of "head's I win, tails you lose."

Listen: Paying For The Caesars Empire | Financial Times
About 10 years ago, two legendary private equity firms, Apollo Global Management and TPG, teamed up to carry out a leveraged buyout of one of the biggest and most iconic gaming companies, then known as Harrah's. They financed the purchase by taking advantage of Harrah's real estate. Now, an obscure regional casino group out of Reno Nevada is set to scoop up what has become the Caesars Entertainment empire in a deal that's exploiting a pretty similar kind of financing.

Explosion-Damaged South Philadelphia Refinery Files For Bankruptcy, Again | Philadelphia Inquirer
Philadelphia Energy Solutions, which abruptly announced its shutdown following a devastating fire and explosion last month, has filed for its second Chapter 11 bankruptcy in less than two years, the company announced Monday.

The 335,000-barrel-per-day refinery complex — actually two adjacent refineries with separate histories — has struggled financially for years. Philadelphia Energy Solutions was formed in 2012 by Carlyle Group and Sunoco Inc. to rescue the facility. PES filed for bankruptcy the first time in January 2018.The new ownership, led by banks that were former creditors, once again slumped under heavy debt, as cash reserves dwindled and the refinery shortened a maintenance outage this year to conserve resources.

According to reports filed under the 2018 bankruptcy proceeding, the refinery's long-term debt increased 7.5 percent during the first quarter of this year, to $755 million. More than $500 million was to come due in 2022, a deadline that became more imposing in the aftermath of the accident. At the end of March, the refinery listed assets of $1.69 billion and liabilities of $1.6

billion — less than $90 million in owners' equity remained in the refinery three months before the accident. Five days after the accident, the refinery announced plans to shut down.

The fire is under investigation by the U.S. Chemical Safety Board, the Occupational Safety and Health Administration, the Bureau of Alcohol, Tobacco, Firearms, and Explosives, and the Fire Marshal's Office. The investigations, especially by OSHA, will be critical to determining whether there was any negligence that contributed to the accident, which might impact a potential insurance settlement.

Following last year's bankruptcy, PES now is owned primarily by its former creditors. Credit Suisse Asset Management holds 29.4 percent of the shares and Bardin Hill Investment Partners, formerly known as Halcyon Capital Management, owns 26.7 percent, according to the bankruptcy filing. Carlyle retains a 15 percent share and Energy Transfer Partners LP, Sunoco's parent, has a 7.4 percent share. Activist investor Daniel S. Loeb's Third Point Loan LLC holds a 7.3 percent share.

Sen. Warren, Rep. Ocasio-cortez Demand Shopko Owner Pay Severance To Ex-Employees | The Gazette
Two more U.S. lawmakers have urged Shopko's private equity owner set up a severance fund for ex-employees of the now-shuttered retailer.

U.S. Sen. Elizabeth Warren, who is running for president, and U.S. Rep. Alexandria Ocasio-Cortez sent a letter dated July 17 to Sun Capital Partners CEOs Rodger Krouse and Marc Leder.

The elected officials tied Shopko's liquidation earlier this year — and the resulting loss of approximately 14,000 jobs — to the firm's "disastrous management," dating back to its $1.1 billion leveraged buyout of the discount retailer in 2005.

The next year, Sun Capital sold 178 company stores in a $815 million sale-leaseback agreement, and in January filed for Chapter 11 bankruptcy, pointing to "excess debt" and a "challenging retail environment."

From Fitbits to Rokus, Hedge Funds Mine Data for Consumer Habits | Bloomberg
When it comes to gaining that elusive trading edge, data is fast becoming the new frontier whether it comes from Fitbits, Rokus and Teslas or employment websites like Glassdoor.com.

That's why some of the world's biggest hedge funds, from Steve Cohen's Point72 Asset Management to Ken Griffin's Citadel, have been snapping up large swaths of alternative data. Many are paying big money for it.

