This Week in Wall Street Reform | Jan. 21 - 27, 2017

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TRUMP ADMINISTRATION & WALL STREET

Big Bank Executives Have Sold $100 million in shares since election | Wall St Journal
Executives at some of the biggest Wall Street banks have sold nearly $100 million worth of stock since the presidential election, more than in that same period in any year over the past decade, according to a Wall Street Journal review of securities filings.

The share sales occurred as financial stocks soared since Nov. 9 on expectations of lighter regulation, lower taxes and pro-growth economic policies. The KBW Nasdaq Bank index is up nearly 20% since Donald Trump's victory, about triple the gains notched by the broader market.

At Morgan Stanley, Chief Executive James Gorman sold shares three days after the presidential election, the first time he has done so in six years.

Mr. Gorman exercised options on 200,000 Morgan Stanley shares and sold them all at an average price of $37.70 each, filings show. He sold another 100,000 shares later the same month as the stock surged on the back of Mr. Trump's victory, and disposed of a further 285,000 late last week. Altogether, the Morgan Stanley boss realized a profit of at least$8.4 million after taking into account the cost of exercising underlying options.

Trump Moving to Fill Blanks in Financial and Economic Rosters | Wall St Journal
President Donald Trump's aides are moving to fill in some important remaining blanks in his financial and economic lineups, eyeing a crisis-era Treasury Department official to become a top banking regulator, and a banker-turned-lawmaker for the No. 2 job at the Treasury.
David Nason, a Treasury official under President George W. Bush who now leads GE Energy Financial Services, has emerged as the front-runner for the top bank oversight job at the Federal Reserve, according to people familiar with the matter.

Meanwhile Rep. French Hill, a Republican congressman from Arkansas who once ran a small bank in his home state, is under consideration for Deputy Treasury Secretary, people familiar with the matter said. He would serve under Steven Mnuchin, whose nomination as secretary awaits a Senate confirmation vote. And Gary Cohn, director of Mr. Trump's White House National Economic Council, is said to be close to naming three top staffers.

All told, the crop of potential appointees points to a reemergence of several officials from the second term of the George W. Bush administration.

[Goldman Sachs execs go from 'persona non grata' to White House insiders](#) | Washington Post
Few companies have benefited more from the record-breaking surge in stock prices since the election of President Trump than Wall Street giant Goldman Sachs.

The big bank's' stock price is up nearly 30 percent since early November, helping boost the closely-watched Dow Jones industrial average above 20,000 points for the first time on Wednesday. It reported a $7 billion profit for 2016 and industry analysts widely expect the firm to see profits rise further as Trump and his appointees, including several Goldman Sachs alums, work to roll back regulations put in place to rein in Wall Street after the financial crisis.

Among them is Steven Mnuchin, a 17-year veteran of the bank, who has been nominated to be treasury secretary ("I think of myself as a regional banker, not Goldman Sachs," Mnuchin told a Senate committee last week), and Stephen K. Bannon, Trump's chief strategist,who worked on mergers and acquisition deals. Anthony Scaramucci began his career at the New York bank and has emerged as one of Trump's closest advisers. Dina Powell, who ran Goldman Sachs' philanthropic efforts, has been appointed assistant to Trump and senior counselor for economic initiatives.

Citigroup Lawyer Helps Trump Pick Bank Regulators, Returns to Bank | Huffington Post
Sometimes the revolving door spins fast. Before President Donald Trump was inaugurated, Julie Lindsay, a top lawyer at Citigroup, was working for the president-elect to fill key posts at agencies that are supposed to oversee banks — including the Consumer Financial Protection Bureau, the agency that's the brainchild of bank foe Sen. Elizabeth Warren (D-Mass.).

Now, Lindsay is back at work at Citigroup, a spokeswoman for the bank told The Huffington Post on Wednesday.

Lindsay, a managing director at Citi, had been working on the Trump transition, gathering information about the policy direction and potentially drawing up lists of political appointees to serve at the governing body of the Federal Reserve, at the Consumer Financial Protection Bureau, and on the Treasury Department's Financial Stability Oversight Council. The FSOC is made up of regulators from various agencies and monitors the financial system and has broad powers to take action to ensure its stability — such as breaking up big banks like Citigroup if they become too risky. A Citi spokesman declined to say if Lindsay was paid by the bank while she was working on the transition.

