AFR Americans for Financial Reform Education Fund

This Week in Wall Street Reform | Dec 1 - 7

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THE TRUMP ADMINISTRATION, CONGRESS & WALL STREET

Senate Approves Trump Nominee To Lead Polarizing Consumer Agency | Washington Post
Also appeared in CT Post, Greenwich Time
The Senate on Thursday confirmed President Trump's nominee to lead the Consumer Financial Protection Bureau, ushering in business-friendly leadership for a polarizing watchdog agency long detested by Republicans and the banking industry.

The chamber voted 50 to 49, along party lines, in favor of Kathy Kraninger's nomination.

Kraninger will replace the bureau's acting director, Mick Mulvaney, who is also the White House budget chief and Kraninger's current boss. Her nomination took much of Washington by surprise. Kraninger, the associate director of general government at the Office of Management Budget, has no experience in consumer finance but now will become one of the country's most powerful banking regulators.

"Kraninger has no track record at all of consumer protection, or of standing up for vulnerable people," said **Lisa Donner, executive director of Americans for Financial Reform**. "Senators who voted for Kraninger have voted to expose American families to greater financial insecurity and abuse at the hands of Wall Street."

McHenry To Lead GOP On Banking Panel, Duel With Maxine Waters | The Hill
Rep. Patrick McHenry (R-N.C.) was selected Friday to be the top Republican on the House committee in charge of the financial sector, his office announced in a statement.

McHenry will serve as the ranking member of the House Financial Services Committee in 2019 after he ran unopposed for the position. He will serve as the GOP foil to Rep. Maxine Waters (D-Calif.), who's in line to lead the panel next year.

McHenry, the committee's vice chairman, said he was "honored" to be chosen and touted his "deep understanding of the important role this committee plays in advancing meaningful public policy that helps American families and small businesses."

Another Conflict Of Interest At A Trump Hotel? | Washington Post (Helaine Olen)

The Debt Collection Forum is an annual trade show put on for the debt-collection industry, the sort of event that hosts seminars on topics like "Trump and the CFPB" and promises to deliver "actionable solutions." In previous years, it has been held in places such as Nashville. In April 2019, the Debt Collection Forum will take place in Chicago — at the Trump International Hotel and Tower.

You read that right. A group of several hundred debt collectors, members of a widely loathed industry that is regulated by the federal government, is going to meet next April at a property belonging to the president of the United States.

It is an interesting choice of venue — and one that, once again, highlights our unsatisfactory laws when it comes to the issue of Trump's personal business interests and how they potentially conflict with the office of the presidency.

Polling Suggests Support Among Voters for Harsher Wall Street Messaging | Morning Consult

Democrats are expected to take a sharper anti-Wall Street tone in the next two years as the party begins to shape its 2020 messaging.

Analysts and political strategists said that could be a compelling move, with regulation and oversight of large banks popular among both Democratic and Republican voters, according to a recent Morning Consult/Politico survey.

Fifty-eight percent of registered voters in the poll strongly or somewhat support more government regulation and oversight of some large banks. The Nov. 15-18 survey of 1,957 voters, which has a margin of error of 2 percentage points, found that 20 percent of voters said they either somewhat or strongly opposed additional oversight, while 22 percent did not know or had no opinion.

The "Yield Curve" Is Inverting (Gasp!) — Should Investors Freak Out? | CBS News
If you've heard lately that the "yield curve" is inverting, your response might range from curiosity about what that portends for the U.S. economy to, perhaps more likely, the kind of drowsiness brought on by arcane financial jargon. For investors, though, it's a big deal for one simple reason: An inverted yield curve is often the dark cloud that precedes the storm.

Here's what you should know about this unusual market phenomenon and what it's signaling about the economy.

Wells Fargo Reform Plans Fail To Satisfy Fed After Scandals: Sources | Reuters
The Federal Reserve has rejected Wells Fargo & Co's (WFC.N) plans to prevent further consumer abuses and told the scandal-plagued lender it needs stronger checks on management, according to three people with knowledge of the discussions.

The concerns raised by the Fed, which have not been previously reported, are likely to increase the time it takes the central bank to lift an asset cap it imposed on Wells Fargo in February following a string of sales practices scandals.

The bank must draw-up a robust plan to improve its governance and risk management controls before the Fed will lift the cap and in February Wells Fargo CEO Tim Sloan said the bank was "on the fast track" to meeting those conditions.

Wells Fargo's Latest Troubles Suggest Tougher Stance By OCC | American Banker
A second regulatory agreement that the scandal-plagued bank signed earlier this year — a consent order with the Office of the Comptroller of the Currency — has drawn far less attention, even though it may also prove to be highly consequential.
The agreement appears to have been a key factor in some important recent changes at Wells. In fact, there is reason to believe that the OCC is now forcing Wells to grapple more deeply than it did previously with the many failures that led to its unauthorized account-opening scandal.
After that scandal burst into public view in 2016, the OCC's failures to take strong action sooner drew close scrutiny.
The Treasury Department's inspector general found that the OCC's top examiner at Wells improperly disclosed to the bank the existence of a government investigation, as American Banker was first to report.

A Democratic Proposal Would Ban Lawmakers From Trading Any Stock At All | Bloomberg
Recent investing scandals involving members of Congress have prompted two Democrat senators to push a Draconian legislative proposal: a total ban on U.S. lawmakers trading any stocks at all.

