AFR Americans for Financial Reform Education Fund

This Week in Wall Street Reform | Nov. 4- 10

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THE TRUMP ADMINISTRATION, CONGRESS & WALL STREET

The Finance 202: Voters Send Mixed Messages On Wall Street Regulation | Washington Post
Rion Dennis, legislative and advocacy strategist for Americans for Financial Reform, argues the party's compass is set toward taking a hard line on the sector. "If you get on the wrong side of Wall Street reform, you get all sorts of blowback from all quarters of the Democratic party, something you saw with members who supported the partial rollback of Dodd-Frank in this Congress," he said in an email. "Also, the general suspicion of big money in politics, which this incoming class demonstrates with a vengeance, doesn't exactly scream the need to do more favors for Wall Street."

What Democrats' House Takeover Means For The Banks | American Banker
The Democrats' takeover of the House Tuesday will bring a sea change in the chamber's rhetoric toward financial services issues. What has been a focus on easing rules, tax cuts and expanding access to credit will likely be replaced by more attention on the industry's mistakes and efforts to protect consumers.

Even if Democrats will be hamstrung in their ability to tighten rules for financial institutions, the new House leadership will likely be able to block any further deregulatory initiatives, and intensify criticism in oversight hearings of both the big banks and federal agencies attempting to draft administrative reforms.

"You'll see more of a shift or focus on Republican-appointed regulators," said Paul Merski, executive vice president for congressional relations and strategy at the Independent Community Bankers of America.

Purge of Moderate Democrats Will Haunt Financial Industry | American Banker (Victoria Finkle)
The departures of Heitkamp and Donnelly, along with that of Corker, leave open real questions about what compromise on key banking issues might look like in the years to come, including in the fight over mortgage finance reform, and who, if anyone, might step in to fill the void.

"With the center on the Senate Banking Committee dwindling — and very nearly nonexistent — it is difficult to imagine any substantive banking legislation in the next Congress," said Isaac Boltansky, a policy analyst at Compass Point Research & Trading. "The Crapo bill may prove to be the most consequential banking legislation for some time."

Of course, Republican gains in the Senate could render support from across the aisle less necessary, but with the GOP still well shy of the required 60 votes to avert a filibuster, lawmakers will continue to need at least a handful of Democrats to move any major initiatives forward.

Democrats Who Voted To Deregulate Wall Street Got Wiped Out In A Setback For Bank Lobbyists | The Intercept

In the 10 states where Donald Trump won in 2016 and a Democratic senator stood for re-election this year, the three who opposed the Crapo bill all won a greater share of votes in their states than the seven who voted for it. Senators voting "no" averaged 54.7 percent of the vote and won by 10 percentage points, while the "yes" votes averaged 48.1 percent and lost by 1.5 points. The only Republican who lost, Dean Heller of Nevada, also voted for the Crapo bill, and fell by 5 points to Jacky Rosen, who voted against the legislation in the House.

The Crapo bill rolled back a number of elements of the Dodd-Frank Act, including, in particular, stiffer regulations on banks that have between $50 billion and $250 billion in assets. A recent proposal from the Federal Reserve, using authority granted by the Crapo bill, expands that deregulation up to banks with as much as $700 billion in assets.

House Democrats' Win Fuels K Street Hiring | Politico

House Democrats' return to power after eight years in the minority has reordered Washington's lobbying scene, fueling demand for hires who have relationships with Democrats and rattling companies that are afraid they'll get caught up in investigations led by the incoming majority.

The Democratic takeover of the House, even as Republicans expanded their majority in the Senate, ends two years of unified GOP control of Washington in which corporate America and its lobbyists saw major victories, including a tax bill that slashed the corporate rate and extensive deregulation.

Washington offices of major corporations now are grappling with how to work a Democratic House full of newly elected members, many of whom ran on promises to resist special interests and who are generally younger and more diverse than the denizens of K Street.

"Who knows House leadership?" said Heather Podesta, a top Democratic lobbyist, describing the conversations in companies' Washington offices right now. "Who knows Pelosi? Who is the Congressional Black Caucus lobbyist that we need to hire?"

Trump's Acting Attorney General Was Part Of Miami-Based Invention Scam Company | Miami New Times

Today President Donald Trump fired Attorney General Jeff Sessions and announced that his chief of staff, Matthew Whitaker, would become acting attorney general. Whitaker is a former U.S. attorney in Iowa, but he was also involved in a Miami-based invention-marketing company the Federal Trade Commission shut down last year after calling it a scam.

Whitaker not only sat on the board of World Patent Marketing but also once sent a threatening email to a former customer who had complained after he spent thousands of dollars and did not receive the promised services. Court records obtained by New Times for a 2017 feature about the fraudulent company show that in an August 2015 email to a disgruntled customer, Whitaker touted his background as a former federal attorney and suggested that filing a complaint with the Better Business Bureau and "smearing" the company online could result in "serious civil and criminal consequences.

