



This Week in Wall Street Reform | June 25 - July 8th, 2016

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CONSUMER FINANCE & THE CFPB

[Here's what happens when payday loans are banned](#) | Washington Post (Deyanira Del Rio and Andy Morrison)

Thanks to our payday lending ban, New Yorkers [preserve nearly \\$790 million each year](#) that payday lenders and their ilk would otherwise siphon in fees. Across all payday-loan-free states, annual savings [exceed \\$3.5 billion](#) — an estimate that does not even include bank overdraft fees triggered by payday loans or funds drained by abusive debt collection and other economic fallout from payday loans...

We reject the dangerous myth that payday lending must be preserved and simply made less predatory. The notion that people somehow need usurious, short-term loans dominates too much of the payday lending debate and is flatly contradicted by [former payday loan borrowers themselves](#), who report being better off after their states eliminated these debt traps.

[If payday loans go away, what replaces them?](#) | Associated Press (Ken Sweet)

The lenders who advance poor people money on their paychecks charge exorbitant interest rates that often snare the most vulnerable customers in a cycle of debt, the industry's critics have long said.

Yet even consumer advocates who loathe the industry admit it fulfills a need: Providing small amounts of cash quickly to people who can't qualify for credit cards or a bank loan. Roughly 12 million Americans take out a payday loan each year, spending more than \$7 billion, according to the Pew Charitable Trusts.

But with proposed new regulations from the Consumer Financial Protection Bureau predicted to cut deeply into the industry, experts and consumer advocates are trying to figure out what will replace it.

[Think there's no good alternative to payday loans? Think again.](#) | Washington Post (Mike Calhoun)

Subprime credit cards, even with interest rates at 36 percent APR, are one-tenth as expensive as payday loans. After a temporary constriction in this market following the financial meltdown, new subprime credit card accounts have increased every year since 2009. They surged in 2015, with more than 10 million new cards issued to subprime borrowers, up 25 percent from a year earlier. In total, subprime consumers have 62 million credit card accounts.

Traditional consumer finance companies market installment loans to subprime credit households. They offer more credit than payday lenders, and their volumes increase when payday lenders don't crowd them out. Data from publicly traded lenders show they made \$7 billion on these loans in 2013, and privately held lenders made billions more.

Additionally, 700 federal credit unions participate in the National Credit Union Administration's "payday alternative loan" program, making loans up to \$1,000 that last up to six months long. Banks and credit unions also originated 3.8 million unsecured installment loans to nonprime consumers (credit scores below 660) in 2015. Importantly, payday loan borrowers are not among the nation's "unbanked" consumers; lenders require that they have a checking account from which the lender can extract payment.

[The problem is bigger than payday loans](#) | Washington Post (Nathan Fiala)

[Postal Banking](#) | Bloomberg

[Expand Dodd-Frank, Allow USPS to Offer Banking Services, Dems Say](#) | Credit Union Times

[It's Shark Week! Let's Rid Main Street of Payday Loan Sharks](#) | Coalition for Sensible Safeguards (Stephen Rouzer)

[Swimming Against the Loan Sharks](#) | Inequality.org (Robert Sherrill)

[We can't get rid of payday loans just because we don't like them](#) | Washington Post

[What payday loans mean to me](#) | The Hill (Robert Sherrill)

[NADA chairman: Dealers rally behind Senate bill to 'tame' CFPB](#) | National Automobile Dealers Association (Jeff Carlson)

[Black bank accounts matter](#) | St. Louis American (Maria Chappelle-Nadal)

[Credit-Card Companies Know How Little You Know](#) | Bloomberg (Noah Smith)

[House Passes Bill Allowing Banks To Continue Using "Get Out Of Jail Free" Card](#) | The Consumerist (Chris Morran)

[How Banks Are Trying to Contain Cost of CFPB's Arbitration Plan](#) | American Banker

[Supreme Court to Hear Case on ATM Fees](#) | Wall Street Journal

[CFPB accuses some lenders of deceptive GAP, payment deferral ads](#) | Automotive News

[CFPB Seeks \\$146 Million From Debt-Settlement Firm](#) | Wall Street Journal

[CFPB Moves to Conform Privacy Notice Rule to Legislation](#) | ABA Banking Journal

[Debt Collection Complaints Decline in CFPB's Monthly Snapshot](#) | ACA International

DERIVATIVES, COMMODITIES AND THE CFTC

[U.S. lawmakers seek more money, authority for derivatives regulator](#) | Reuters

The Commodity Futures Trading Commission would have stronger policing powers over the derivatives market, along with a boosted budget, under legislation introduced in the U.S. Congress on Wednesday.