As Risky Finances Alienate Investors, Fracking Companies Look to Retirement Funds for Cash | Naked Capitalism

While the shale drilling industry's financial instability may not be so large as to pose an overall risk to the financial system, "I think there's risk to pension plans that are pouring their money into private equity firms, which in turn are pouring billions into shale companies," Bethany McLean, author of the book *Saudi America: The Truth about Fracking and How It's Changing the World,* told E&E News in a September 2018 interview. McLean is also widely credited as the first financial reporter to take a critical look at energy company Enron before its collapse.

In addition to the long-term risks that all fossil fuel companies face from the drive to keep oil, coal, and gas in the ground and prevent catastrophic climate change, shale drilling companies face some unique long-term risks.

Many shale drillers told investors that they plan to drill multiple wells — in some cases 20 or more wells — from the same well-pad. But the industry has discovered that those later wells, called "child" wells, often perform worse than the first well drilled, called a "parent" well.

MORTGAGES AND HOUSING

Mortgages Are Now Available For Borrowers Without Credit Scores | HousingWire
Waterstone Mortgage, a national lender based in Wisconsin and licensed to lend in 48 states, announced Tuesday that it is now lending to borrowers who do not have a credit history.

According to the company, its "Non-Traditional Credit Program" will use other payment history indicators like cell phone bills, rent, utilities, and insurance premiums when underwriting a borrower.

Using Consumer Financial Protection Bureau data, Waterstone Mortgage claims that there are 45 million adult Americans that either have no credit score or a limited or outdated credit history that cannot be scored by Equifax, Experian, and Transunion.

CFPB Could Curb High-Debt Mortgages | Wall Street Journal
The Trump administration plans to eliminate a regulatory loophole that put the government on the hook for an additional $260 billion of mortgages last year, a move that could limit the availability of credit for home loans.

The Consumer Financial Protection Bureau took a preliminary step Thursday toward revamping a postcrisis regulation that has transformed the mortgage market by allowing more deeply indebted borrowers to obtain home financing.

Others are urging regulators to adopt alternatives to the existing debt-to-income cap. A better barometer for determining whether a borrower will repay, they say, is the price individuals receive on their home loan.

"If they don't take action, millions of borrowers will lose access to mortgages or pay higher prices," said Eric Stein, senior vice president at Self-Help, a family of credit unions and parent to the Center for Responsible Lending consumer group.

CFPB Ending Special Treatment For Fannie, Freddie In Mortgage Rule | American Banker
The Consumer Financial Protection Bureau is planning to end its special treatment for certain mortgages backed by Fannie Mae and Freddie Mac in the agency's underwriting rules, Director Kathy Kraninger said Thursday.

The CFPB's regulation requiring lenders to verify their borrowers' ability to repay includes protection for a category of loans known as "qualified mortgages." So-called QM loans include certain features such a 43% debt-to-income limit.

Utah Judge To Halt FHA's Down Payment Assistance Rule Changes | HousingWire
A federal judge in Utah said at a hearing last week that he would be granting a motion to delay the implementation of changes to the Federal Housing Administration's down payment assistance rule as a debate over the new guidance rages on in federal court.

At issue is new guidance published by the Department of Housing and Urban Development in April that clarified the documentation required for borrowers using funds from another person or entity to cover part of the FHA's minimum down payment requirement of 3.5%.

But while HUD labeled the new rules as merely "informal guidance" intended to bring more clarity, a group of Utah-based Native Americans took issue with the mandate, which claimed that the rules effectively put its down payment assistance program out of business.

That led to a lawsuit filed against HUD on behalf of the Cedar Band of Paiutes, a federally recognized American Indian band that operates the Cedar Band Corp. and the CBC Mortgage Agency.

According to the suit, HUD's new guidance "unlawfully targets American Indian tribes and bands by prohibiting them from participating in home-purchasing assistance programs and thus threatens a critical source of revenue for the Cedar Band."

STUDENT LOANS AND FOR-PROFIT SCHOOLS

Elizabeth Warren Introduces Bill To Cancel $640 Billion In Student Loan Debt | Huffington Post
Democratic presidential candidate Elizabeth Warren wants to relieve student debt for 42 million people — an estimated $640 billion in loans held by mainly middle- and lower-income Americans.