Trump, GOP Allies Aim to Kill Dodd-Frank by Year's End | Law 360

Trump Pledges to cut taxes and regulation 'massively' | Politico

Trump's Regulatory Moratorium has Little Impact for Financial Regulation | Davis Polk

Lacking Leadership, U.S. Financial Regulators Could be in Slo-Mo for a While | NY Times
Wall Street firms waiting for President Donald Trump to usher in a new era of deregulation may have to wait a significant while longer. The agencies expected to unwind financial rules are so strapped for leadership they may not be able to get much done until they staff up.

Nearly every major financial regulator currently has significant leadership gaps, in part because the Republican-dominated U.S. Senate has been reluctant to approve nominations that were made by former President Barack Obama, a Democrat.

Those openings could give Trump, a Republican, opportunities to rewrite regulations for banks, securities traders, brokers, and others. But it also could slow any attempts to overhaul Wall Street oversight that have to work their way through agencies that may be deadlocked or thinly staffed. The recently inaugurated president has frozen all regulation-writing in agencies that report to him but that does not apply to independent agencies, forcing him to work with them on some major rule changes.

Unraveling Trump's 'Two-for-One' Regulatory Reform Plan | Reg Blog

Trump aims to cut regs by 75 percent, Issues Federal Hiring Freeze | The Hill

How Trump and GOP might tackle Obama's 'midnight regs' | The Hill

The Trump Administration's Regulatory Reform Options | Reg Blog (Griffin Davis)

Why less regulation often means more regulation | The Hill
In the planned turn away from regulatory federalism – the dominant historical trend since the New Deal – it seems likely many states will deem it necessary to step up and fill the resulting "regulatory void."

The Quiet GOP Campaign Against Government Regulation | The Atlantic
The shorter and easier-to-read of the two bills is called the "Regulations from the Executive in Need of Scrutiny Act of 2017," or REINS Act, which passed the House in early January. If enacted, no agency could issue a new regulation unless it amended or repealed some other rule or rules "to completely offset any annual costs of the new rule to the American economy." In other words, if implementing a new safety rule imposes costs on the economy of $10 million per year, then the agency would have to rescind enough existing rules to offset those costs fully. But—and this is significant—it must do so even if the social benefits of the new regulation, say, $50 million in annual savings from reduced health-care costs, far outweigh the costs of rule compliance. This is cost-benefit analysis without due attention to the benefits.

Arguably even more consequential is a requirement in the REINS Act that any regulation that falls under the category of a “major rule” would not go into effect at all unless Congress adopted a subsequent statute specifically approving the rule.

The cross punch in this one-two sequence is the yet-more-complex proposal for the “Regulatory Accountability Act of 2017,” or RAA, some form of which has been a staple of the ultraconservative Republican wish list for decades. Its basic thrust is to load the rulemaking process with so many additional preliminary procedural requirements as to make an already cumbersome process interminable. It passed the House on January 11.

Trump, Pence tout regulatory changes to ease lending | Politico

A GOP Regulatory Game Changer | Wall St Journal (Kimberly Strassel)

Paul Ryan Told Lawmakers Financial Deregulation a Top Priority | Wall St Journal

White House orders ‘immediate regulatory freeze’ | Politico

Trump Appears to Kill Obama’s Ethics Rule | International Business Times

NOMINATIONS

New Mnuchin pay Disclosure Shows a $5.6 Million Payout I Wall St Journal
During his final 15 months as a banker, Treasury Secretary-nominee Steven Mnuchin earned around $5.6 million in wages, bonus and incentive compensation, according to pay disclosures related to his confirmation process.

That is well below what Wall Street chieftains make, but still generous in comparison to executives at other regional banks, executive-compensation specialists said. Despite his Goldman Sachs Group Inc. pedigree, Mr. Mnuchin in his confirmation hearing described himself as a regional banker, the role he held in recent years.

Earlier disclosures from CIT Group Inc. of Mr. Mnuchin’s compensation only covered a five-month period in 2015. The new disclosures, released earlier this month by the Office of Government Ethics, cover his pay for seven months spent as chief executive of the parent company of OneWest Bank and eight months as vice chairman of CIT.