Trump Administration Spares Corporate Wrongdoers Millions In Penalties | New York Times

If the balance tilted toward a heavier hand in corporate penalties under former President Barack Obama — even as critics argued that his administration did not do enough to punish top bankers after the crisis — it began to swing in the opposite direction under Mr. Trump, the data show.

With the exception of the Commodity Futures Trading Commission, a small agency where a new enforcement director has presided over an uptick in penalties and a Trump-appointed chairman vowed “no pause” in enforcement, the new approach extends across the federal financial enforcement regime.

Mr. Trump’s pick to lead the Office of the Comptroller of the Currency, a federal banking regulator, is a former executive whose bank once faced an enforcement action, while Mr. Trump’s leader of the Consumer Financial Protection Bureau, created by Congress during the Obama administration, initially instituted an informal freeze on new enforcement actions.

Banks Could Face Tighter Scrutiny Under Rep. Maxine Waters | Associated Press

Come January, the banking industry is going to be on Rep. Maxine Waters’ time.

With Democrats taking control of the House of Representatives, the California Democrat is expected to become chairwoman of the powerful House Financial Services Committee, which oversees the nation’s banking system and its regulators.

Waters is no friend to the nation’s biggest banks and Wall Street, and has been a vocal critic of President Trump and his administration. She has called for more regulation of banks, and has opposed Trump’s political appointees moving to roll back regulations on banks and other financial services companies.

McHenry Seeks To Lead GOP On Financial Services Committee | Politico

Rep. Patrick McHenry, one of the GOP's top vote counters in the House, will run to lead Republicans on the powerful Financial Services Committee, becoming the clear front-runner for the post.

While the North Carolina Republican was considering a bid for House leadership, the window of opportunity narrowed after Democrats won back a majority this week.

"In the days ahead, I look forward to continuing my conversations with my House Republican colleagues as I make the case for why I'm the best candidate to lead our committee going forward," he said in a statement Thursday to POLITICO.

Coming Soon: Democrats Vs. Deutsche Bank | Axios

Congressional Democrats earlier this year issued a 21-page report that began to explore the relationships between President Trump, Deutsche Bank and Russia.

The bottom line: Deutsche Bank has every reason to be worried that the Democrats now control the House. Expect a lot of noise and subpoenas.

A key question in the report: "Did candidate Trump's financial exposure via Deutsche Bank constitute a point of leverage that Russia may have exploited and may still be using?

How Donald Trump Is Shaping The Next Global Economic Recession | Forbes (Yuwa Hedrick-Wong)

The current recovery is the longest on record, but also one of the weakest. And as in the nature of the business cycle, the longer its expansion, the closer it is to the next downturn. Over the 2017 to 2018 period, the economy charged ahead on a sugar rush fueled by Trump's corporate tax cut, a massive stimulus just as the economy was running close to full capacity. Wall Street loved it and stock indexes reached new heights.

In the meantime, the U.S. Federal Reserve started to raise interest rates. In the coming 12 to 18 months, the sugar rush will wear off and attention will gradually shift back to economic fundamentals, which are far less robust than what the frothy equity markets may suggest. The risk of a recession will rise.

The risk may be higher than we think thanks to Trump's continuous assault on multilateralism and his administration's erratic policies, which has seriously deepened uncertainty in the global economy. When the herd instinct switches from risk-on to risk-off under conditions of uncertainty, any numbers of confluence of unanticipated events could easily trigger the next recession.

Big Investors Sue 16 Banks In U.S. Over Currency Market Rigging | Reuters

A group of large institutional investors including BlackRock Inc and Allianz SE's Pacific Investment Management Co has sued 16 major banks, accusing them of rigging prices in the roughly $5.1 trillion-a-day foreign exchange market.

The lawsuit was filed on Wednesday in the U.S. District Court in Manhattan by plaintiffs that decided to "opt out" of similar nationwide litigation that has resulted in $2.31 billion (£1.76 billion) of settlements with 15 of the banks.

Those settlements followed worldwide regulatory probes that have led to more than $10 billion of fines for several banks, and the convictions or indictments of some traders.

Podcast: From The Heartland Episode 38, featuring Alexis Goldstein

CONSUMER FINANCE AND THE CFPB

Judge Suspends Compliance Deadline For CFPB Payday Rule | American Banker

A federal court has delayed the effective date of the Consumer Financial Protection Bureau's payday lending rule, after the agency said it would propose changes to the regulation as early as January.

U.S. District Judge Lee Yeakel on Tuesday reversed a previous order from June and granted, in part, the request by acting CFPB Director Mick Mulvaney and two industry trade groups to delay the payday rule's August 2019 compliance date. They sought a delay to prevent lenders from having to comply with the old rule before the revisions are finalized.