The Massachusetts senator and the House majority whip, Rep. James Clyburn (D-S.C.), introduced the Student Loan Debt Relief Act on Tuesday. The bill would eliminate student debt entirely for 75% of borrowers and partially for another 20% of borrowers.

“[Student loan] debt not only affects the people who try to carry it — it affects our entire economy,” Warren said at a press conference. “Finding a way to cancel a big chunk of that student loan debt means freeing up young people to do more.”

Elizabeth Warren’s New Bill Would Cancel Student Loan Debt For Millions | CNN
Massachusetts Sen. Elizabeth Warren is introducing a bill Tuesday that would cancel the student loan debts of tens of millions of Americans, a plan she first proposed on the campaign trail in April.

The 2020 Democratic presidential candidate is partnering with South Carolina Rep. James Clyburn, also a Democrat, who will sponsor companion legislation in the House.

The bill would forgive $50,000 in student loans for Americans in households earning less than $100,000 a year, resulting in immediate relief to more than an estimated 95% of the 45 million Americans with student debt.

For those earning more than $100,000, the bill would offer partial debt relief with the amount getting gradually smaller until it phases out. Households that make more than $250,000 are not eligible for any debt relief.

US Rep. Jim Clyburn joins Sen. Elizabeth Warren in pushing student loan forgiveness | Post and Courier
U.S. Rep. Jim Clyburn is teaming up with a 2020 Democratic presidential candidate to eradicate the student loan crisis that impacts an estimated three out of five college graduates in South Carolina.

The bill introduced Tuesday in both the House and Senate would forgive up to $50,000 in student loan debt for borrowers whose household income is less than $100,000.

Clyburn is partnering on the Student Loan Debt Relief Act with Massachusetts Sen. Elizabeth Warren, one of two dozen Democrats in the presidential race.

Watch: Teacher's Union Head Calls Devos Handling Of Student Loan Forgiveness Program 'A Travesty' | The Hill
The head of the teachers union suing the Department of Education is slamming Secretary Betsy DeVos, calling her mismanagement of the public service student loan forgiveness program a “travesty” and a “betrayal” to millions of Americans.

Emails Show DeVos Aides Pulled Strings for Failing For-Profit Colleges | New York Times
Dream Center Education Holdings, a subsidiary of a Los Angeles-based megachurch, had no experience in higher education when it petitioned the federal Education Department to let it take over a troubled chain of for-profit trade schools. But the organization’s chairman, Randall K. Barton, told the education secretary, Betsy DeVos, that the foundation wanted to “help people live better lives.”

The purchase was blessed despite Dream Center's lack of experience and questionable finances by an administration favorable to for-profit education. But barely a year later, the company tumbled into insolvency, dozens of its colleges closed abruptly and thousands of students were left with no degree after paying tens of thousands of dollars in tuition. Making matters worse, the college is accused of enrolling new students and taking their taxpayer-supported financial aid dollars even after some of its campuses had lost their accreditation, which rendered their credits worthless.

Company emails, documents and recordings show that part of why Dream Center kept going is that it thought the Education Department, which under Ms. DeVos has rolled back regulations on for-profit education, would try to keep it from failing. Mr. Barton emailed other Dream Center executives that the department's head of higher education policy — Diane Auer Jones, a former executive and lobbyist for for-profit colleges — had pulled strings to help the company's schools in their effort to regain a seal of approval from an accreditor, despite their perilous positions.

Report Alleges Ed Dept Helped Prop Up Failing Dream Center | Education Dive
The whirlwind collapse of Dream Center Education Holdings (DCEH), a nonprofit that bought a set of more than 100 for-profit campuses totaling 50,000 students about two years ago, may have been mitigated by the U.S. Department of Education using back-door tactics, according to documents obtained by the House Education Committee and first reported by The New York Times.

The Ed Department was made aware that DCEH was advertising two unaccredited campuses as accredited but "did not immediately require Dream Center to take corrective action," contends a July 16 letter to Education Secretary Betsy DeVos from a House committee. Instead, the letter alleges, the department told DCEH executives it would retroactively accredit the schools, thus protecting DCEH, and did not inform Congress.

