AFR Americans for Financial Reform Education Fund

This Week in Wall Street Reform | Feb 9 - 15

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THE TRUMP ADMINISTRATION, CONGRESS & WALL STREET

Goldman Lobbyist Turned Schumer General Counsel Is Hiding Most Former Clients' Names | The Intercept
A former Goldman Sachs lobbyist who now works as the top lawyer for Senate Minority Leader Chuck Schumer, D-N.Y., declined to name 19 of his 20 former clients in his financial disclosure last year.

Mark Patterson, who also served as former Treasury Secretary Tim Geithner's chief of staff during the Obama administration, joined Schumer's office last year. He had been a co-chair of the Perkins Coie law firm's public and strategic affairs practice since 2014.

An archived version of Perkins Coie's website says that Patterson provided "policy analysis and strategic counsel to clients such as major corporations, financial institutions and nonprofit organizations." He gave few specifics in his 2018 financial disclosure, asserting that he had to withhold the identities of nearly all of his clients based on rules of professional conduct for lawyers.

Payday Lenders Sure Have A Cozy Relationship With The Trump Administration | Huffington Post

A company that defrauded customers but only got a slap on the wrist from the Trump administration also made a large donation to the president's 2017 inaugural committee.

Last month, Enova International, an online payday lender that operates the brands NetCredit and CashNetUSA, agreed to pay a $3 million fine for illegally taking money from customers' bank accounts and failing to honor loan extensions. But the settlement included no refunds for the victims.

Enova gave $25,000 to Donald Trump's presidential inaugural committee, an organization that prosecutors have been investigating reportedly because of possible money laundering, fraud and overpaying for event space at the Trump International Hotel.

Trump's Payback For Payday Lenders | New York Times (Editorial Board)
After years of research, the bureau in 2017 issued sensible regulations governing loans that lasted 45 days or fewer. The cornerstone rule required payday lenders to determine whether the borrower could repay the debt while still meeting living expenses. The point was to create a supply of small-dollar loans that allowed lenders to earn a reasonable profit without driving borrowers into penury.

This strategy was clearly working. But the Trump administration established from the start that it was more interested in rewarding the lending industry than protecting borrowers. Mick Mulvaney, as the bureau's acting director, sided with the lenders last year when they went to court to block the regulations. The bureau's new director,Kathleen Kraninger, has now proposed hollowing out nearly all of the meaningful requirements in the rules — including the ability-to-pay requirement. The bureau argues that there was "insufficient evidence" for the provision, despite a wealth of data supporting it and the fact that the provision has long been a foundation of sound underwriting.

Consumer organizations are gearing up to flood the bureau with data showing that the existing rules are fully justified and that dismantling them would harm millions of borrowers. If the new rules weather the comment period and become final, a lawsuit will certainly follow. By that point, the 2020 political campaigns will be in full swing, and Republican candidates will have a difficult time ducking the issue.

CONSUMER FINANCE AND THE CFPB

Joint Letter: 80 Groups Oppose CFPB's No-Action Letter And Sandbox Policy

Joint Letter: 9 Groups Oppose The CFPB's Proposed Changes To Its No-Action Letter Policy And New Sandbox Proposal

News Release: Consumer Groups Strongly Oppose CFPB Product Sandbox Proposal

Radical Rollbacks of Payday Lending Rules Make Exploiting The Poor Easier | St. Louis Post-Dispatch (Editorial Board)

The time has come to consider an official name change for the Consumer Financial Protection Bureau to reflect its true mission under the Trump administration. Consumers are clearly the last thing on President Donald Trump's mind, and the only people he and his GOP supporters in Congress seek to protect financially are the fat cats in the banking and payday lending industry.

We'd offer a few recommendations for replacement names, but unfortunately, their acronyms are unprintable in a family newspaper. Suffice it to say that the new name should reflect the truth that consumers, especially those on the edges of poverty, are getting the shaft under the broader freedoms Trump plans to give the financial services industry.

This Week: A Look At CFPB's Gift To Payday Lenders | Talking Points Memo
And now, with the replacement, industry-friendly rule announced, we see more cross-pollination: A big chuck of the bureau's legally required justification for scrapping the ability-to-repay rule hinges on a reinterpretation of a study from Columbia University's Ronald Mann, which looked into borrowers' own expectations of their abilities to repay loans.

The study, as it happens, was funded by a payday loan industry group. An Obama-era CFPB lawyer told American Banker: "Basically the only thing that has changed the Bureau's analysis is the people doing the analyzing."

"Talking this one study up as the one thin reed on which the consumer protections on payday loans are based is way off the mark," Linda Jun, senior policy counsel at Americans for Financial Reform, told TPM. "The old leadership at CFPB spent 5 years on the rule, and studied the issue from various angles itself, and had access to data no one else had."