The bill, introduced by Democrats Elizabeth Warren and Mark Warner in the Senate and Elijah Cummings in the House of Representatives, also would add new tasks to the regulator's rulemaking agenda. "The only way to make sure that derivatives can never lead to a financial crisis and taxpayer bailouts again is to put in place clearer rules and stronger oversight," Warren said in a statement.

The bill likely will fizzle in the Republican-led Congress. It could also become part of this year's election fights, as the relationship between Wall Street and Washington frequently moves to center stage in presidential and congressional campaigns.

[Bob Corker Invested With Goldman Abacus, Bet Against Housing Market in 2008](#) | ValueWalk

"The largest Wall Street banks dominate 95% of the U.S. market for derivatives, and can be expected to fiercely fight this legislation in order to protect their profits and privileged position," **Americans for Financial Reform** said in a statement describing the bill. "With this legislation, Senators Warren and Warner have shown courage and foresight in taking on this powerful lobby and standing up for the public interest."

[Warren, Warner, Cummings Introduce Legislation to Improve Derivatives Oversight](#) | Office of Senator Elizabeth Warren

[CFTC reaches too far on sweeping registration requirements and creation of a source code repository](#) | Pensions and Investments (Jason Gottlieb and Daniel Isaacs)

See Statement by [AFR](#) on proposed derivatives legislation by Senators Warner and Warren and Congressman Elijah Cummings.

DODD-FRANK (AND CONTINUED ATTACKS)

[Hensarling's Wrecking Ball to Financial Regulation](#) | The Hill (Marcus Stanley)

Jeb Hensarling, Chairman of the House Financial Services Committee, touts his Financial CHOICE Act as legislation that would hold Wall Street accountable even as it dismantled the financial reforms of the Dodd-Frank Act.

That's far from accurate. Not only would the Financial CHOICE Act demolish the new regulatory framework that builds on the lessons of the financial crisis, but it contains so many unprecedented gifts to the financial industry that it would make financial regulation even weaker than it was before the crisis.

[Banks Step Up Push to Repeal Durbin Amendment](#) | American Banker

[House passes financial services spending bill](#) | The Hill

[Why Big-Wig Financial Execs Love Dodd-Frank](#) | Forbes (Norbert Michael)

[Hensarling Bill Gives Credence to 'Capital Is King'](#) | American Banker (Stephen Miller and Chad Reese)

See Allied Progress report, "[Hensarling's Revolving Door](#)." Also see [letter](#) from AFR and [statement](#) by Leadership Conference on Civil and Human Rights.

THE ELECTION AND WALL STREET

[Wall Street Takes a Hit in Democratic Party's Platform Draft](#) | Bloomberg

Wall Street was hit hard in the latest draft of the Democratic Party's platform, which reflected the influence of Bernie Sanders by taking a sharp leftward turn from 2012 on a range of issues, from regulation and taxes to support for a \$15 minimum wage.

If provisions in the draft platform were to become government policy a transaction tax would be imposed on high frequency and speculative trading, while financial institutions could find themselves competing in the realm of basic banking services with the U.S. Postal Service.

The financial sector would face new restrictions on securities trading by commercial banks. The latter provisions are hailed in the document as a 21st-century version of the Glass-Steagall Act, the Depression-era law that separated investment and commercial banking activities -- fighting words for Wall Street. Glass-Steagall was repealed in 1999 by President Bill Clinton.

Read the Democratic Platform draft [here](#).

[Everyone hates Wall Street](#) | Washington Post (Philip Bump)

The bank bailout during the recession didn't happen because Goldman Sachs guys made big contributions to a few guys in the House; it happened because banks told people in power that if they weren't bailed out, the economy would collapse. If you had tried saying that to President George W. Bush, he probably wouldn't have believed you. When Wall Street bankers did, they got bailed out.