In a statement emailed to Education Dive, which mirrors comments it supplied to The Times, the Ed Department said DCEH "did not receive any unique benefits from policy decisions" it made and that the department was already working on a broader retroactive accreditation policy "long before Dream Center came into the picture."

Fewer Troops Are Using Tuition Assistance Benefits | Military Times
The number of service members using military tuition assistance benefits declined again in fiscal 2018, continuing the trend in recent years of fewer troops taking college courses.

Despite the drop, service members continued to rely heavily on for-profit schools that have been the subject of controversy and criticism.

For-profit schools accounted for 34.7 percent of TA usage in fiscal 2018, compared with 39.7 percent for public schools and 25.7 percent for private nonprofit schools. For-profits are even more dominant among the top 50 TA schools, accounting for 39.3 percent of the student enrollment, more than public and private institutions.

Representatives of for-profit schools say that military students are continuing to enroll in their institutions because the schools offer flexible and fast degree options that better fit the lives of adult learners. But critics of for-profit education say the enrollment numbers are the result of the industry's aggressive — and expensive — marketing efforts.

Veterans Groups, Education Leaders Back Donna Shalala's Effort to Close GI Benefits Loophole | Florida Daily

Veterans groups and education leaders are going all out to help a South Florida congresswoman's proposal to close a loophole proprietary colleges use when it comes to federal funds, including GI benefits.

Last month, freshman U.S. Rep. Donna Shalala, D-Fla., who was president of Hunter College and the University of Miami and the chancellor of the University of Wisconsin, brought out the "Defending All Veterans in Education (DAVIE) Act" which, her office insisted, "closes the GI Bill loophole in federal law that allows for-profit colleges to take advantage of veterans and servicemembers."

Josh Hawley's Very Bad Higher Education Bills | Forbes

Politicians often come up with policies based on false premises. Frequently, they propose ideas destined to do more harm than good. And sometimes they pursue initiatives that are just fundamentally dumb. But it's rare when any official can accomplish all three at the same time. Enter Senator Josh Hawley (R - Missouri) who last week introduced two higher education bills that – when combined - manage to be misleading, harmful and ill-conceived.

Your College Major May Affect Your Ability To Get A Loan — Consumer Advocates Say That's A Problem | MarketWatch

When students choose where to attend college and what subject to major in, they can reasonably expect those decisions to have an impact on certain aspects of their life, like their career or earnings.

But if some financial technology companies have their way, that information could increasingly be used to determine a lot more — including whether a borrower can access credit and how much they pay for it.

Already, some personal and student loan providers are using this type of data in addition to more typical underwriting criteria. The idea is that a borrower's school or major may be a better predictor of their future income and ability to repay a loan than what's measured by a traditional credit score. In some cases, lenders have argued that using alternative data points to make these decisions can help unlock financing for groups that have historically struggled to get access to credit, like young people with limited credit history and marginalized groups.

For-Profit College Students Are Waiting 958 Days For Loan Relief | CNN

Borrowers are waiting an average of 958 days -- or 2.6 years -- for their claim to be processed, according to a sample of 900 people who submitted testimony in an ongoing court case. The affidavits were filed in court Tuesday morning.

About 61% of those borrowers say they aren't pursuing further education while they wait. Nearly half said they are delaying getting married or having children and 96% said their life is worse today than it was before they went to school, according to an analysis by the plaintiffs' lawyers at the Project on Predatory Student Lending at Harvard's Legal Services Center.

"Honestly, by now, I thought I'd be at some huge corporation, working on computers, setting up networks, feeling like I'm doing something worthy and enjoying trips with my family," Marler said.

These 6 Student Groups Face The Biggest FAFSA Woes | Politico
For some students, FAFSA brings extra headaches: No one likes to fill out the Free Application for Federal Student Aid application. But among the 20 million annual FAFSA applicants, the process is particularly problematic for six types of aspiring and current college students.

— Who are they? Students whose parents refuse to participate in the process altogether, homeless youth, prisoners, military survivors, undocumented immigrants and children of divorced parents are among them.

— As Congress weighs its first update to the Higher Education Act in more than a decade, advocates are hopeful that any deal will include a FAFSA streamlining, though whether these students get any relief remains unclear.