"The court concludes that to prevent irreparable injury a stay of the Rule's current compliance date of August 19, 2019, is appropriate," Yeakel, a judge in the U.S. Disrict Court in the Western District of Texas, wrote in a four-page order.

JP Morgan Pulls Back On Some Types Of Higher-Risk Consumer Loans | Bloomberg
JPMorgan Chase & Co. has been pulling back from some higher-risk pockets of the consumer credit market, concerned about how those types of borrowers will hold up in an economic downturn.

The bank has been avoiding subprime auto finance and cut back on long-duration car loans, according to Gordon Smith, chief executive officer of JPMorgan's consumer-banking unit. The company also made "small changes" in the segment of the credit-card market known as near-prime about 12 to 18 months ago, Smith said.

DERIVATIVES, COMMODITIES & THE CFTC

Throwing Out Derivatives Reform Strengthens Too-Big-To-Fail Oligopoloy | AFR Press Release

EU Plans Reprieve To Derivatives Deals To Avoid Brexit Chaos | Financial Times
European markets regulators are planning to grant temporary exemptions to prevent disruption to thousands of uncleared derivatives contracts if the UK leaves the EU without a political agreement.

The European Securities and Markets Authority (Esma) said on Thursday it planned a year-long reprieve that would affect certain kinds of interest rate and credit derivatives. The Paris regulator stressed the new rules would only come into effect in the event the UK and EU fail to strike a withdrawal agreement covering Brexit.

Financial industry lobby groups have warned that shifting contracts with a notional value of trillions would create huge and expensive operational challenges. Banks would have to change or novate some deals by replacing an authorised UK counterparty with an EU counterparty.

Hedge Funds Revive The Junk Bond CDO | Wall Street Journal
Wall Street financiers are reviving a complex transaction seldom seen since the financial crisis: collateralized debt obligations.

Issuance of corporate debt CDOs has tripled this year to at least $3.8 billion, according to data from LCD, S&P Global Market Intelligence. While still a small market, the increase shows investors are embracing complexity in pursuit of returns by reviving a type of financial engineering largely dormant since the crisis.

Let Exchanges Set Commission Limits — CFTC Commissioners | Risk Magazine
Two commissioners at the US Commodity Futures Trading Commission – from opposite sides of the aisle – have said they believe exchanges, and not the CFTC, should set position limits on commodity exposures.

Dan Berkovitz, a Democratic commissioner who was sworn in last month, said he thinks the trading venues are best suited to setting position limits given the CFTC's limited budget.

“I like the proposal where the exchanges are going to be implementing some of these limits, because we just can’t given our responsibilities,” Berkovitz said at an industry conference in Chicago earlier today (October 18). “I don’t foresee in the future [the CFTC] would have the resources.”

EXECUTIVE COMPENSATION

Wages For The 1% Just Reached Their Highest Level Ever | MarketWatch
The average wage for the top 1% of income earners hit $719,000 per year in 2017, up 3.7% on the year, exceeding their peak of $716,000 per year just before the Great Recession, according to a report released last month by the Economic Policy Institute, a progressive, nonprofit think tank, citing data from the Social Security Administration. The average wage for the top 0.1% reached $2.7 million in 2017, the second-highest level ever, just 4% below their level in 2007.

To put that in context: The median household income in the U.S. increased 0.5% to $63,007 in September 2018, according to data released by Sentier Research on Thursday. That was the highest median household income than for any other month since January 2000. “Median annual household income has displayed a somewhat erratic pattern over the past several years. More broadly, there has been a general upward trend in median household income since the post-recession low point reached in June 2011,” the report said.

INVESTOR PROTECTION, THE SEC, AND RETIREMENT SAVINGS

Steak Dinner And Annuities: Retirement Product Surges After Fiduciary Rule’s Demise | Wall Street Journal
A retirement investment product associated with steak-dinner sales pitches is flourishing thanks to the death of a regulation once expected to curtail it.

Annuity sales totaled $59.5 billion in the April-to-June period, the highest since late 2015, according to the Limra Secure Retirement Institute. Sales are expected to remain strong through at least the rest of the year.

The boom shows how Washington’s push to roll back financial regulations is giving new life to products that industry watchdogs say aren’t always good for investors. The annuities resurrection stems from the demise of the Labor Department’s fiduciary rule, an Obama-era proposal that would have required brokers who oversee retirement savings to act in their clients’ best interests.

SEC Investor Advisory Committee Calls For Clarity on Best-Interest Standard | Pensions and Investments
"Only a tough standard of conduct for brokers" can protect investors, **Heather Slavkin Corzo, senior fellow at Americans for Financial Reform in Washington**, said in a statement on the recommendation. "The SEC has the important job of protecting everyday investors," she added. "It needs to improve the rule so that it genuinely does that, not one that provides a dangerous veneer of protection that only leaves people more at risk."