Senators Jeff Merkley of Oregon Sherrod Brown of Ohio said the prohibition would prevent lawmakers from abusing their positions for personal gain. In a Thursday statement, they said it would address situations in which politicians have profited from buying and selling stocks in certain industries while at the same time working on legislation that impacts those industries.

"Broken" Washington A Threat To U.S. Economy, Former Treasury Secretary Warns | CBS News
A decade after the financial crisis wiped out the home values and retirement savings of millions of Americans, the U.S. faces a new risk to the economy — Washington dysfunction — and has too few tools to withstand a future financial collapse, according to a trio of policymakers who steered the country through the 2008 crisis.

Timothy Geithner, a former Treasury Secretary under Barack Obama and one of the architects of the federal government's controversial bailout of major banks, called the current political system "broken" in an interview with CBS News correspondent Alex Wagner.

"No economy can be stronger than its political system. And the political system of the United States today has lost the capacity to govern and lost the core requirements not just to make people confident in the fairness of the system, but to buy into compromise on the tough challenges we face," Geithner said.

Investors Aren't Buying Bank Chiefs' Optimism | Wall Street Journal

Speaking at the Goldman Sachs financial conference, the chief executives of JPMorgan Chase , JPM -2.75% Wells Fargo WFC -1.72% and Bank of America BAC -3.26% all said they see exceptionally strong economic conditions at the moment, citing strong consumer spending and business confidence.

As they were speaking, their stocks told a different story. Shares of all three banks fell 4.5% to 5.5%, worse than the 3.2% decline in the S&P 500.

In the bond market, the yield on 10-year U.S. Treasurys fell by 0.07 percentage points to 2.91%, and at some points along the curve there has now been an inversion, with the 3-year Treasury note now yielding more than the 5-year.

Goldman Sachs Shares Fall After Bank of America Says 1MDB Scandal Uncertainty Could 'Linger' | CNBC
Shares of Goldman Sachs fell 2.1 percent Friday after an analyst at Bank of America Merrill Lynch said the stock's gains could be capped as a scandal related to the Malaysian government investment fund festers.

Bank of America Merrill Lynch analyst Michael Carrier downgraded Goldman to neutral from buy and slashed his price target on the stock to $225 a share from $280, still implying a 15.5 percent upside from Thursday's close. The stock traded around $191 before the bell Friday.

"While we view the current valuation as discounting most of the potential negative scenarios related to 1MDB, we only have limited information and the uncertainty could linger for a while and limit the upside potential if markets stabilize," Carrier wrote in a note to clients.

CONSUMER FINANCE AND THE CFPB

AFR Statement on Kraninger confirmation.

Senate Confirms Kraninger To Lead Consumer Bureau In Partisan Vote | The Hill
Also appeared in MSN News
The Senate on Thursday confirmed Kathy Kraninger to be director of the Consumer Financial Protection Bureau (CFPB), granting her a five-year term to lead the polarizing watchdog agency.

Senators voted 50 to 49 along party lines to approve the nomination of Kraninger, an associate director at the White House Office of Management and Budget. The Senate ended debate on Kraninger's nomination last week by the same 50-49 margin.

"Kraninger has no track record at all of consumer protection, or of standing up for vulnerable people," said **Lisa Donner, executive director of Americans for Financial Reform**. "Senators who voted for Kraninger have voted to expose American families to greater financial insecurity and abuse at the hands of Wall Street."

Senate Confirms Trump's Consumer Watchdog Pick | Reuters

Also appeared in New York Times, Business Insider, and Raw Story
Democrats say the agency plays a critical role in protecting consumers, but Republicans have repeatedly criticized the CFPB as heavy-handed and overreaching.

“The Senate majority has endorsed for CFPB a nominee indistinguishable from Mick Mulvaney, who has done his level best to dismantle from within an agency that once won real results for American families hurt by Wall Street and predatory lenders,” **Lisa Donner, who heads the consumer advocacy group, Americans for Financial Reform**, said in a statement.

Industry groups said on Thursday, however, that Kraninger’s strong managerial experience at the budget office where she manages the budget for the financial regulators made her a good fit for the agency.

Senate Barely Confirms Kathy Kraninger As New CFPB Director | American Banker
Mulvaney said he had no role in Kraninger's selection and that she was picked by Treasury Secretary Steven Mnuchin and Larry Kudlow, the director of the National Economic Council.

Consumer groups sharply criticized the nomination over concerns she will continue Mulvaney’s agenda to pare back the agency’s enforcement and rulemaking.

"The Senate majority has endorsed a CFPB nominee indistinguishable from Mick Mulvaney, who has done his level best to dismantle from within an agency that once won real results for American families hurt by Wall Street and predatory lenders,” said **Lisa Donner, executive director of Americans for Financial Reform**. “Kraninger has no track record at all of consumer protection, or of standing up for vulnerable people.”

Listen: Senate Poised To Confirm New Consumer Financial Protection Bureau Chief. Then What? | Marketplace

‘Unqualified’ and ‘Dangerous’ Trump Appointee Set To Take Over Consumer Agency | Los Angeles Times (David Lazarus)
It’s not that she has a dubious past like some other Trump appointees (see: Whitaker, Wheeler, Zinke, etc.). Rather, Kraninger, 43, is simply the wrong person for the job.

She has never worked in consumer affairs, never worked in financial services, never worked as a financial regulator, never held public office and never run a government agency.

Kraninger currently serves as an associate director for general government with the White House Office of Management and Budget. She’s done prior stints at the Transportation and Homeland Security departments and as a congressional staffer.