Can't Shake Your Student Debt? Thank Joe Biden's Votes. | Big Think
Student loan debt in the United States is at crisis levels. $1.5 trillion worth of the stuff is weighing down the economy and now constitutes the second-largest source of debt in the country, just behind mortgage debt. These facts make it no wonder why several of the leading candidates for president this time around have given attention to the issue.

The current leading candidate for the Democratic nomination, Joe Biden, has yet to release a major plan though. This is unfortunate, as his record suggests that at least some of this crisis is the result of his voting record.

The Average American Family Is Spending More On Student Loans Than Fuel Or Healthcare | Business Insider
Healthcare and transportation are necessities in modern American life.

So too, increasingly, are student-loan payments.

According to a report released on Wednesday by the JPMorgan Chase Institute, the average American family is spending more money paying off student loans than on everyday necessities like fuel or healthcare.

The report, which sampled 4.6 million student-loan-paying households, gives a clear picture of the student-loan debt crisis. The national student-loan debt is at an all-time high of $1.5 trillion, affecting 45 million Americans. And since tuition prices have doubled since the 1980s, student loans have become necessary for many low-income families, especially for black college grads.

A Modern Financial Dilemma: Will I Retire Before Paying Off My Student Loans? | Christian Science Monitor
Americans over 50 now carry the fastest-growing balance of student loan debt. They number 8.4 million and account for about 20%, or $290 billion, of total student debt – a fivefold increase since 2004, the AARP Public Policy Institute reports.

Call them the other seniors. Not the 20-somethings tossing their graduation caps into the air, but people who in theory should be laser focused on saving for retirement. Instead they have been trying to jump-start careers during a recession, or taking out gobs of money for their kids' degrees, or still trying to pay off that loan from the 1980s that got out of control because plans went sideways.

Report: Unsustainable Student Loan Debt Has Severe Impact on Borrowers of Color | Atlanta Daily World
This week, the Center for Responsible Lending and the National Association for the Advancement of Colored People (NAACP) released a report finding that student loan debt is unsustainable for many student borrowers, especially borrowers of color.

"Quicksand: Borrowers Of Color & The Student Debt Crisis" offers policy recommendations for reforming the country's broken and inefficient student loan system, close the racial wealth gap, and ensure that the system is fair to all students. The report, inspired by the $1.5 trillion-dollar student debt crisis, was released in conjunction with NAACP's 110th National Convention in Detroit and to facilitate a pathway to a comprehensive solution that involves civil rights organizations.

SYSTEMIC RISK

Elizabeth Warren Is Warning of a Recession. Maybe We Should Listen. | Slate
In 2003, Elizabeth Warren predicted that subprime mortgage lending would lead to a big economic crash. In 2008, it came true. Now a Democratic presidential candidate, Warren is warning that another crippling economic crisis—this time fueled by rising household and corporate debt—could be on the horizon, unless we (she) take(s) swift action. "Warning lights are flashing," the Massachusetts senator wrote in a Medium post Monday. "Whether it's this year or next year, the odds of another economic downturn are high—and growing."

She's not the first presidential candidate to predict a looming recession, and she won't be the last. Back in 2016, then-candidate Donald Trump warned of a "very massive recession" that never happened. And Ted Cruz said a stock market crash was imminent. Neither of those claims has come true. Economic alarmism from presidential candidates is about as common as it is ignored. But unlike other “predictions” based on nothing other than a dislike for the other party, Warren’s claim that she predicted the Great Recession received a “true” rating from PolitiFact. She’d been speaking about debt, risky mortgage lending practices, and the looming housing and financial crisis for years.

Banks Are The Largest Holders Worldwide Of Leveraged Loans And Collateralized Loan Obligations | Forbes
Bank of England research shows that the share of corporate debt owed by highly leveraged companies across major advanced economies is now similar to, or higher than, levels in 2007. The reason that this should worry us is that “cross-country data shows that growth in the corporate debt to GDP ratio is associated with deeper recessions.”