Mnuchin Lied About Bank’s History of Robo-Signing Foreclosure Docs I The Intercept
Steven Mnuchin lied in his written responses to the Senate Finance Committee, claiming that “OneWest Bank did not ‘robo-sign’ documents,” when ample evidence proves that they did. Mnuchin ran OneWest Bank from 2009 to 2015 in a manner so ruthless to mortgage holders that he has been dubbed the “Foreclosure King” by his critics.

The robo-signing scandal involved mortgage companies having their employees falsely sign hundreds of affidavits per week attesting that they had reviewed and verified all the business records associated with a foreclosure — when in fact they never read through the material and just blindly signed off. Those records, in many cases, were prepared improperly, but the foreclosures went ahead anyway because of the fraudulent affidavits.

Senator Demands Mnuchin Tell the Truth about Robo-Signing I The Intercept
Senator Bob Casey (D-PA) has angrily responded to treasury secretary nominee Steven Mnuchin's false responses to questions submitted for the record to the Senate Finance Committee, stating that Mnuchin's "answers to basic questions are at war with facts." The Intercept called attention to those responses on Wednesday.

Casey had asked Mnuchin if OneWest Bank, which Mnuchin led from 2009 to 2015, engaged in "robo-signing" — a process by which employees rapidly signed off on affidavits and other documents in foreclosure cases without proper reviews, creating false evidence submitted to courtrooms and county offices.

Mnuchin claimed that OneWest did not robo-sign documents, despite abundant evidence to the contrary, including an admission of guilt from a OneWest employee in a 2009 deposition. "This seems to be part of a pattern with Mr. Mnuchin," Casey said in a statement emailed to The Intercept.

The senator referred to a question he asked during Mnuchin's confirmation hearing, where the nominee stated that OneWest engaged in 100,000 home loan modifications. However, this number, taken from a 2013 Treasury Department report, refers only to "trial plan offers extended" under the Home Affordable Modification Program, or HAMP. "The true number wasn't even close to that," Casey said correctly; as of the 2013 report, only about 36,000 of those modifications were even active, and that doesn't count loans that later re-defaulted.

Treasury Nominee Is a Disaster Profiteer | Take On Wall Street

Mnuchin Backs Fed Independence and Signals Reform Isn't Priority | Bloomberg

Trump cabinet nominee Steven Mnuchin is also registered to vote in two states | CNN

Issues of Riches Trip Up Steven Mnuchin and Other Nominees | NY Times

At Mnuchin Hearing, an Offer of Valium | NY Times (video)

Sparks woman loses home at hands of Trump's treasury Secretary Nominee | News 4
When Heather McCreary saw President Trump's nomination for Secretary of the Treasury, she immediately recognized the name, Steven Mnuchin.
It's the same name she saw on paperwork from OneWest Bank when she was trying to get a loan modification on her home…

Despite three applications, Mnuchin's OneWest Bank foreclosed on their home. They had 30 days to get out, with poor credit and nowhere to go. "It's completely devastating. It's shameful, embarrassing." McCreary said she buried those feeling for seven years, "and it all just came up three weeks ago when I heard that Steven Mnuchin was going into Secretary of Treasury. It all came back."

Mnuchin says Bank Regulation Should be Tailored to Activity | Wall St Journal

Gary Cohn's Goldman Exit Tops $100 Million |Wall St Journal
Goldman Sachs Group Inc. said Gary Cohn will receive more than $100 million of stock and cash that would otherwise have been locked up for years as he leaves Wall Street firm for a role in the Trump administration.

Baldwin, Cummings blast Cohen's payout from Goldman | Politico

OCC's Curry Well Regarded by Both parties, Renomination Possible | Wall St Journal (Rachel Witowski)
As Donald Trump considers whom to tap to head the national bank regulator, he has a somewhat unorthodox option—the man already in the job. Comptroller of the Currency Thomas Curry's five-year term ends in April, but the incoming president has the ability to tap him for another term.