Mulvaney says Kraninger possesses “the kind of experience Washington so desperately needs.”

Which is to say, in the Trump administration, no experience in her relevant field (see: Perry, Carson, DeVos, etc.).

Revealed: Kraninger’s Actual Resume Confirms She’s Unqualified For CFPB Gig | Allied Progress

According to Kathy Kraninger's actual resume, President Trump's nominee to lead the Consumer Financial Protection Bureau (CFPB) has zero experience when it comes to consumer protection or holding big banks, predatory lenders, and financial scammers accountable. The document was obtained by consumer advocacy organization Allied Progress as part of a Freedom of Information Act (FOIA) request.

Exclusive: Consumer Bureau Name Change Could Cost Firms $300 Million | The Hill
Changing the name of the Consumer Financial Protection Bureau (CFPB) could cost the businesses it regulates more than $300 million, according to an internal agency analysis obtained by The Hill.

Banks, lenders and other financial services firms subject to CFPB supervision could be required to spend millions of dollars if the agency goes through with a rebranding proposal from acting Director Mick Mulvaney.

The agency, established by the 2010 Dodd-Frank Wall Street reform law, has been known as the Consumer Financial Protection Bureau and CFPB since it opened in 2011. It was led by Richard Cordray, a Democrat, from 2012 until his resignation in November 2017.

After Year With Mulvaney, CFPB Enters Kraninger Era | Law360
"Rather than follow the spirit of the law, Mr. Mulvaney has consistently sought to undercut the Bureau, keep Congress and the public in the dark, and put his thumb on the scale in favor of industry's wishes," concluded a minority staff report released last month by Sen. Sherrod Brown, D-Ohio, ranking member of the Senate Banking Committee. "It is hard to know exactly how much harm consumers are suffering as a result."

Linda Jun, senior policy counsel at Americans for Financial Reform, seconded this view of Mulvaney's legacy, saying that one prime example of his efforts was his move to rebrand the CFPB as the BCFP, or Bureau of Consumer Financial Protection.

Mulvaney has argued that the name change is intended to signal the agency's newfound determination to stick to the statute — Dodd-Frank says the agency is "to be known as the 'Bureau of Consumer Financial Protection'" — but critics have said that, by putting the "consumer" part second, the change is really just a reflection of Mulvaney's true priorities, not to mention petty.

"The name really demonstrates where we are — an agency that's meant to protect consumers has, after Mulvaney's one year there, shifted the focus away from that very primary mission," Jun said. "I think our initial concerns about him were well-founded given what he's done in the past year. He's really changed the direction of the work that the agency was doing."

Exclusive: Consumer Bureau Name Change Could Cost Firms $300 Million | The Hill
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How Trump Appointees Curbed A Consumer Protection Agency Loathed By The GOP | Washington Post

Created by Congress to protect Americans from financial abuses, the bureau under Mulvaney has adopted the role of promoting "free markets" and guarding the rights of banks and financial firms as well as those of consumers, according to statements by Mulvaney and bureau documents.

Much has been written about Mulvaney's leadership. This story provides an inside look at one of the Trump administration's signature successes: how Mulvaney and a team of political appointees used the levers of government to hinder career employees and roll back oversight of private industry. It is based on scores of internal emails and other documents reviewed by The Post, along with interviews with two dozen current and recent employees.

"The bureau is forcing hundreds of staff to sit on their hands while millions of Americans suffer from predatory practices happening right under its nose," said Seth Frotman, who resigned as CFPB's assistant director and student loan ombudsman in August.

This Watchdog Agency Has Seen Its Role Diminished Under Trump | Washington Post

Under the Trump administration, the Consumer Financial Protection Bureau (CFPB) has seen its role diminished. Established in the wake of the 2008 recession by then-law professor Elizabeth Warren, the agency serves as a regulatory watchdog of consumer finance interest. It has taken enforcement actions against individuals and financial institutions on behalf of 31.1 million consumers and has provided $12.4 billion back to those consumers. Earlier this year, it imposed a $1 billion dollar fine on Wells Fargo for improperly charging consumers on mortgage and auto loans.

There have been partisan fights over the agency from the start, however. Republicans waited over two years to confirm the first CFPB director, Richard Cordray, who served until acting director Mike Mulvaney's appointment in November 2017. They've presented numerous bills to curb the agency's power and even suggested abolishing it in their 2016 party platform.

"People wondered when I got — when I took the job if I was going to try and shut the place down, and I told them no, because I can't," Mulvaney said at the American Bankers Association (ABA) summit earlier this year. While not shut down, the CFPB has curbed its actions on all fronts.

How Waters Will Keep Pressure On CFPB | American Banker

There is already intense focus on how the Democratic-run House Financial Services Committee may shine a spotlight on Trump administration-appointed regulators. But that light might shine brightest on one agency in particular: the Consumer Financial Protection Bureau.

Rep. Maxine Waters, D-Calif., the likely chairwoman of the committee when the new Congress convenes in 2019, is expected to waste no time aggressively scrutinizing the agency now run by acting Director Mick Mulvaney.

Observers expect her to use the committee's subpoena powers to investigate how decisions were made by Mulvaney, including an 80% drop in enforcement actions in 2018, to just nine, from 47 a year earlier. Yet it appears Mulvaney may avoid answering any of those questions, with Kathy Kraninger now on the verge of being confirmed as permanent director.