Read AFR's full statement here.

The Democrats Took The House, Here's What That Means For Your Retirement | MarketWatch
A split Congress isn't the worst thing for retirees, but it may not be all that helpful either. With each party in control of a chamber, gridlock is bound to ensue on numerous issues, including Social Security and Medicare, retirement savings and pensions. Voters — even those who may be far away from retirement age — should pay attention to these issues, because legislation made now will be felt for decades.

Even though Democrats are now a majority in the House, any legislation they pass could still be vetoed by President Donald Trump. "He signs all big executive orders on the evening news, I can easily see him signing a bill with a veto message with the same big pen," said Duane Thompson, senior policy analyst at Fi360, a fiduciary training and education organization. The Democrats would need two-thirds majority in both chambers to override the veto.

Even if Democrats secured the Senate as well, divided legislative and executive branches would likely see impasse in legislation, Thompson said. The good news: Both parties might find some common ground for retirement savings, and much of that bipartisan work could be done during the "lame duck session," when Congress reconvenes after the election and before the new members are sworn in, Thompson said. A couple of introduced proposals have seen support from both parties, including the Retirement Enhancement and Savings Act of 2018 and the Family Savings Act of 2018.

MORTGAGES AND HOUSING

Wells Fargo: Error Cost More People Their Homes Than Previously Thought | Charlotte Observer
Wells Fargo said Tuesday that an internal error cost hundreds more people their homes than the bank initially thought.

In a new disclosure, San Francisco-based Wells said an expanded review found that approximately 870 customers were incorrectly denied or not offered loan modifications or repayment plans that would have made their mortgages more affordable. As a result, about 545 of those customers lost their homes to foreclosure, Wells said in a securities filing.

Wells Fargo Finds Another 145 People Who Lost Homes After Glitch | CNN
Wells Fargo continues to review the glitch and its mortgage loan modification tools. The company set aside $8 million in the second quarter to compensate victims.

Americans for Financial Reform, a progressive financial reform group, urged Wells Fargo to complete a comprehensive review that identifies all affected homeowners, ensures its systems are safe and provides full compensation for "serious harm."

Until then, "Wells Fargo's apologies are hollow and insufficient," **Linda Jun, senior policy counsel at Americans for Financial Reform**, said in a statement.

Read AFR's full statement here.

What's Next For Rent Control? | New Republic

In other words, if real estate groups continue to dictate solutions to an affordable housing crisis in cities across the country, there is little hope of solving it anytime soon. Tenant protections like Prop 10 “drive right at the heart of the failure of the for-profit market,” said Samara of Urban Habitat. “[Prop 10] is a direct intervention into that failure.”

Housing advocates say the very terms of the debate have to change, away from the industry’s emphasis on keeping the housing market free from onerous regulation. “There’s an idea that there’s this ‘unregulated housing market,’” explained Shamus Roller of the National Housing Law Project. “But this isn’t the housing market that Adam Smith imagined. We have zoning codes and building codes—it’s one of the most regulated in the country, and right now most of those regulations benefit people who already own homes and have wealth.”

Protesters Arrested During Santa Monica Rally Over Rejection of Prop 10 | ABC-7 Los Angeles
During the demonstration that happened inside the lobby of Blackstone, a private equity real estate firm, several protesters were arrested. Advocates said the firm gave $7 million toward the defeat of Prop 10.

"People are opening up their eyes and hearts to see that affordable housing is needed. They really don't need to go to jail, but I know that folks are prepared to go to prison if needed. I went to prison four times in Sacramento to talk about poverty in this state. In this state alone, one in five people are poor. How are you going to expect people who are poor to pay rent that is increased?" Rev. Eddie Anderson said.

Mortgage Rates Surge To A Near 8-Year High As House-Hunters Race The Clock | MarketWatch
Rates for home loans roared higher, taking the benchmark mortgage product to a new high and setting up a fresh test for an already strained housing market.

The 30-year fixed-rate mortgage averaged 4.94% in the Nov.8 week, a gain of 11 basis points, mortgage finance provider Freddie Mac said Thursday. That was the highest for the popular loan product since February, 2011. The 15-year fixed-rate mortgage averaged 4.33%, and the 5-year Treasury-indexed hybrid adjustable-rate mortgage averaged 4.14%, both up 10 basis points during the week.

Support Middle Neighborhoods With A Federal Investment In Home Rehab | Next City (Julia Gordon and Theo Chang)
Neither rich nor poor. Neither gentrifying nor in steep decline. “Middle neighborhoods” have recently captured the attention of community development circles (and are the subject of ongoing coverage in Next City). These neighborhoods, broadly defined as areas with households earning 80 to 120 percent of the area median income, currently face a growing number of challenges. One glaring challenge is age — while homeownership rates are high, houses in middle neighborhoods are often quite old, and residents tend to have fewer resources for upkeep.