Many observers expect Mr. Trump to continue picking Washington outsiders, and the fact that Mr. Curry was appointed by a Democratic president might pose a challenge to his renomination. However, Mr. Curry also has an advantage in his tenure as a lifelong regulator who revamped the Office of the Comptroller of the Currency when he took its helm after the financial crisis. As comptroller, he set new standards on banks' governance and risk management and is now in the process of ramping up affordable housing exams.

Rep. Mulvaney is the Wrong Choice for OMB–Two Constituents Say Why | AFR Blog

Mick Mulvaney: What to Watch | Politico

CONSUMER FINANCE & THE CFPB

A former bank CEO named his boat 'Overdraft.' | Washington Post
That's only one of the ways that bank employees celebrated the money they made from overdraft charges, according to a lawsuit filed Thursday by the Consumer Financial Protection Bureau against TCF National Bank.

The government's consumer watchdog alleges that lofty sales goals drove the Minnesota-based bank to mislead hundreds of thousands of consumers into signing up for overdraft services. Consumers typically face overdraft charges of about $35 when they use their debit cards to spend more money than they have in their accounts. Federal rules put in place after the financial crisis prohibit banks from charging the fees on debit purchases or ATM withdrawals unless consumers opt in to the program. But the CFPB alleges that TCF violated those rules.

Citi Mortgage Units Fined $28.8 million | CNN
"Consumers were kept in the dark about their options or burdened with excessive paperwork," said CFPB Director Richard Cordray, in a release on Monday. "This action will put money back in consumers' pockets and make sure borrowers can get help they need."

Democrats are Spoiling for a fight over the CFPB | American Banker
Democrats and progressive groups have drawn a line in the sand over Consumer Financial Protection Bureau Director Richard Cordray, hoping to capitalize on the successful march on Washington this past weekend to rally support for him and his agency.
They are trying to convince President Trump not to attempt to fire Cordray or, failing that, be ready to push back if he does seek to do so.

Roughly 500 advocacy groups across the U.S. are poised to rally their supporters if Trump fires Cordray, said Gynnie Robnett, a campaign director at **Americans for Financial Reform**.
The groups are motivated by the prospect that Trump would replace Cordray with a Republican director who opposes the agency and would gut the CFPB's proposals on arbitration, payday lending and debt collection.

Attorneys General Seek to Defend CFPB | Politico
Seventeen Democratic attorneys general are seeking to intervene in a lawsuit challenging the constitutionality of the CFPB.

AG Jepsen Leads Coalition Seeking to Intervene, Defend CFPB | Office of George Jepsen

Cordray defends 'vigorous enforcement' | Politico

Citigroup Units Settle CFPB Mortgage Servicing Claims for $28.8 Mill | Wall St Journal

Cordray says CFPB will Continue Enforcement Mandate | Wall St Journal
Consumer Financial Protection Bureau Director Richard Cordray said the watchdog would continue enforcement of existing consumer-protection rules at a steady and vigorous pace, and the arrival of the Trump administration "shouldn't change the job at all."

"It's important to keep in mind that we are a law enforcement agency," Mr. Cordray said in an interview at a WSJ Pro Financial Regulation event on Tuesday. "That's an important part of what we do, and it…has to be kept separate from partisan politics." After filing enforcement actions at an unusually fast clip since December, Mr. Cordray said the bureau still had some major lawsuits pending.

Don't Fire the Consumer Watchdog | The Hill (Michael Barr)
The Trump administration has a chance to keep faith with the American public by resisting strident calls from big money interests and some in Congress to fire Director Richard Cordray and weaken the Consumer Financial Protection Bureau (CFPB).

Don't Let Congress Kill Consumer Protection | Athens Banner-Herald (Orson Aguilar)
The financial lobby has never liked the CFPB, and the lawmakers who do lobbyists' bidding see this as their chance to kill it. Even if financial reform isn't completely dismantled, they've floated other proposals to weaken these vital protections, ranging from firing the bureau's outstanding director, Richard Cordray, to taking away CFPB's independence and putting it under the thumb of members of Congress – who get very large campaign contributions from Wall Street.

If this happens, we'll all get hurt and the U.S. economy will be in danger of another crisis. Please take a moment to ask your member of Congress to preserve the Consumer Financial Protection Bureau as a strong, independent agency.