CFPB Research, Unseen Until Now, Found Students Pay High Bank Fees — When Their Schools Are Paid By Banks | Bob Sullivan

Colleges and banks flaunted new rules meant to protect students from paying excessive bank account fees for prepaid cards loaded with financial aid, and schools that accepted payments from banks were the biggest culprit, according to government research made public today after I filed a Freedom of Information Act. The research found that students with so-called college-sponsored prepaid and debit cards overpaid millions of dollars in fees to banks, but mainly at schools that accepted marketing payments from those banks. The analysis expresses concerns about a “conflict of interest” created by schools that accept bank payments.

The research was conducted by the now-defunct Office for Students and Young Consumers at the Consumer Financial Protection Bureau, and shared with the Department of Education back in February, but it was not published until now. In total, students paid $27.6 million in fees during the 2016-2017 academic year, the analysis found. Fees on the college-sponsored prepaid and debit accounts are of interest to taxpayers because they often represent taxpayer-funded student aid funds being shuffled to banks, rather than available to students so they can buy books or pay other school-related costs.

Regulator to Request Injunction Keeping OCC From Issuing Fintech Charters | Credit Union Times

The New York State Department of Financial Services will ask a federal judge to issue an injunction prohibiting the Office of the Comptroller of the Currency from issuing bank charters to fintech companies, the agency said in recent court documents.

The injunction is necessary, the department said, because the OCC will not agree to halt any efforts to issue fintech charters while a lawsuit is pending.

The New York Department had filed suit in U.S. District Court for the Southern District of New York, contending that federal law does not allow the OCC to issue such charters.

Borrowers Seek Cert. In $18.4M Tribal Lending Suit | Law360

A proposed class of borrowers is seeking certification in Virginia federal court in their suit against a financier allegedly notorious for using tribal sovereignty to float payday advance services far in excess of state-regulated interest rate caps, saying his business unlawfully collected about $18.4 million from consumers.

Darlene Gibbs, lead plaintiff for the proposed class, told the court Thursday that defendant Mark Curry has a history of participating in lending schemes such as in the current suit, which alleges that an arrangement between the financier's Think Finance LLC and Sentinel Resources LLC businesses and the Otoe-Missouria Tribe's Great Plains Lending LLC entity resulted in a scheme that evaded state usury laws in violation of the Racketeer Influenced and Corrupt Organizations Act.

The scheme ended up collecting more than $18.4 million from three proposed classes of Virginia consumers, according to Gibbs, who said in a memo accompanying her certification motion that similar cases have been certified, including a class settlement in the Virginia federal court that provided about $15 million in relief to state consumers who were victims of a rival tribal sovereignty scheme.

9th Circ. Upholds $1.3B Award Over Payday Loan Scheme | Law360
A Ninth Circuit panel on Monday upheld a $1.3 billion award against pro race car driver Scott Tucker's loan companies, rejecting his arguments that his customers would not have been deceived by the loan terms because he included fine print clarifying the payment schedule.

U.S. Circuit Judge Diarmuid F. O'Scannlain wrote in the published opinion that under the consumer-friendly standard adopted by the court, the Federal Trade Commission did not need to prove that actual deception had occurred, but only that the representation of the loan terms was likely to deceive.

In October 2016, U.S. District Judge Gloria Navarro found a number of payday loan companies associated with Native American tribes and controlled by Tucker had deceived and overcharged customers in violation of the Federal Trade Commission Act and the Truth in Lending Act. The court ordered Tucker to pay $1.3 billion in restitution.

For Cause Removal Of The CFPB Director? | Credit Slips (Adam Levitin)
John Michael Mulvaney's callow pursuit of a CFPB name change raises an intriguing question: what should be done with a CFPB Director who spends all of his or her time showboating with political issues rather than actually carrying out the law?

The CFPB Director is removable only for cause, as the PHH case confirmed. Back with Richard Cordray was Director, Republicans reportedly were attempting to assemble a dossier to justify his for-cause removal. In the case of Cordray, the gist of the allegations was that he overstepped his authority by daring to issue non-binding regulatory guidance about indirect auto lending or was profligate in the renovations of the CFPB's 1960s-era headquarters building. But here's the thing. The "for cause" removal statute has actual statutory language, and it does not explicitly include either overstepping authority or profligacy. Instead, it covers "inefficiency, neglect of duty, or malfeasance in office." There's some imprecision in these words, but the statutory language seems aimed at failure to act, rather than over-zealous action. This interpretation makes sense because the courts are available to prevent against over-zealous actions, but only the President can take care that the law is in fact faithfully executed.

DERIVATIVES, COMMODITIES & THE CFTC

U.S. CFTC Loses Case Against Prominent Trader Donald Wilson, DNW | Reuters
A federal judge in Manhattan has dismissed a U.S. regulator's lawsuit seeking to hold the prominent Chicago trader Donald Wilson and his firm DRW Investments LLC liable for market manipulation.

In a decision made public on Monday, Circuit Judge Richard Sullivan said the Commodity Futures Trading Commission failed to prove that the defendants rigged a market for interest-rate swaps over seven months in 2011, generating about $20 million of illegal profit.

"It is not illegal to be smarter than your counterparties in a swap transaction," Sullivan wrote.

Biggest Pay Raise On Wall Street Goes To Stock Derivatives Traders | Wall Street Journal
Many desks focused on derivatives tied to stocks are set to generate billions of dollars more in revenue this year, as choppy markets give traders more opportunities to make lucrative, against-the-grain bets on these financial instruments. It is a contrast to recent years, when these desks slumped amid calm and steady markets.