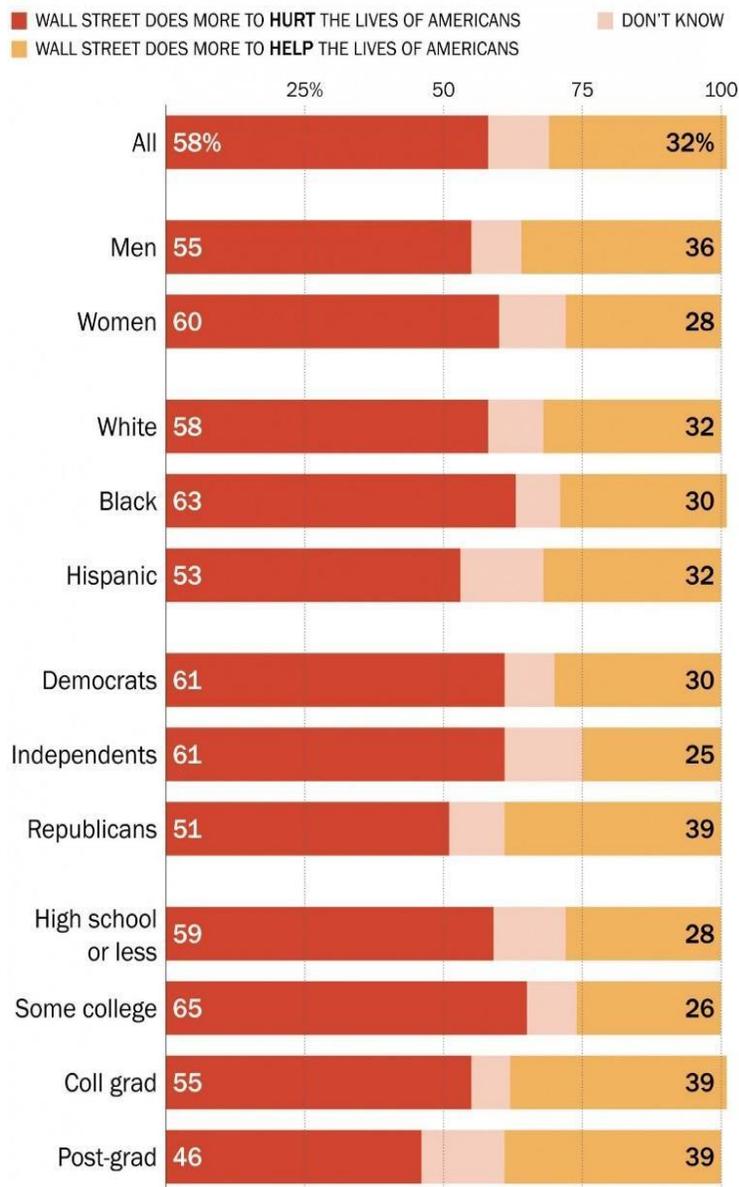
We were talking about this after the New York primary because of an interesting bit of exit poll data. A majority of Democrats told the exit pollsters that they believed Wall Street did more to hurt the economy than to help it. Perhaps more surprising, Republicans were *also* more likely to say hurt than help. This was an exit poll *in New York*, mind you, which also happens to be where Wall Street lives. (It lives in downtown Manhattan, but it also has a place in the Hamptons.)

This week, the public radio show "Marketplace" released a poll conducted by Edison Research (part of the same operation that does exit polling). That survey found that it wasn't just New Yorkers who viewed Wall Street as more harmful than beneficial; a majority of Americans in total felt the same way.

In fact, a majority of nearly every demographic group picked "Wall Street does more to **hurt** the lives of most Americans" over "Wall Street does more to **help** the lives of most Americans." More men chose hurt, more women, more white people, more black people, more Democrats, more Republicans. The only group for which a majority didn't choose *hurt* over *help* was people with post-graduate degrees -- and even then, a *plurality* picked hurt.

Which comes closer to your opinion on Wall Street?

Data from a June 2016 survey conducted for Marketplace by Edison Research.



[What the 2016 Presidential Election Means for Neighborhood Investment](#) | Next City

[Liberals listing Cabinet options for Clinton](#) | Boston Globe

[CFPB director downplays Clinton VP talk, says he will focus on consumers](#) | CNBC

EXECUTIVE COMPENSATION

[Investors Get Stung Twice by Executives' Lavish Pay Packages](#) | NY Times

[Pay-for-performance has become the 'new normal' for executive compensation](#) | Philadelphia Business Journal

[Proposed Rules for Incentive-Based Compensation at Financial Institutions](#) | Lexology

ENFORCEMENT

[Banks paid \\$178 billion in penalties and settlements since 2010](#) | USA Today

The analysis of financial industry misconduct sheds light on the extent that banks have engaged in a range of illegal activity from market manipulation to money laundering for drug cartels, said Marcus Stanley, policy director for **Americans for Financial Reform**, a consumer advocacy group.