Payday Rule Purge Axes New CFPB Chief's Benefit Of The Doubt From Consumer Advocates | Forbes
"CFPB is proposing to unwind the core part of its payday loan rule - that the lender must reasonably assess a borrower's ability to repay before making a loan. It's a bad move that will hurt the hardest-hit consumers. It should be and will be subject to a stiff legal challenge," Cordray warned.

Center for Responsible Lending Deputy Communications Director Charlene Crowell wrote January 17 some consumer groups, like Cordray, had given Kraninger the benefit of the doubt.

But like Cordray, as well, their tone changed when the CFPB head announced she wanted payday lenders to make loans to consumers even if they didn't show they had the wherewithal to pay them back.

Listen: The 400% Interest Rate | Today, Explained

CFPB Could Be Prepped For Wrong Payday Fight | Bloomberg Government

Lenders unhappy about the Consumer Financial Protection Bureau's watered down payday lending rule could prove a bigger threat to the agency's plans than consumer groups and state attorneys general.

Democratic state attorneys general and consumer groups have long discussed potential lawsuits if the original 2017 payday lending regulation is weakened, but are likely to have difficulty proving they have standing to sue.

The CFPB may actually be more vulnerable to a challenge from the payday industry, which is displeased with the CFPB's proposal to keep intact restrictions on access to consumers' bank accounts. Lenders may have both the incentive and standing to sue.

Questionable Lending Drives Americans To Record Auto Debt | US PIRG Press Office
The amount of money Americans owe on their cars is now at an all-time high -- up 75 percent since the end of 2009. Americans' rising indebtedness for cars raises concerns about the financial future of millions of households as lenders extend credit to more and more Americans without the ability to repay, according to a new U.S. PIRG report.

"Americans deserve both protection from predatory and unfair practices in auto lending, and a transportation system that provides more people the freedom to live without owning a car," said Ed Mierzwinski, U.S. PIRG's senior director for federal consumer programs and a report co-author.

"Americans shouldn't have to fight their way through a thicket of tricks and traps at the auto dealer just to get the transportation they need to get to work or school."

A Record 7 Million Americans Are Three Months Behind On Their Car Payments, A Red Flag For The Economy | Washington Post
A record 7 million Americans are 90 days or more behind on their auto loan payments, the Federal Reserve Bank of New York reported Tuesday, even more than during the wake of the financial crisis.

Economists warn that this is a red flag. Despite the strong economy and low unemployment rate, many Americans are struggling to pay their bills.

"The substantial and growing number of distressed borrowers suggests that not all Americans have benefited from the strong labor market," economists at the New York Fed wrote in a blog post.

A car loan is typically the first payment people make because a vehicle is critical to getting to work, and someone can live in a car if all else fails. When car loan delinquencies rise, it is usually a sign of significant duress among low-income and working-class Americans.

Watch: Consumers May Lose Protections In Proposed Payday Lending Changes | PBS NewsHour

FTC Enforcement Actions Yield More Than $2.3 Billion In Refunds To Consumers Between July 1, 2017 And June 30, 2018 | FTC Press Office
According to a report issued by the Federal Trade Commission today, between July 1, 2017 and June 30, 2018, the agency's law enforcement actions yielded more than $2.3 billion in refunds to defrauded consumers, including $122 million mailed directly by the FTC to 2.2 million people.

The total amount returned to consumers, which includes refunds distributed by defendants as a result of FTC actions against them, was almost eight times more than the Commission's entire budget for fiscal year 2018.

Foster Seeks Chairmanship Of House Fintech Task Force | Politico Pro
Rep. Bill Foster is pursuing the chairmanship of a new House task force on financial technology, where he wants to tackle issues including online lending, cryptocurrency and artificial intelligence.

The Illinois Democrat outlined his vision for the task force Monday in a letter to Financial Services Committee Chairwoman Maxine Waters (D-Calif.).

Waters has not yet created the task force, but Foster said in the letter obtained by POLITICO that it will be convened in the coming weeks.

Watch: "You Feel So Overwhelmed": Fed Reports $1 Trillion Increase In Americans' Debt | CBS News

Consumer Lender Insikt Rebrands As Aura | American Banker
A San Francisco company that touts itself as a more consumer-friendly alternative to payday lenders has changed its name in an effort to establish a closer connection to its customers.

The 6-year-old lender, which was formerly called Insikt, announced Tuesday that its new name is Aura. It is also dropping Lendify, the moniker that it previously used as its consumer-facing brand.

James Gutierrez, the company's co-founder and CEO, said in an interview that the old names proved too confusing for consumers. In explaining the origins of the new name, he compared an aura to a credit score, saying, "It seems invisible, but it matters a lot."

Texas Fair Lending Alliance Worries About Rollback Of Payday Lending Rule | Nexstar
The Consumer Financial Protection Bureau is looking to roll back a rule that would require payday and auto title lenders check a borrower's ability to repay the loan.