As a result, the top traders on banks' equity derivatives desks are expected to take home some of Wall Street's biggest paychecks. Pay for the highest ranks could top $3 million this year, a few hundred thousand dollars more than a year ago, according to a survey by headhunting firm Options Group.

The big payouts reflect Wall Street's continued shift toward trading based on math savvy and deep dives into data, rather than guts or Rolodexes.

INVESTOR PROTECTION, THE SEC, AND RETIREMENT SAVINGS

Baldwin Asks SEC To Rescind Staff Bulletin On Compensation | Politico Pro
Sen. Tammy Baldwin (D-Wisc.) today called on the Securities and Exchange Commission to rescind a staff legal bulletin published in October that she said will impede shareholders' ability to limit big compensation packages for executives who leave go to work for the federal government.

In a letter to the SEC, Baldwin said the agency's Division of Corporation Finance bulletin will allow companies to exclude shareholder proposals that seek to limit when senior executives receive "golden parachute" packages if they go to work for the government.

The bulletin gives companies a workaround that allows them to prohibit investor petitions on compensation and compounds the risk of revolving-door conflicts of interest for former executives working for the government, Baldwin said.

Global Retirement Crisis Is Main Threat To Investment Industry, Warn Chiefs | Financial Times

The impending global retirement crisis is one of the chief threats to face the investment industry, warn two leading figures.

Too many poorly funded people are retiring while too few young workers are saving.

Michelle Seitz, chief executive of Russell Investments, the $287bn Seattle asset manager, said the world faced huge challenges to fund the retirement of billions of people. She ranked this as a bigger threat to the industry than the issues of fee compression and the rise of passive funds. The savings gap — the difference between what has been set aside for retirement compared with what is needed — will balloon from $70tn in 2015 to $400tn by 2050, according to data from the World Economic Forum. The US is forecast to have the largest shortfall, rising from $28tn to $137tn.

Fed Adds Its Voice To Rising Fears About Retirement Investor Core Bond Holdings | CNBC
Fears about credit quality in the investment-grade bond market have been mounting for months. This week the Federal Reserve added its voice to the ranks of the concerned. In its first-ever Financial Stability Report and, later in the week, in the notes from its most recent Federal Open Market Committee meeting, the Fed cited conditions in corporate bonds as among the major risks for the U.S. economy and markets. And the Fed expressed more concern about investment-grade than high-yield, or junk, bonds.

Investment-grade bond funds and ETFs are among the largest used by individual investors. The iShares iBoxx Investment Grade Corporate Bond ETF (LQD), which is the third-largest bond ETF, at near-$30 billion, has roughly 50 percent of its portfolio in the lower tier of investment-grade bonds. The Vanguard Intermediate Term Corporate Bond ETF (VCIT), which has over $18 billion in assets, has more than half of its holdings in these lower-rated bonds.

Insurers Sought To Weaken Retirement Investment Rule, Letters Show | Politico
Some of the nation's top insurance companies, including MassMutual, Pacific Life and Prudential, quietly fought to dilute a robust revision of a New York state regulation designed to protect consumers from unscrupulous sales practices involving retirement savings products.

In letters to the New York State Department of Financial Services, the insurers sought to blunt the regulation's impact on compensation practices for sales agents and certain products that industry watchdogs say are of dubious value to investors.

But their requests were spurned, industry analysts said. New York maintained in the final revised regulation in July its insistence that salespeople can only consider a customer's "best interest" when offering an annuity or life insurance.

EXECUTIVE COMPENSATION

American Capitalism Isn't Working | New York Times (David Leonhardt)

The October 1944 edition of Fortune magazine carried an article by a corporate executive that makes for amazing reading today. It was written by William B. Benton — a co-founder of the Benton & Bowles ad agency — and an editor's note explained that Benton was speaking not just for himself but on behalf of a major corporate lobbying group. The article then laid out a vision for American prosperity after World War II.

At the time, almost nobody took postwar prosperity for granted. The world had just endured 15 years of depression and war. Many Americans were worried that the end of wartime production, combined with the return of job-seeking soldiers, would plunge the economy into a new slump.

"Today victory is our purpose," Benton wrote. "Tomorrow our goal will be jobs, peacetime production, high living standards and opportunity." That goal, he wrote, depended on American businesses accepting "necessary and appropriate government regulation," as well as labor unions. It depended on companies not earning their profits "at the expense of the welfare of the community." It depended on rising wages.

MORTGAGES AND HOUSING

Watch: Wells Fargo Blames "Calculation Error" After Hundreds Lose Homes To Foreclosure | CBS Morning News

Gibbs Law Group And Paul LLP File Class Action Lawsuit Against Wells Fargo For Violating Federal Housing Assistance Laws | Business Wire Press Release
Gibbs Law Group, along with the law firm of Paul LLP, have filed a class action lawsuit on behalf of borrowers who were wrongfully denied a mortgage modification under the federal Home Affordable Modification Program (HAMP) due to an alleged software error by Wells Fargo. To read our Wells Fargo class action lawsuit complaint, visit our website: https://www.classlawgroup.com/wells-fargo-mortgage-modification-lawsuit/.

The lawsuit alleges, among other things, that Wells Fargo failed to implement and maintain its internal software and protocols to correctly determine whether a mortgage modification was required under HAMP regulations. The lawsuit further alleges that Wells Fargo knew of the error in 2015 but failed to disclose it for nearly three years. And that as a result, hundreds of borrowers suffered grave consequences of the incorrect denials including wrongful foreclosures, increased fees, and serious damage to their credit.