CBC to Trump: Keep Richard Cordray | The Hill

Five big arguments against a move to fire Cordray | AFR Blog
Lobbyists for big Wall Street banks and predatory lenders are pushing the Trump Administration to fire CFPB Director Richard Cordray, and they're telling reporters it's a done deal. They're hoping their spin will make it so.

Sen. Brown, Rep. Waters wants to defend CFPB in D.C. Circuit Court | Reuters
Senator Sherrod Brown of Ohio and Representative Maxine Waters of California filed a motion Thursday to intervene in the Consumer Financial Protection Bureau's defense of the constitutionality of its one-director structure. Brown and Waters argue that if the Trump administration fires CFPB director Richard Cordray or otherwise drops the agency's case at the District of Columbia U.S. Circuit Court of Appeals, they have a sufficiently concrete interest to forge on with the litigation because they are the ranking Democrats on the congressional committees overseeing financial institutions.

Brown and Waters, who are represented by the Constitutional Accountability Center, said they want to assure that the CFPB, which was established in the Dodd-Frank financial reforms, gets all of judicial consideration it is entitled to, all the way up to the U.S. Supreme Court. As legislators who voted for the CFPB to be structured as an independent agency, they said, they face the prospect that their votes will be nullified unless they are allowed to step in on behalf of the agency.

Top Dems, Advocacy Groups Join Defense of CFPB in D.C. Circuit | National Law Journal
A coalition of consumer advocacy groups, including **Americans for Financial Reform** and the Center for Responsible Lending, also moved to intervene Thursday, just days after more than a dozen state attorneys general took a similar step. "We are committed to protecting the CFPB's independence, which is essential to stopping Wall Street and predatory lenders from fleecing American consumers. Director Cordray has been an effective and tireless leader of the CFPB and should serve his full five-year term without the threat of removal by Trump at the behest of industry lobbyists," said Lisa Donner, executive director of **AFR**, in a statement.

Consumer groups file motion supporting CFPB in court battle | Consumer Affairs
Since its founding in 2010, the CFPB director has been Richard Cordray, formerly the attorney general of Ohio. He has generally received high marks from consumer groups, but his aggressive policies have created many enemies in the financial services sector.
Consumer advocates say Cordray has returned billions of dollars to consumers and reined in abusive banks, lenders, and debt collectors.

"Cordray has been an effective and tireless leader of the CFPB and should serve his full five-year term without the threat of removal by Trump at the behest of industry lobbyists," said Lisa Donner, Executive Director of **Americans for Financial Reform**.

Consumer Advocates, 17 States, Defend CFPB in Court if Trump Won't | Consumerist
Finally, the third intervention offer [PDF] came from a coalition of consumer advocates, including **Americans for Financial Reform**, the Center for Responsible Lending, and the U.S. Public Interest Research Group.

CFPB's defenders mount legal challenge on agency's behalf | Politico
Consumer advocates and congressional Democrats are seeking to mount their own legal defense of the CFPB amid fears that President Donald Trump will weaken the agency or betray it in court.

The Constitutional Accountability Center asked the U.S. Court of Appeals in Washington for permission to intervene in a case on behalf of Senate Banking Committee ranking member Sherrod Brown and House Financial Services Committee ranking member Maxine Waters.

In a separate filing, **Americans for Financial Reform**, the Center for Responsible Lending, Self-Help Credit Union, The Leadership Conference on Civil and Human Rights, U.S. Public Interest Research Group and Maeve Elise Brown, chair of the CFPB Consumer Advisory Board, also sought to be heard in the case.

Consumer Advocates Join Fight to Protect the CFPB in Court | U.S. PIRG

See joint statement: **Consumer Advocates Join FIght to Protect CFPB in Court**

Democratic State AGs Move to Defend Consumer Watchdog | NY Times

Schumer to Trump: Don't fire the Consumer Agency's Head | Reuters

CFPB fights to end financial discrimination. We must fight for it. | The Hill

How Washington will Decide Consumer Watchdog's Fate | The Hill

Federal Agency in Charge of Protecting Consumers is Threatened | Think Progress
They've gone to court to fight every flavor of modern highwayman, from payday loan companies, abusive debt collectors and for-profit college frauds to petty scammers who loot payouts from lead poisoning victims. They've fought through sabotage every step of the way from Wall Street-backed politicians determined to undermine their independence.
And for over five years, the Consumer Financial Protection Bureau (CFPB) has danced between the raindrops, uncovering proof of nickel-and-dime scams, writing new rules to derail them, and winning about $12 billion for wronged soldiers, taxpayers, and students.