The Bank of England’s recently published Financial Stability Report shows that banks, especially American ones, are the largest owners of leveraged loans and collateralized loan obligations (CLOs). Banks own a little over 55% of the $3.2 trillion global leveraged loan and CLO market. Banks own leveraged loans in three ways: they hold some on their balance sheets, they have them in the pipeline to sell to a special purpose vehicle which will then sell the leveraged loans in a CLO, and by holding CLOs.

ELECTIONS, MONEY, AND POLITICS

Biden, Harris and Buttigieg rack up donations from big bank executives on Wall Street | CNBC
Executives at Wall Street’s biggest banks have begun throwing financial support to their early favorites in the 2020 Democratic presidential field: Joe Biden, Kamala Harris and Pete Buttigieg.

All three candidates combined to receive contributions during the second quarter from at least 15 bank executives from Goldman Sachs, J.P. Morgan Chase, Morgan Stanley, Citigroup and Bank of America, according to Federal Election Commission records.

Katie Porter Isn't Part Of 'The Squad.' But The Freshman House Democrat Is Stirring Up Trouble For Trump | CNN
Porter says her goal isn't to highlight incompetence, but instead to make esoteric topics more accessible -- like she did in the consumer finance law classes she taught at the University of California, Irvine.

"What I did as a professor is not that different than what I do in hearings," Porter said this week.

An average voter might not be able to articulate their position on payday loans, she said, "but when you start talking about that hypothetical exchange I had with Kraninger, people began to engage."

Like Warren, she believes that debates about protecting the ability to make a living, buy a home, and afford college are really conversations about the "heart and soul of America."

Pete Buttigieg Hires Former Goldman Sachs Executive As National Policy Director | CNBC
Democratic presidential contender Pete Buttigieg has hired a former Goldman Sachs vice president and Google executive to run his policy shop, his campaign announced Thursday.

Sonal Shah, now executive director of the Beeck Center for Social Impact and Innovation at Georgetown University, will be the campaign's national policy director.

Shah worked at Goldman Sachs from 2004 to 2007 as a vice president, according to her LinkedIn page. She then worked for Google as its head of global development initiatives from 2007 to 2009.

The hiring comes as Buttigieg, mayor of South Bend, Indiana, struggles to stake out a clear niche for himself in a crowded Democratic field featuring a number of high-profile progressives.

OTHER TOPICS

Jeffrey Epstein's Deep Ties to Top Wall Street Figures | New York Times
Mr. Epstein, who was charged this month with sex trafficking of teenage girls, liked to portray himself as a financial wizard, someone whose business and investing acumen made him indispensable to corporate executives and other leaders. But there is little evidence to support that notion. The financial services that Mr. Epstein dispensed appear to have been mostly pedestrian, and his list of clients small.

Mr. Epstein nonetheless managed to affix himself to a handful of prominent Wall Street veterans, including Mr. Staley, who is now chief executive of the British bank Barclays.

Mr. Epstein provided personal tax services to Leon D. Black, whose Apollo Global Management is one of the world's largest private-equity firms. He discussed a major investment idea with and entrusted millions of dollars to Glenn Dubin, who ran the hedge fund Highbridge Capital Management. And, with Mr. Staley, he laid some of the early groundwork for JPMorgan to make a major acquisition — one that would vault Mr. Staley's career to a higher plane.

Mr. Black, Mr. Dubin and Mr. Staley were not Mr. Epstein's biggest business relationships: That distinction belongs to Leslie H. Wexner, the billionaire founder of the L Brands retail empire, which included Victoria's Secret and The Limited. He gave Mr. Epstein broad powers to invest his fortune for nearly two decades.

Waters Vows To Seek Ways To Stem Tide Of Bank Consolidation | Politico
House Financial Services Chairwoman Maxine Waters on Wednesday conceded it is "inevitable" that regulators will approve the proposed merger between BB&T and SunTrust but

pledged that her panel will explore ways to prevent excessive consolidation in the banking industry.

“They’re going to get the merger,” Waters (D-Calif.) told reporters after convening a hearing on the proposed deal, which would be the nation's largest bank merger since the financial crisis. “It’s important that they know that we have an eye on it, that we’re not overjoyed with consolidation in the banking industry, and we are paying attention.”