Attorneys at Gibbs Law Group and Paul LLP are reviewing potential claims on behalf of additional borrowers who were affected by Wells Fargo's wrongful mortgage modification denials.

FHFA Releases New Report On Non-Performing Loan Sales | FHFA Press Office
The Federal Housing Finance Agency (FHFA) today released its semiannual report providing information about the sale of non-performing loans (NPLs) by Fannie Mae and Freddie Mac (the Enterprises). The Enterprise Non-Performing Loan Sales Report includes information about NPLs sold from August 1, 2014 through June 30, 2018, and reflects

borrower outcomes as of June 30. The sale of NPLs reduces the number of delinquent loans in the Enterprises' portfolios and transfers credit risk to the private sector. FHFA and the Enterprises impose requirements on NPL buyers designed to achieve more favorable outcomes for borrowers than foreclosure.

PRIVATE FUNDS

KKR, Blackstone Lose Bid To Dismiss Kentucky Pension Lawsuit | Pensions And Investments

KKR, Blackstone Group and the firms' founders must face a lawsuit alleging they failed to deliver hedge fund returns as advertised, a judge in Kentucky ruled Nov. 30 in a decision that might present new legal challenges for managers of alternative investments.

The lawsuit, filed in December 2017, claims large asset managers misrepresented expensive and risky "black-box" bundles of hedge funds as safe ways to generate high returns. The suit was filed on behalf of the $12.3 billion Kentucky Retirement Systems and state taxpayers. The plaintiffs group includes a sitting judge, a retired state trooper and a firefighter.

In rejecting the defendants' bid to dismiss the case, Franklin County Circuit Court Judge Phillip Shepherd wrote in a 35-page opinion that "the pleadings should be liberally construed in a light most favorable to the plaintiff and all allegations taken in the complaint to be true."

STUDENT LOANS AND FOR-PROFIT SCHOOLS

For-Profit College Chain Closes, Shutting Out Nearly 20,000 Students | New York Times

The for-profit college chain Education Corporation of America said this week that it would shut down nearly all of its schools, leaving almost 20,000 students with partially completed degrees and credits that many other schools will not accept.

The company, based in Birmingham, Ala., operated more than 70 vocationally focused campuses nationwide before losing its accreditation on Tuesday. The chain’s programs included training for aspiring chefs, nurses and green-energy workers at schools including Brightwood College, Virginia College and the Golf Academy of America, which sold itself with the slogan “preparing students to win in the game and the business of golf.”

The shutdown was the largest failure of a for-profit chain since 2016, when ITT Technical Institutes went bankrupt, and came after the college’s accreditor — itself a troubled organization that the United States Education Department had accused of oversight failures — notified the company that it would no longer endorse its programs.

Yes, Student Loans Really Are Making Millennials Go Broke | The Hill (Maggie Thompson and Senya Merchant)

Ten years after America's largest financial institutions upended the economic livelihood of millions of millennials entering the job market, a new report from the Federal Reserve confirms what we already knew: millennials are broke.

Post-recession, the banks regained their footing, the housing market stabilized and company earnings rose. But while big industries were thrown a lifeline, a whole generation — the largest workforce in U.S. history — faced escalating college tuition costs with few streams of money. Now, 44 million Americans are shouldering $1.5 trillion in outstanding student loans, with young people under the age of 35 holding almost half of that debt.

The Federal Reserve's report is one more piece of evidence that proves that student debt is stripping value out of our financial lives in tangible ways. Earlier this year, through an analysis that looked at the percentage of people's paychecks that goes towards repaying student debt, we learned that millennials as a whole, and particularly millennials of color, have the largest portion of their paychecks being siphoned away to pay down student loan debt.

SYSTEMIC RISK

Quarles: Congress Directed Fed To Tailor Bank Rules Based On Risk | Politico Pro
Federal Reserve regulatory chief Randal Quarles today said the central bank's move to ease some rules for banks with more than $250 billion in assets isn't going beyond the mandate of the new bank deregulation law.

"Its basic instruction to the Fed was that we must tailor our regulations to the risk of an institution," Quarles said of the law, S. 2155 (115), during a discussion at the Council on Foreign Relations in New York.

"Dodd-Frank had always allowed the Fed to do that, and there'd been a certain amount of so-called tailoring even before 2155 that the Fed had done, but that was discretionary," he added.

OCC Report Discusses Key Risks For Federal Banking System | OCC Press Office
The Office of the Comptroller of the Currency (OCC) today reported credit, operational, compliance, and interest rate risks are key themes for the federal banking system in its Semiannual Risk Perspective for Fall 2018.
Highlights from the report include:

- Credit quality remains strong, but the OCC is monitoring the origination quality of new loans, the potential for increased lender complacency within credit risk identification and management, and the potential embedded risks from successive years of eased underwriting.

Quarles: Community bank exemption from Volcker rule coming soon | Politico Pro
Federal Reserve regulatory chief Randal Quarles today said the central bank would soon issue a proposal allowing smaller banks to escape a ban on proprietary trading, as required under the new bank deregulation law.

"We ... expect soon to propose an exemption for community banks to the Volcker rule," Quarles said in a speech at Stanford University on banking in the Western part of the U.S.

Under the new law, banks with less than $10 billion in assets and limited trading activity are not subject to the Volcker rule.