We work in a number of cities with many middle neighborhoods, connecting foreclosed homes to community housing organizations that will acquire and properly rehabilitate those homes. For example, in the city of Baltimore, Maryland, more than half of residents live in middle neighborhoods. As is the case in many of the cities along the East Coast, three-quarters of the homes in Baltimore were built before 1960.

‘Shameful’: What’s Driving The Global Housing Crisis? | Al Jazeera
Despite an uneven global economic recovery since the 2008 financial crisis, adequate and affordable housing is increasingly out of reach to hundreds of millions of people, according to the United Nations Special Rapporteur for Adequate Housing, Leilani Farha.

In her latest report on global housing need, Farha wrote that the world's money markets have priced people out of cities, with speculators and investors treating housing as a "place to park capital".

Farha, who presented her findings before the Human Rights Council in Geneva in March 2017, said that "housing has lost its social function and is seen instead as a vehicle for wealth and asset growth. It has become a financial commodity, robbed of its connection to community, dignity and the idea of home."

PRIVATE FUNDS

Retail And Private Equity: An In-Depth Look At The Risky Relationship | Retail Dive
Put simply, it's not in a private equity firm's job description to ensure the success of a business beyond the investment horizon. So perhaps it should not come as a surprise to see alarming numbers of private-equity owned retailers filing for Chapter 11 — more than 15% of all private equity acquisitions since 2002, in Retail Dive's analysis — and still more in financial distress.

To get a deeper view into the broad effects that private equity investment has had on the contemporary retail industry, Retail Dive collected data provided by Debtwire, Pitchbook, Moody's, CreditRiskMonitor and other sources, as well as our own research. The goal was to build as comprehensive a list as possible of private equity acquisitions of retailers relevant to our audience going back more than 15 years. We then tried to track outcomes of those mergers by looking at credit ratings, Chapter 11 filings, and how and if private equity firms exited their investments.

BlackRock Offices Raided In German Tax Probe | Wall Street Journal
German prosecutors searched the Munich offices of BlackRock Inc. drawing the world’s largest asset manager into a long running criminal tax-fraud investigation that has already embroiled several other financial firms.

The probe centers on historical so-called cum/ex transactions which are trades executed during the handful of days before and after scheduled dividend-payment dates.

A spokesman for BlackRock said the company was “fully cooperating with a continuing investigation relating to cum/ex transactions in the period 2007-2011.” A person familiar with the investigation said BlackRock, whose offices were raided Tuesday, hasn’t been accused of tax fraud.

The Whistle Blower: How A Group Of Hedge Funds Strip-Mined Kentucky’s Public Pensions | The Intercept

Tobe had never heard of Arrowhawk, and he quickly figured out why: Arrowhawk was a new fund whose first investor was the Kentucky Retirement Systems, or KRS. During his tenure as a trustee, KRS staff had proposed moving 5 percent — roughly $650 million — of the pension's total holdings, then invested almost entirely in a mix of stocks and bonds, into large, established "funds of funds" — vehicles that allow investors to buy a basket of hedge funds, rather than risking everything on a single fund. Instead, the staff had steered the investment committee in 2009 to a startup fund with no track record. Tobe pressed the issue at several public meetings of the KRS board and eventually, in 2010, an internal audit revealed that Arrowhawk paid more than $2 million to a middle man named Glen Sergeon to land Kentucky as a client. KRS's chief investment officer resigned during the course of the investigation (only to land a private-sector job as a managing director at a giant investment consulting firm). "Bad publicity, along with mediocre performance, sealed the fate of Arrowhawk," Tobe wrote in his self-published book, "Kentucky Fried Pensions." Two and a half years after Kentucky selected the firm for its first-ever hedge fund investment, Arrowhawk shut its doors.

STUDENT LOANS AND FOR-PROFIT SCHOOLS

For Colleges, An Election To Celebrate And Fear | Chronicle of Higher Education
The Democratic majority in the House spells the end of current Republican plans to reauthorize the federal Higher Education Act. The Public Service Loan Forgiveness Program will not be repealed, and Congress will not outlaw the "gainful employment" rules created by the Obama administration to rein in fraudulent for-profit colleges. Pell Grant and student-loan programs should be safe and stable for the next two years.

The chance to renew the Higher Education Act creates an opportunity for Democrats vying for the 2020 presidential nomination. If Bernie Sanders's insurgent 2016 campaign taught the party anything, it was, "Don't let a socialist get to your left on the cost of college." Expect a lot of debate over proposals for free college, debt-free college, free community college, and the like.

Managing those competing pressures will be a challenge for the House Committee on Education and the Workforce as its new chairman works to set the table for a major HEA overhaul in 2021. "Free college" really means free public college and will be opposed by the influential lobby representing private nonprofit colleges and universities. Rep. Bobby Scott, the ranking Democrat on the committee and most likely the new chairman, has already put his own free-college plan on the table.