"It says we've got a real significant culture problem and accountability problem across a really wide spectrum of major financial institutions," Stanley said. "There are six major banks that pleaded guilty to criminal cases. Dozens of banks have been involved in very large-scale civil settlements."

[Regulators use Silicon Valley's AI to catch rogue traders](#) | Financial Times

[Visa, MasterCard Drop as Appeal Upends \\$5.7 Billion Accord](#) | Bloomberg

[Bancorp South to pay \\$7 million to redlining victims](#) | Consumer Affairs

[Texas 'Frack Master' bilked investors out of millions, SEC says](#) | Reuters

THE FEDERAL RESERVE

[GOP banking chair: Fed just 'one more Obama bureaucracy'](#) | Washington Examiner

HEDGE FUNDS AND PRIVATE EQUITY FUNDS

[Private Equity Funds Balk at Disclosure, and Public Risk Grows](#) | NY Times (Gretchen Morgenson)

It began last year as a promising [push](#) by a few states to require [private equity](#) firms that invest on behalf of public pension funds and university endowments to be more forthcoming. But the effort has hit a wall as bills in California and Kentucky intended to shed light on fees and practices at these powerful firms have been either killed or watered down.

One of the bills proposed in California would have required only modest disclosures: the publication of a handful of pages from confidential limited partnership agreements. It was shot down.

Not to be outdone, some [lawmakers](#) in the nation's capital are trying to roll back newer regulations that have given the [Securities and Exchange Commission](#) a window onto private equity practices.

This fight against transparency, it's worth noting, coincides with a series of S.E.C. enforcement [actions](#) against private equity firms. Stated simply, these cases prove that investors need more, not less, information about what their managers are up to.

[When You Dial 911 and Wall Street Answers](#) | NY Times

The business of driving ambulances and operating fire brigades represents just one facet of a profound shift on Wall Street and Main Street alike, a New York Times investigation has found. Since the 2008 financial crisis, private equity firms, the "corporate raiders" of an earlier era, have increasingly taken over a wide array of civic and financial services that are central to American life.

Today, people interact with private equity when they dial 911, pay their mortgage, play a round of golf or turn on the kitchen tap for a glass of water.

Private equity put a unique stamp on these businesses. Unlike other for-profit companies, which often have years of experience making a product or offering a service, private equity is primarily skilled in making money. And in many of these businesses, The Times found, [private equity firms applied a sophisticated moneymaking playbook](#): a mix of cost cuts, price increases, lobbying and litigation.

[A Primer on Private Equity](#) | NY Times

[How Housing's New Players Spiraled Into Banks' Old Mistakes](#) | NY Times

When the housing crisis sent the American economy to the brink of disaster in 2008, millions of people lost their homes. The banking system had failed homeowners and their families. New investors soon swept in — mainly [private equity](#) firms — promising to do better.

But some of these new investors are repeating the mistakes that banks committed throughout the housing crisis, an investigation by The New York Times has found. They are quickly foreclosing on homeowners. They are losing families' mortgage paperwork, much as the banks did. And many of these practices were enabled by the federal government, which sold tens of

thousands of discounted mortgages to private equity investors, while making few demands on how they treated struggling homeowners.

[Puerto Rico authorizes debt payment suspension; Obama signs rescue bill](#) | Reuters

[Treasury's Weiss Makes Mark Championing Puerto Rico Solution](#) | Bloomberg

[Puerto Rico Debt-Relief Bill Marks Major Win for Paul Ryan](#) | Wall Street Journal

[Activist hedge funds dial it back in first half of 2016](#) | Reuters

HIGH SPEED TRADING AND FINANCIAL TRANSACTION TAX

[Democrats Back a Trading Tax, Say Speediest Traders a Threat](#) | Bloomberg

[DNC Platform for Wall Street Speculation Tax](#) | Huffington Post

[This Hedge Fund Hopes to Use Physics to Battle Wall Street's Speed Demons](#) | Fortune

MORTGAGES AND HOUSING

[Housing Agency Overhauls Rules to Help Struggling Homeowners](#) | NY Times

A federal program that sold more than 100,000 soured mortgages to private investors at discounted prices is getting a major overhaul. Changes announced by federal housing officials on Thursday follow months of criticism from legislators and housing advocates that the buyers of the loans have not done enough to keep struggling borrowers in their homes.