But now the agency that protects Americans from financial predators big and small is facing the same unpredictably bleak future as its older, slower colleagues in the federal public service sector. President Donald Trump is the biggest threat to the CFPB's hard-won autonomy to date. "Obviously at some point a Trump nominated successor will take office," **Americans for Financial Reform's** Brian Marshall said in an interview. "There are tons of people who are my ideological opposite or who are bank people who are saying we've gotta get Trump to fire him. That's a wishlist item, but there's not a lot of evidence that that's a power anybody in this new world has."

Court rules CFPB can investigate tribal payday lenders | American Banker
Native American tribal lenders that market small-dollar and installment loans can be investigated by the Consumer Financial Protection Bureau, a California appeals court ruled Friday in a victory for the consumer agency.

A panel of the Ninth Circuit Court of Appeals found that the online lenders Great Plains Lending, MobiLoans and Plain Green, which offer payday and installment loans, must comply with civil investigative demand issued by the CFPB.

The court upheld a lower court ruling that tribal businesses are covered by the Consumer Financial Protection Act and that Congress did not expressly exclude Indian tribes from the CFPB's enforcement authority.

Consumer Agency's Military Unit Delivers | CFA
This month, Holly Petraeus concluded her appointment as the founding leader of the Consumer Financial Protection Bureau's Office of Servicemember Affairs. The consumer agency's military protection unit has worked to secure $120 million in refunds for military families with mortgages, credit cards, student loans, and other financial products. The agency has also handled more than 70,000 complaints from military families and visited 145 military installations and units.

CFPB Director Richard Cordray tasked Petraeus, a nationally-recognized expert on financial issues faced by military families, with launching an office charged with coordinating consumer protection efforts across the government, monitoring complaints, and launching financial education initiatives. A longtime military family advocate, Petraeus is also the daughter, sister, wife, and mother to members of the military.

"For every American who is active-duty, a veteran, Guard, or Reserve, Holly Petraeus always had your back," said Rohit Chopra, a CFA Senior Fellow who served alongside Petraeus as an Assistant Director of the CFPB. "Petraeus leaves a legacy that will ensure the consumer agency will maintain its sharp focus on safeguarding the financial lives of military families for years to come."

Professor Brings Another Take on Payday Lending | Washington Examiner

Here's Another Way Wells Fargo Took Advantage of Customers | ProPublica

At Wells Fargo, Bank Branches Were Tipped Off to Inspections | Wall St Journal

INVESTOR PROTECTION AND THE SEC

Republicans Move to Kill Extractive Anti-Graft Rule | Wall St Journal
Congressional Republicans are planning to kill a U.S. Securities and Exchange Commission rule on oil, gas and mining companies that experts say prevents corruption in the resource sectors.

The rule, which was established by the Dodd-Frank Act, requires oil, gas and mining companies to disclose the payments they make to foreign governments for things such as licenses and permits needed for development. Activists and industry observers have said for years such payments can be used to hide bribes to secure business. The rule is set to go into effect in 2018; its first iteration was killed off in a lawsuit filed by the oil industry, and the SEC later rewrote it after a nonprofit sued to force the agency to act.

Yahoo Faces SEC Probe Over Data | Wall St Journal

SEC fines Citigroup, Morgan Stanley over forex trading program | Reuters

MORTGAGES, FORECLOSURES, & HOUSING

Trump Administration Suspends Insurance Cut for Risky mortgages | Wall St Journal
Less than an hour after Donald Trump became U.S. president, the new administration said it was suspending a recent move to lower charges for borrowers on a risky mortgage backed by the government.

The step is the first sign of what is likely to be a changing landscape for housing finance under the new administration. Republicans have long been wary of the government's role as the major backer of mortgages being originated in the U.S. since the housing bust, arguing too much risk has shifted from the private markets to taxpayers.