Democrats' leader on education preps for new role as check on Betsy DeVos | Washington Post
The Democrat poised to chair the House Education Committee said Wednesday that he will use his power to compel answers from Education Secretary Betsy DeVos and her staff, and will seek common ground with Republicans on addressing soaring college costs.

But with Democrats winning control of the House of Representatives on Tuesday, don't expect high-profile confrontations from Rep. Robert C. "Bobby" Scott of Virginia, who won his 14th term representing a Hampton Roads district. And don't expect him to champion the

sort of expansive debt-free or tuition-free college proposals that have captivated many from the party's liberal wing.
Rather, Scott intends to talk with his Republican colleagues and see if there is common ground for legislation overhauling the federal Higher Education Act, which is overdue for a rewrite.

For-Profit Suit Against Higher Education Dept. Dismissed | Inside Higher Ed
A federal judge on Monday dismissed a lawsuit brought by a for-profit college chain seeking to assure access to Title IV federal student aid money while it undertakes a financial restructuring.

Education Corporation of America filed the lawsuit against Education Secretary Betsy DeVos and the Education Department last month in the Northern District of Alabama to keep access to federal funds while it pursued a receivership plan. But Judge Abdul Kallon ruled the court did not have jurisdiction in the case.

Besides one phone call in which an Education Department official refused to offer assurance that the plan would be approved, the court found no evidence the receivership plan was ever submitted to the department.

Here's How The Midterm Election Results Could Affect Student-Loan Borrowers | MarketWatch
As the number of borrowers with student loans and the level of debt has increased over the past several years, politicians have responded by increasingly campaigning on proposals to make college more affordable and ease the burden of loans on borrowers. In 2016, student loans and college affordability featured more prominently than in any presidential election in history. This year, we saw more candidates talking openly about their own student debt.

Now, as the winners prepare to take office, advocates are hopeful student-loan borrowers will see results. And they'll be watching to make sure. "Overall, things are looking really good," said Maggie Thompson, the executive director of Generation Progress, the youth advocacy arm of the Center for American Progress, a left-leaning think tank. She said results at both the federal and state level offer opportunity for changes that could make life easier for student-loan borrowers.

Ex-Student Loan Official: 'We Dropped A Trillion Dollars Of Debt Into The Market' With Little Thought To Oversight | MarketWatch
Seth Frotman, who resigned in protest earlier this year from his role as the Consumer Financial Protection Bureau's student loan ombudsman, made the case Thursday that solving our nation's student-debt challenges requires acknowledging policy makers' and company executives' role in creating it.

In his speech, Frotman painted a picture of a crisis built on policy makers' choices. He highlighted how state officials cut funding for public higher education, pushing up prices and requiring students to increasingly rely on debt to finance college. At the same time, policy makers did little to put regulations in place to handle the rapid rise in student loans, according to Frotman.

"Simply put, we dropped a trillion dollars of debt into the market without any thought of the oversight, consumer protection, or accountability that is necessary to manage it," he said.

Documentary 'Fail State' A Hard-Hitting Look At For-Profit Universities | DateBook
What do federal student loan money and for-profit colleges have to do with a rise in tuition at public universities such as UC Berkeley? It's complicated.

But Alexander Shebanow does an excellent job of laying out the sordid history of for-profit universities and their role in the decline of American higher educational systems in "Fail State," an anger-inducing documentary executive-produced by newsman Dan Rather.

First, a few relevant facts: 7 million lower-income people will go to college this year; most will not graduate. Public universities are increasingly under a budget crunch because states are cutting money for higher education, thus forcing a rise in tuition rates that are pricing out lower-income students (Louisiana, for example, used to provide 60 percent of the funding for public universities; now it's about 25 percent). And this nugget: Collectively, student loan debt is higher than credit card debt.

Rent 'Fail State' on YouTube here.

SYSTEMIC RISK

Weakening Bank Rules Are Bad For Taxpayers And Investors | Forbes (Mayra Rodriguez Valladares)
Important financial reformers such as **Americans For Financial Reform** and Better Markets have expressed concerns to bank regulators asking that rules for large banks not be weakened. **Marcus Stanley, Policy Director of American for Financial Reform** stated that the Federal Reserve's proposals "go well beyond anything required by Congress, and significantly weaken requirements for large banks to hold cash and easily salable liquid assets to satisfy payment requirements in times of economic stress." He also pointed out that the regulators "themselves admit that these changes would increase the likelihood of liquidity-related bank failures."

What Will The Next Financial Crisis Look Like? | The Epoch Times (Daniel Lacalle)
With the 10th anniversary of the Lehman Brothers bankruptcy having just passed and the recent stock market drop, the fear of a new financial crisis is palpable.