The housing officials said that private investment firms buying delinquent mortgages would have to consider reducing the total amount of money owed on a mortgage as part of potential modification to make a loan more affordable. The requirement that private buyers — mostly [private equity](#) firms and hedge funds — will have to consider things like principal reduction in reworking troubled mortgages represents a significant change in a government program that began in earnest four years ago after the housing crisis.

[To fight foreclosure, NYC buying mortgages](#) | AP

[New York adopts "sweeping" new laws to tackle foreclosure problems](#) | HousingWire

[U.S. Seeks to Cut Investor Dominance in Buying Soured Mortgages](#) | Bloomberg

[Fannie Mae – Why Housing Reform Still Matters](#) | ValueWalk

[U.S. Supreme Court to weigh Miami predatory lending lawsuit](#) | Reuters

[Congressman Presses HUD to Extend Reverse Mortgages to Co-Ops](#) | Reverse Mortgage Daily

[Slowdown in Shadow Lending Tightens Credit on Main Street](#) | Wall Street Journal

See statements by [AFR](#), [National Consumer Law Center](#), and [Center for American Progress](#). Also see letter from [Leadership Conference on Civil and Human Rights](#).

INVESTOR PROTECTION AND THE SEC

[House Leaders to Vote on Crowdfunding, Angel Investing](#) | Wall Street Journal

[U.S. SEC proposes rule on transition plans for investment advisers](#) | Reuters

[Warren to SEC: Stop putting big business ahead of investors](#) | The Hill

[Nigeria: U.S. Sec Orders Oil Firms to Disclose Billions Paid to Countries](#) | AllAfrica

POLITICAL INFLUENCE OF WALL STREET AND REVOLVING DOOR

[Warren Urges Steps to Check Industry Influence on Rules](#) | Bloomberg

Warren said she supported several changes to the regulatory process, starting with disclosing all meetings between an agency and interested parties before and during the rulemaking process. Another would be to help agencies distinguish between legitimate, high-quality data and research on the one hand, and “bought-and-paid-for studies on the other” by requiring disclosure of financial arrangements associated with all industry comments.

REGULATION IN GENERAL

[Congressional watchdog expands probe of lax Wall Street oversight](#) | Reuters

[Unsafe Delays](#) | Public Citizen

RETIREMENT SECURITY & FIDUCIARY DUTY RULE

[The U.S. Department of Labor Fiduciary Rule: How Does It Affect You?](#) | IRIS

[Does your advisor meet the fiduciary standard?](#) | New Hampshire Business Review
(Stephen G. Davis)

[House spending bill includes provision to kill DOL fiduciary rule](#) | Investment News

[Law, Perez back fiduciary rule at financial literacy event](#) | MarketWatch

[Impact Analysis: DOL fiduciary rule may require multiple paths to compliance](#) | Reuters
(Manisha Kimmel)

[Edward Jones' Jim Weddle: Readying for the Future](#) | ThinkAdvisor

[DOL fiduciary rule places risk management software center stage](#) | Investment News

See [AFR statement](#) urging Congress not to override the President's veto of Congress's resolution to block the fiduciary rule.

STUDENT LOANS & FOR-PROFIT EDUCATION

[Who Got Rich Off the Student Debt Crisis](#) | Center for Investigative Reporting

A generation ago, Congress privatized a student loan program intended to give more Americans access to higher education. In its place, lawmakers created another profit center for Wall Street and a system of college finance that has fed the nation's cycle of inequality. Step by step, Congress has enacted one law after another to make student debt the worst kind of debt for Americans – and the best kind for banks and debt collectors.

Today, just about everyone involved in the student loan industry makes money off students – the banks, private investors, even the federal government.

[Students face hard choices if for-profit colleges lose an accreditor](#) | Bankrate

[Don't make students consumers – the US proves it's a recipe for disaster](#) | The Guardian (A J Angulo)

[Education Department Forgives \\$171 Million in Corinthian Student Debt](#) | Wall Street Journal

[Durbin sees 'appearance of impropriety' as Obama associates pursue for-profit university deal](#) | Chicago Tribune

[Are Obama insiders about to take over the University of Phoenix?](#) | USA Today

[Trump Institute Offered Get-Rich Schemes With Plagiarized Lessons](#) | NY Times

[Sen. Pat Toomey Downplays Link To For-Profit College With Bizarre Teachings About Women](#) | Huffington Post (Laura Bassett)

[U.S. House Bill Would Nix Year-Round Pell Grants](#) | Inside Higher Ed

[New student debt rules trigger frenzy](#) | The Hill

The proposal... would “penalize non-profit colleges and universities for circumstances that are unrelated to student outcomes and not indicative of potential risk to the federal government,” the National Association of College and University Business Officers argued in a notice to its members about the proposal...