Economic Double-Jeopardy: Too Big To Fail, Too Big To Hide | Forbes (Dante Disparte)
The trajectory of the $87 trillion global economy seems to be on a collision course with economic variables that were once thought to be safe or "conforming" to long range financial models. Over the last two decades, the first major shoe to drop marking a correction in this view was the global financial crisis of 2008, which revealed the double-jeopardy inherent in leveraged debt. On the one front, homeowners with little equity in their properties while using those properties to fuel credit driven expansion proved to be unsustainable. On the other, large financial institutions repackaging these loans in shoddy synthetic structures and then reselling them to counterparties under the guise of high credit quality and risk transfer inflated systemic risk. At the same time these very institutions held large swathes of real estate assets to balance long-term liabilities under the guise of perennial appreciation was a double-jeopardy large enough to topple the global economy. Trillions in corrective spend later in the form of quantitative easing, asset buy backs and low interest rates, every central bank and economic policy arrow was thrown at the hydra of toxic assets, leverage and systemic financial interconnections hiding in plain sight. Where are these preconditions in the global economy residing or, better still hiding today? Looking for examples of economic double-jeopardy can offer clues of where systemic risk is likely to rear its ugly head next.

Money Laundering Could Affect Financial Stability, Danish Central Bank Warns | Reuters
A money laundering scandal at Danske Bank (DANSKE.CO) involving billions of euros of suspicious flows is serious enough to potentially affect the country's financial stability, the central bank warned on Friday.

Denmark's state prosecutor filed preliminary charges on Wednesday against Danske Bank, Denmark's largest lender with a balance sheet 1-1/2 times Danish gross domestic product, for alleged violations of the country's anti-money laundering act in relation to its Estonian branch.

In a report published on Friday the central bank said money laundering issues at a single bank could spread to the entire financial sector.

"It's a question of trust, if there is a spillover effect to the rest of the sector. We haven't seen that yet, but that is the concern," Karsten Biltoft, assistant governor and head of financial stability, told Reuters.

U.S. Banking System Is Still Fragile, Leading Economist Argues At Treasury Department Conference | MarketWatch

The U.S. banking system is still perilously fragile despite reams of new rules in the wake of the Great Recession meant to stave off another financial panic, a leading economist contends.

“The financial system is too fragile, distorted and dangerous,” said Anat Admati, professor of finance and economics at the Stanford Graduate School of Business.

Admati was among a group of banking experts who gathered in Washington to advise government officials on how to avert another crisis like the one that almost took down the U.S. economy in 2008. She is the author of “The Bankers’ New Clothes: What’s Wrong with Banking and What to Do about It.”

US Bank Regulator Airs Caution On Leveraged Loan Market | Reuters
A U.S. bank regulator believes that banks should be increasingly aware of activity in the leveraged lending market, cautioning rapid growth in that sector by nonbanks could pose future risks to the financial sector.

The U.S. Office of the Comptroller of the Currency (OCC) highlighted loans to highly-indebted companies in its semiannual risk report issued on Monday.

While lending by banks in that sector does not seem exceedingly risky, the OCC cautioned near-record issuance in that sector, driven by nonbanks like private equity firms and hedge funds, merits closer attention.

Central Bank Warnings On The Global Economy Are Getting Louder | The Guardian (Howard Davies)
How should we view all these warnings? Are the regulators genuinely anxious, or just covering their backs? The received wisdom among regulators is that they are better off being able to say, “We told you so” if something goes wrong, and that there is little downside in occasionally issuing dark warnings. Journalists rarely look back to check whether the dire outcomes the authorities pointed to actually came to pass. And even if they do check, regulators can always claim that the worst was avoided precisely because they had warned of the risk.

But the warning quotient has been rising in recent weeks. Should we be genuinely anxious, and begin battening down the hatches to prepare for a coming storm?

It is hard to be sure, of course, but reasons to stay awake at night are multiplying. While each emerging-market trouble spot – Venezuela, Turkey, Brazil, Argentina – has idiosyncratic features, a pattern is starting to emerge. A rising dollar, and an investment flight to the US, is accentuating these countries’ self-generated problems. And while the Fed’s interest-rate rises could hardly have been more carefully signaled in advance, there are still concerns that the desired financial tightening in credit markets has scarcely occurred yet, and that, if and when it does, some borrowers could find themselves uncomfortably exposed.

TAXES

The Economic Boost From The Republican Tax Cuts Is Probably About To Run Out | Vox
It's been just under a year since the GOP passed its $1.5 trillion Tax Cuts and Jobs Act, which the White House and congressional leaders said would serve as a major boon to the economy, even promising it would pay for itself. (Most economists agree it won't.) Though the bill did cut taxes for most Americans, it disproportionately benefits corporations and the wealthy.

But the juice it was supposed to inject in the economy will likely soon run out, just in time for the presidential election year.

The fiscal stimulus of the tax bill will come this year and next, but once 2020 arrives, many economists say the short-term growth effects will probably run out.

GM Has Barely Paid Federal Taxes For Years. Here's Why. | CNN
GM isn't evading Uncle Sam. Federal law allows companies to use past losses to shield future profits from taxes. The tax break, known by the wonky name "net operating loss carryforward," is one the most common tax breaks in corporate America. Most businesses lose money at some point. The tax break is designed to help struggling companies get back on their feet.

GM is an extreme example. It suffered huge losses leading up to its 2009 bankruptcy. By 2010, it was again profitable, and it has essentially been very profitable ever since.