And those fears are justified. The question is not whether there will be a crisis, but when? In the past 50 years, we have seen more than eight global crises and many more local ones, so the likelihood of another one is quite high. Not just because of the years passed since the 2007 crisis, but because the factors that typically lead to a global crisis are all lining up.

TAXATION

In Blow To Liberal Efforts, Voters Across The Country Reject Tax Increases (California Is The Exception) | Washington Post
Voters in five states rejected tax increases or approved restrictions on future tax hikes Tuesday, in a series of blows to liberal efforts to raise revenue to fund new social spending programs.

In Colorado, voters defeated a ballot initiative that would have raised income taxes to finance new spending on transportation infrastructure. Maine rejected one that would have raised taxes on higher-income earners to fund a universal home-care program for the elderly.

Florida and North Carolina voters also approved new restrictions to limit lawmakers' ability to raise taxes, which could complicate Democratic priorities like expanding health care and education funding. In Arizona, voters approved a plan barring new sales taxes on currently untaxed services, such as gym memberships and carwashes — despite opposition to the measure from both liberal and conservative groups.

Tax Cuts Have Been Controversial, But Voters Didn't Seem To Care About Them | CNBC

Voters in the midterm elections felt neither tremendously motivated by the 2017 tax cuts nor had their lives been changed much by them, according to NBC News exit polls.

Among those interviewed after voting Tuesday, some 45 percent said the tax cuts had no impact on their personal finances.

In terms of how it affected their midterm election vote, there was no direct question on taxes, but just 22 percent listed the economy as their top priority. More cared about health care (41 percent) and immigration (23 percent).

Trump Indicates He'd Consider Raising Some Taxes To Win Middle-Class Relief | Politico

President Donald Trump said today he would be willing to make "an adjustment" to recent corporate and upper-income tax cuts to bring Democrats to the table on his proposal to further cut taxes for the middle class.

His off-the-cuff comments are sure to spark concerns among Republican leaders who pushed the Tax Cuts and Jobs Act, H.R. 1 (115), through Congress last year without Democratic support, as well as businesses that fought hard for the tax cuts. But one prominent Republican activist dismissed the comments, saying Trump was hypothesizing in his normal style.

Health Experts Propose A Red Meat Tax To Recoup $172 Billion In Health Care Costs | CNBC

Hundreds of billions of dollars could be put toward health-care costs every year if a tax was applied to red and processed meat, Oxford University researchers said Wednesday.

A new study from the U.K. university said introducing a health tax on such products would offset health-care costs and prevent more than 220,000 deaths a year globally.

Looking into optimal taxation levels for red and processed meats in nearly 150 countries and regions, researchers concluded that in high-income countries, red meat prices would need to be increased by more than 20 percent, while processed meats would need to more than double in price.

OTHER TOPICS

[Be Afraid of Economic 'Bigness.' Be Very Afraid.] | New York Times (Tim Wu)
From a political perspective, we have recklessly chosen to tolerate global monopolies and oligopolies in finance, media, airlines, telecommunications and elsewhere, to say nothing of the growing size and power of the major technology platforms. In doing so, we have cast aside the safeguards that were supposed to protect democracy against a dangerous marriage of private and public power.

Unfortunately, there are abundant signs that we are suffering the consequences, both in the United States and elsewhere. There is a reason that extremist, populist leaders like Jair Bolsonaro of Brazil, Xi Jinping of China and Viktor Orban of Hungary have taken center stage, all following some version of the same script. And here in the United States, we have witnessed the anger borne of ordinary citizens who have lost almost any influence over economic policy — and by extension, their lives. The middle class has no political influence over their stagnant wages, tax policy, the price of essential goods or health care. This powerlessness is brewing a powerful feeling of outrage.

Wells Fargo Executives Knew Auto Insurance Program Was Flawed: Lawsuit | Reuters
Wells Fargo & Co executives were warned that an auto insurance plan could be overcharging customers four years before the bank scrapped the program, according to a complaint released by a judge this week.
Several executives, including then-General Counsel James Strother and chief auditor David Julian, were among the bank officials briefed in 2012 about possible flaws in the auto insurance program that was ended in 2016, according to parts of a class-action lawsuit that were unsealed on Monday.

A Wells Fargo official declined to comment on the allegations in the lawsuit but said the bank intended to repay all customers who were hurt.

HSBC Confirms Some US Bank Customers Affected By October Data Breach | The Hill
Multinational bank HSBC this week said hackers gained unauthorized access to the accounts of some of its U.S. customers in October.

The lender sent a letter to California-based customers on Nov. 4 notifying them that hackers may have accessed sensitive information like their "full name, mailing address, phone number, email address, date of birth, account numbers, account types, account balances, transaction history, payee account information, and statement history where available."
The cyberattack took place Oct. 4-14 and less than 1 percent of U.S.-based clients were affected, HSBC said.