The Department of Housing and Urban Development announced Friday that it was suspending a recently announced reduction to annual mortgage insurance premiums. This effectively ended an attempt by the departing Obama administration to lower costs for certain mortgage borrowers.

Earlier in January, the Federal Housing Administration, a unit of HUD that provides insurance on mortgages to home buyers who have small down payments and often lower credit scores, said it was reducing mortgage premiums by a 0.25 percentage point on most new FHA mortgages beginning on Jan. 27. The move was largely welcomed by FHA mortgage lenders, who expected the reduction to result in a boost to mortgage-origination volume.

But the announcement was met by quick resistance from Republicans, who said the reduction was putting taxpayer money at risk.

Trump blocks FHA plan to cut mortgage fees | Politico

No 'joke': SocGen admits fault, pays $50 million in U.S. fraud case | Reuters
Societe Generale (SOGN.PA) agreed to pay a $50 million civil fine and admit to misconduct to settle U.S. claims that it fraudulently concealed from investors the poor quality of residential mortgage-backed securities it marketed and sold.

In a statement on Friday, the U.S. Department of Justice said the French bank concealed problems in a $780 million debt issue it arranged in 2006, and which has since left investors with "significant losses" that may grow further.
The debt issue, SG Mortgage Securities Trust 2006-OPT2, was backed by subprime loans from Option One Mortgage Corp, then a unit of tax preparer H&R Block Inc (HRB.N).

Societe Generale admitted to concealing how many of the loans were not underwritten properly and should not have been securitized, and that no borrowers owed more on their loans than their homes were worth.

Blackstone Wins Fannie's Backing for Rental Home Depot | Wall St Journal
Fannie Mae is backing debt from Blackstone Group LP's investment in single-family homes, offering an important endorsement to Wall Street's expanding business of owning and renting houses. The government-controlled mortgage-finance company said it would guarantee up to $1 billion in debt from Blackstone's Invitation Homes Inc., which owns the country's largest pool of rental homes.

Fannie Mae's involvement signals a belief that homeownership will remain out of reach for many Americans. Homeownership has declined since the housing crisis amid stricter lending standards, mounting student debt, and potential buyers whose savings and credit diminished during the recession. Last year, the homeownership rate reached its lowest level in at least 50 years, according to U.S. Census Bureau data.

Deutsche Bank fails to end BlackRock, Pimco mortgage debt lawsuit | Reuters
A U.S. judge on Monday narrowed but refused to dismiss a lawsuit seeking to hold Deutsche Bank AG liable to investors, including dozens of portfolios from BlackRock Inc and Pacific Investment Management Co, for losses on poorly underwritten residential mortgage-backed securities.

Foreclosure Prevention Returns to the Unknown | NY Times
After an eight-year run, a troubled government effort to prevent foreclosures and keep struggling borrowers in their homes came to an end last month. What happens next will be a Trump-era laboratory experiment in how financial services companies conduct themselves when the regulatory fetters are loosened.

RETIREMENT SECURITY & FIDUCIARY DUTY RULE

Regulation-slashing Trump declares open season on suckers | Reuters (James Saft)
One new regulation which is likely to be de-fanged if not derailed is the Department of Labor's fiduciary rule, which had been scheduled to take effect in April. Reports have said it may be the subject of an executive order as early as this week.

Already the target of more than one unsuccessful legal challenge from industry, the fiduciary rule would require financial advisors who give investment advice for retirement accounts, like Individual Retirement Accounts and 401k vehicles, to be subject to a fiduciary standard. A fiduciary standard, the single strongest such of its kind, means that advisors must act solely in the client's best interest.

The lower standard is a cash cow: the Obama administration estimated that conflicts of interest between advisors and clients left savers about $17 billion per year worse off, lowering annual returns by about 1 percentage point.

Fiduciary Rule Under Fire Under Republican Administration | Chicago Tribune

Trump order to delay DOL Fiduciary Rule Said to Be Coming | ThinkAdvisor

Four Ways to Protect Yourself from bad Retirement Advice in the Trump Era | Forbes
As the Trump Administration gets going, don't expect his new cabinet to be much interested in individual investor protection. By filling key positions with Wall Street types, the insurance and brokerage industry may once again be smiling all the way to the bank.