Groups that support the rulemaking effort — including the Center for American Progress, Public Citizen, **Americans for Financial Reform**, the Debt Collective, and The Institute for College Access and Success — are concerned about protections for students.

The proposal would ban forced arbitration and gag rules for students, for example, but would allow universities to have arbitration agreements in optional paperwork. “When you consider who this rule is designed to target — schools who engage in fraud ... predatory schools are going to use that loophole to maybe give students a contract that maybe says in the fine print, ‘This is an optional contract, you do not need to sign these to enroll,’ ” said Public Citizen’s Julie Murray.

SYSTEMIC RISK

[Bank of America, Citi Trade Stress for Higher Payouts](#) | Wall Street Journal

[Stress Test Inc.: Billions of Dollars, Bank Consultants to Manage Other Consultants](#) | Wall Street Journal

[Fed Extends Deadline for Banks to Shed Certain Investments Under Volcker Rule](#) | Wall Street Journal

[NY watchdog rolls out relaxed regs for insurance companies](#) | New York Post

“What people don’t understand about the life insurance business today is that a major part of these guys’ business is selling investment products,” Marcus Stanley, policy director at **Americans for Financial Reform**, told The Post.

[Active state regulatory body relaxes standards for insurers in major industry hub](#) | Insurance Business America

[Mega-Banks Are Still Too Big](#) | Public Citizen

[GE Capital Is No Longer Too Big To Fail](#) | Forbes

[Dodd-Frank backers heap praise on GE Capital decision](#) | The Hill

[Hotel California: FSOC Edition](#) | American Action Forum

[Dark days flag up challenges for Deutsche Bank](#) | Financial Times

[Rick Santelli reveals biggest risk to the market](#) | CNBC

“TAKE ON WALL STREET” CAMPAIGN

[Platform for Wall Street Tax](#) | Inequality.org (Sarah Anderson)

Then Bernie Sanders brought the issue into the center of the primary debates. The tax became a pillar of his Wall Street reform plan and he rarely missed a chance to raise it in his stump speeches. By linking the tax to the need for additional revenue to fund free higher education at public universities, Sanders made the tax even more popular.

Where will it go from here? The platform committee will assemble one final time in Orlando to put the final touches on the platform before it comes up for a vote at the party's national convention in Philadelphia in late July. A recently formed **Take On Wall Street** campaign made up of dozens of labor, consumer, and other groups aims to keep up the heat and ensure the position in support of the tax is not stripped from the final document.

[This Big-Name Donald Trump Supporter Has Been Terrible for the Middle Class](#) | Fortune (Michelle Celarier)

Donald Trump's presidential campaign has capitalized on the anger of working-class Americans, whose incomes, benefits and job prospects have fallen over the past three decades. But a new report from Hedge Clippers and **Take on Wall Street**, union-backed activist groups that target the finance industry, says that one of Trump's most public backers, and one Trump regularly mentions, billionaire investor Carl Icahn has a history of treating workers poorly.

The supporting evidence: Icahn's investments have resulted in the loss of more than 35,000 jobs in major U.S. industries as well as the elimination of pensions or health benefits for more than 126,000 American families, concludes the report, which Fortune has exclusively obtained. The report is scheduled to be released on Wednesday.

[Senator Warren Leads Coalition to Expand Scope of Limitations on Executive Compensation Tax Deductions](#) | National Law Review

[Labor Roundup](#) | Community Word

TRADE

[Brexit Vote Sparks U.S. Fears Over Transatlantic Regulation](#) | Financial Times

OTHER TOPICS

[A banker's-eye view out of OCC's innovation conference](#) | BankingExchange

OCC is seriously debating the pros and cons of a separate, limited-purpose, fintech national charter. Representatives of the agency speaking at the forum seemed almost perfectly split on this.

Some didn't want to expand the agency's current mission and just wanted to concentrate on placing the pressure on banks to be responsible. Others wanted to expand the current charter to include more fintech issues and greater risk. And some wanted a set of defined special charters. Possibilities include payments, marketplace lending, and more.