Public details about the breach are limited, and it is unclear whether the hackers sought to use such data to pilfer savings at the bank.

What A Big Bank Is Doing To Boost Economic Opportunity In A Single City | Inside Philanthropy

Wells Fargo's eagerness to recover from its self-imposed setbacks could underscore the direction and geography of its giving. Making a charitable splash in D.C. may increase the bank's positive visibility in the Beltway, softening its image to lawmakers and regulators—at least indirectly. And while plenty of Wells Fargo's competitors are rolling out community development support, its focus on that arena brings to mind another recent signifier of its failings: the Community Reinvestment Act, or CRA.

As a bit of background, CRA dates back to 1977. Its intent was to reverse decades of redlining and other discriminatory lending practices by encouraging private sector banks to invest in low-income areas, and sanctioning them if they failed. Last year, primarily due to the account fraud scandal and other malpractices, the federal Office of the Comptroller of the Currency downgraded Wells Fargo's rating under the act, a move that meant even more regulatory hurdles for the company.

As it prepared to debut the "Where We Live" program in D.C., Wells Fargo worked closely with the National Community Reinvestment Coalition (NCRC), which advocates for increased investment in underserved neighborhoods. NCRC has been a strong supporter of the CRA, which the organization's CEO Jesse Van Tol refers to as "a landmark civil rights law."

UBS Will 'Vigorously' Defend DoJ Lawsuit Over Financial Crash | The Guardian US
The Swiss bank UBS has pledged to vigorously defend itself in a pending lawsuit by the US justice department, which has already clawed billions of dollars from lenders over the mis-selling of complex financial products that contributed to the 2008 financial crash.

The Department of Justice (DoJ) told UBS it planned to file a case as early as Thursday, which is set to focus on the sale of residential mortgage-backed securities (RMBS) in 2006 and 2007.

It comes hot on the heels of UBS's $230m (£176m) settlement reached with the state of New York in March, following a probe into the bank's packaging and sale of the financial products.

Financial Crisis Hit Young Men Hard — And They're Yet To Recover | Sydney Morning Herald
On the whole, Australia weathered the turmoil of the global financial crisis much better than most other developed economies. But Craig and Churchill's study shows it had a lasting and largely unrecognised impact on the job prospects of one group - young Australians. It shows the proportion of time spent doing paid work by those aged 20 to 34 fell between 2008 and 2016.

It is too early to tell how the recent strength in the jobs market will affect this trend. But Craig and Churchill point out that the the proportion of young people in work has continued to decline, long after the financial crisis. This could signal "more permanent change in the youth labor market".

Weaker employment outcomes are not the only challenge for young workers. There's evidence their wages growth has also been relatively weak compared to other age groups since the crisis. A report by the Bankwest Curtin Centre for Economics found the overall gap in pay between the youngest cohort and older workers has widened by nearly 30 per cent since the start of this decade.

Editorial: Recalling The Global Financial Crisis | Jamaica Gleaner

September 2018 marked the 10th anniversary of the collapse of the investment bank, Lehman Brothers, which is seen as the start of the Great Recession. Apart from the huge loss of wealth, jobs and housing by ordinary people in many developed economies, the recession had a truly profound global impact on the practice of business and government. Developing countries like Jamaica that are part of the global trading and financial system are still adjusting to the fallout from the crisis.

Over the last month and a half, there have been several analyses and reflections abroad on the lessons learnt from the crisis and how it was managed. There was not much by way of local discussion. This is regrettable. It would have been useful to hear the recollections of the policymakers at the time - Bank of Jamaica, Ministry of Finance, ministers, bankers, economists and other market players - about what conditions were like then.

There was a conclusion drawn at the time that Jamaica, having had to deal with its own financial meltdown of the 1990s and the subsequent rescue by FINSAC, did reasonably well in weathering the 2008 global crisis. There is little doubt that policymakers at the time were severely tested and it would be good to understand the decision-making processes.

From Economic Crisis To World War III | Project Syndicate (Qian Liu)
But monetary stimulus is like an adrenaline shot to jump-start an arrested heart; it can revive the patient, but it does nothing to cure the disease. Treating a sick economy requires structural reforms, which can cover everything from financial and labor markets to tax systems, fertility patterns, and education policies.1
Policymakers have utterly failed to pursue such reforms, despite promising to do so. Instead, they have remained preoccupied with politics. From Italy to Germany, forming and sustaining governments now seems to take more time than actual governing. And Greece, for example, has relied on money from international creditors to keep its head (barely) above water, rather than genuinely reforming its pension system or improving its business environment.

Podcast: Sandy Darity Has A Plan To Close The Wealth Gap | Ezra Klein Show

Video: The 2008 Crisis, A Decade Later | Yahoo Finance