There's little reason to believe that the progress of the Dodd-Frank law or the Department of Labor's "fiduciary" rule will survive, either. They may be out the door as the GOP and Trump officials try to turn back the clock.

That means you need to be more vigilant than ever in dealing with financial advisers. According to a recent report by the Consumer Federation of America and **Americans for Financial Reform**, brokers may be deceiving investors and not fully disclosing that they are generally salespeople that don't have your best interests at heart.

Consumer Lobby Thinks BDs Misrepresent Themselves | Financial Advisor
Prominent consumer advocate groups are telling the public there’s a mismatch between how financial firms market themselves to clients and how they describe themselves in legal challenges to the DOL rule.

In a white paper released Jan. 19, the Consumer Federation of America and **Americans for Financial Reform** complain that in marketing material broker-dealers call their registered representatives “financial advisors.” But the industry that has launched legal challenges to the Department of Labor’s fiduciary rule — on behalf of broker-dealers — characterizes those same reps as salespeople.

Morgan Stanley to Reduce Wealth Fees Even With Rule Uncertainty | Bloomberg
Morgan Stanley, one of the biggest U.S. brokerages, said it plans to move ahead with client-friendly changes designed to comply with federal rules despite uncertainty over whether the regulation will be implemented.

STUDENT LOANS & FOR-PROFIT EDUCATION

For-Profit College Story: Scandal, Regulate, Forget, Repeat | Century Foundation
The exact same pattern of behavior by owners of for-profit colleges created similar, major damage before. Not once. Not twice. But at least three times: after the first GI Bill in the 1940s and 1950s; when soldiers returned from Vietnam in the 1970s; and with the expansion of federally guaranteed student loans in the 1980s.

The history of federal college aid is one that involves both expanding opportunity for millions of people but also epidemics of abuse that hurt hundreds of thousands. Every regulation implemented to rein in the abuses has a deep history of what prompted it, why it was drafted the way it was, and, in some cases, how it went wrong.

Today, TCF is launching a series examining that history, starting with an essay about the scandals that plagued the post-World War II GI Bill and the reform efforts in Congress and the Truman administration. That story is told by David Whitman, a former speechwriter for Secretary of Education Arne Duncan.

Programs at 4 Central Ohio Institutions Could Lose Federal Student Aid | Columbus Dispatch

Student-Loan Servicer navient Sued by CFPB | Philly Mag

SYSTEMIC RISK

Banks see path to ease Volcker rule in Mnuchin Testimony | Politico
Treasury secretary nominee Steven Mnuchin told lawmakers at his Senate confirmation hearing that he supported the controversial bank proprietary trading ban known as the Volcker rule. But some in the finance industry think what he really did was outline a way to scale it back.

They argue that, rather than standing behind the rule as it has been implemented through the 2010 Dodd-Frank law, Mnuchin signaled a simple path for Congress to ease its restrictions, which bankers and congressional Republicans have criticized as detrimental to markets.

How? By exempting speculative trading in bank affiliates that sit outside of a lender's operations backed by the Federal Deposit Insurance Corp. Mnuchin told the Senate Finance Committee at the Jan. 19 hearing that "the concept of proprietary trading does not belong in banks with FDIC insurance." He said the rule should be revisited to address concerns about its impact on market liquidity.

Trump Treasury Nominee Wants to Loosen Limits Under Volcker Rule | NY Times

How a financial council Republicans loathe could work in their favor | Wall St Journal
Republicans have for years trashed a powerful regulatory committee born after the financial crisis as too political, opaque, and overreaching. But once a GOP administration takes control of the panel, they may find its broad remit useful in quickly scaling back Obama-era policies.

The Financial Stability Oversight Council, a group of 15 state and federal officials, was created by the 2010 Dodd-Frank financial overhaul law as a single entity watching the health of the full financial system—something some felt was missing in the crisis.

It is chaired by the Treasury secretary. The two men who have held that post under President Barack Obama have used its authority to expand oversight of big non-banks from insurers to investment funds. President-elect Donald Trump’s choice to fill the job, former Goldman Sachs Group Inc. executive Steven Mnuchin, has criticized Dodd-Frank, and could reverse the committee’s agenda.