The company's finances have been in the news again over the last week after it announced plans to close plants and cut thousands of jobs. President Donald Trump immediately attacked GM, arguing it should keep the plants open because of the taxpayer help it's gotten in the past. He vowed to cut off any subsidies it is still receiving.

The Tax Cut Isn't Trickling Down To Workers | MarketWatch (Andy Green and Galen Hendricks, CAP)
Nearly one year ago, the Republican Congress passed and the president signed the controversial and partisan Tax Cuts and Jobs Act (TCJA). Proponents sold this law as a middle-class tax cut that would dramatically increase business investment, raise wages, and simplify the tax code.

But more than 11 months later, there is little sign that any of these promises will be fulfilled. Instead, it is increasingly clear that the tax law isn't just a wasteful giveaway — it is harming the economy, workers, and the U.S. fiscal position in important ways.

Real wage growth has been largely nonexistent for the average worker since the tax bill passed. Production nonsupervisory workers only saw a 0.2% year-over-year increase in average hourly earnings last quarter.

OTHER TOPICS

The Big Con: Reassessing The Great Recession And Its Fix | Forbes (Lawrence Kotlikoff)
Some bad banking is a constant. But this time was different. Virtually all outstanding mortgages were subprime and virtually all subprimes were fraudulent no-doc, liar, and NINJA loans. Bank leverage reached record levels. Massively bribed rating companies gave triple As to securities that were triple Fs. Regulators were totally outgunned, outnumbered, and out of touch. House prices soared forming an incredible bubble. Derivatives became "weapons of mass destruction." Trading grew exponentially. And well-greased politicians looked the other way. The Financial Crisis Inquiry Commission summed it all up in two words – "pervasive permissiveness."

There's just one problem with this narrative. As argued here, it doesn't fit the facts. Worse, it diverts attention from the real problem. The real problem wasn't rampant misuse of a good banking system. It was regular use of a bad banking system – a banking system built to fail.

Structural failures have structural causes. The Hindenberg had a short circuit. The Challenger had faulty O-rings. The Titanic had unsealed bulkheads. The I-35 Mississippi Bridge had inadequate gusset plates. Our banking system had leverage and opacity. It failed colossally. It was bailed out, rebuilt to original spec, and is set to die another day.

A "Fintech Sandbox" Might Sound Like A Harmless Idea. It's Not. | Financial Times
Last week Kuwait became the latest sandy territory to announce it was setting up a regulatory "sandbox" for fintech companies (following in the footsteps of similarly arenaceous Bahrain, Abu Dhabi, and Arizona, which earlier this year became the first place in the US to set one up).

A regulatory sandbox is a bit like a regular sandbox, except with no sand, no children, and no discernible fun. Instead, it is essentially a programme — normally running for several months — that allows early-stage fintech start-ups to test out their offerings in a limited market environment, under regulatory supervision, but without having to be fully licensed.

That might sound pretty harmless. In practice, it's not. Regulators' primary role is to protect consumers — often, ironically, precisely from the kind of "financial innovation" the companies in the sandbox are offering — and to safeguard financial stability. It is not regulators' job to provide start-ups with free marketing or any kind of stamp of approval, which is how they are often being used (more on that later).

Recession Is A Far Larger Threat Than Inflation | Bloomberg (Ramesh Ponnuru)
We have, however, had a severe recession and a weak recovery, beginning a decade ago, and it is not at all clear the Fed is well-equipped to prevent a recurrence.

There are several reasons for concern about how the Fed will respond to the next downturn. Because it targets inflation, it may be tempted to tighten money inappropriately after a negative supply shock. In 2008, for example, higher oil prices seem to have led to a more restrictive Fed policy than warranted.

Stabilizing the business cycle requires treating increases in inflation differently if they are caused by a lower money supply or increased public demand for money balances, on the one hand, or a reduction in the availability of a key resource on the other. The stricter the inflation-targeting regime, the less likely the Fed will be to make those distinctions.

Powell Shouldn’t Follow Greenspan’s Example At Fed, Veteran Economist Says | CNBC
In the 1990s, then Fed-chair Greenspan took a watch-and-wait policy, keeping rates low to see if inflation would materialize in the face of a growing economy. At the Federal Reserve's annual retreat to Jackson Hole, Wyoming, in August, Powell praised Greenspan's do-nothing stance as sound risk management.

But Stephen Roach, a senior fellow at Yale University and former chairman of Morgan Stanley Asia, told CNBC's "Squawk Box Europe" on Friday that Powell would do well to learn from Greenspan's mistakes.

"The Greenspan 'put' supported markets a lot, but he also gave us lots of bubbles and crises that were spawned by those bubbles which I think history does not treat kindly at all," he said.

The veteran economist added that it was not "such a bad thing that Jay Powell is not a clone of Alan Greenspan."

Watch: Deustche Bank Is To Germany What Wells Fargo Is To the US, Says Banking Analyst Ed Groshans | CNBC

The Reason Many Ultrarich People Aren’t Satisfied With Their Wealth | The Atlantic
As the number of millionaires and billionaires in the world climbs ever higher, there are a growing number of people who possess more money than they could ever reasonably spend on even the lushest goods.

But at a certain level of wealth, the next million isn’t going to suddenly revolutionize their lifestyle. What drives people, once they’ve reached that point, to keep pursuing more?

There are some good explanations, I found, after talking to a few people who’ve spent significant amounts of time in the presence of and/or researching the really, really rich. Michael Norton, a Harvard Business School professor who has studied the connections between happiness and wealth, had a particularly elegant model for understanding this pattern of behavior.