"To not look at the ability of the borrower to repay gives some concern," Ann Baddour, director of the Fair Financial Services Project at Texas Appleseed, said.

The Bureau worries the rule, scheduled to go into effect this August, would "reduce access to credit and competition in states that have determined that it is in their residents' interests to be able to use such products, subject to state-law limitations," it stated in a release on the agency's website.

Nebraska Senators Postpone Bill To Raise Loan Caps | Lincoln Journal-Star
Nebraska lawmakers have postponed a vote that would let personal loan companies charge a higher maximum interest rate after some senators objected to the proposal.

Senators moved past the bill Monday without advancing it through the second of three required votes. Some senators say it could force consumers to pay higher interest rates on installment loans.

The bill would allow lenders to charge interest of up to 29 percent per annum. Current law lets them charge up to 24 percent per annum on principal amounts up to $1,000 and 21 percent per annum on any remaining unpaid balance. It was requested by OneMain Financial, a loan company with Nebraska branches.

Wells Fargo CEO Apologizes For Online Fiasco That Left Customers Irate On Payday | Charlotte Observer
Wells Fargo extended its branch operating times by one hour Friday and Saturday as the nation's fourth-largest bank by assets labored to restore online and other services that went down Thursday.

San Francisco-based Wells, which has its largest employment hub in Charlotte, said the shutdown was caused by an automatic power shutdown at an unidentified data center when smoke was detected during routine maintenance. System applications were rerouted to other data centers, the bank said in a statement Friday.

By Thursday night, the bank said, most of its services were working. But Friday morning, it acknowledged continued problems with processing direct deposits on what for many of its customers is payday.

DERIVATIVES, COMMODITIES & THE CFTC

Joint Letter: Standardized Approach For Calculating The Exposure Amount Of Derivatives Contracts

INVESTOR PROTECTION, SEC, CAPITAL MARKETS

Broker Conflict Rule Assailed By Former SEC Economists | Bloomberg
The U.S. Securities and Exchange Commission plan for overhauling broker conflict-of-interest rules is coming under fire from an unusual source: a group of its former top economists.

In a sharply-worded comment letter, 11 former SEC officials faulted the proposal released last April under the direction of Chairman Jay Clayton, citing what they called "weak and incomplete" economic analysis.

"We find it worrisome that the proposal's economic analysis does not fully consider some potentially important dimensions of the retail client-adviser relationship," the officials wrote in the letter dated Feb. 6.

SEC Rejects Capital Plan By Options Clearinghouse | Wall Street Journal
U.S. regulators rejected on Wednesday Options Clearing Corp.'s plan to boost cash reserves, dealing a blow to what had been one of the clearing firm's key initiatives since the financial crisis.

The decision by the Securities and Exchange Commission could put an end to a yearslong dispute but creates fresh uncertainty for an organization at the center of the industry. OCC is the options market's only clearinghouse, acting as a guarantor to about 17 million stock-options contracts a day.

Organizations like OCC came under greater scrutiny after the 2008 financial crisis. Regulators required that the Chicago-based company boost how much money it keeps on hand to protect against severe losses.

SEC Commissioner Peirce Wants To Move Ahead On Advice Reform Quickly | Investment News
Securities and Exchange Commission member Hester Peirce said Tuesday she wants the agency to complete investment advice reform soon, an indication that a rule could be coming by summer.

Ms. Peirce did not offer a specific time line for a final SEC rule, the centerpiece of which is Regulation Best Interest that is designed to raise broker advice standards.

She also didn't indicate how she would vote on a final rule, but she said getting it over the finish line is imperative.

Wells Fargo Pushes Back On Shareholder Reform Plan | Charlotte Observer
Wells Fargo is opposing two separate requests from shareholders, including the AFL-CIO, urging for more changes at the San Francisco-based bank as it grapples with a series of scandals.

The proposals are the latest evidence that the bank still has work to do to rebuild trust with shareholders more than two years after revelations that bankers opened as many as 3.5 million unauthorized accounts to meet high-pressure sales goals.

The AFL-CIO, a large federation of unions representing 12.5 million workers, is calling for a rank-and-file Wells Fargo employee to be appointed to an advisory group the bank announced in 2017 as part of its efforts to turn itself around.

EXECUTIVE COMPENSATION

Bank Of America Just Disclosed What Kind Of Pay Raise It Gave Its CEO | Charlotte Observer
Bank of America CEO Brian Moynihan's compensation is increasing by 15 percent to $26.5 million, the Charlotte-based bank disclosed Friday.

The bank's board has awarded Moynihan $25 million in stock and an unchanged base salary of $1.5 million for his performance in 2018, according to a securities filing. As in previous years, Moynihan did not receive a cash bonus. His pay for 2017 included $21.5 million in stock.

In explaining the increase in compensation, the filing pointed to the bank's record earnings of $28.1 billion last year. The filing also noted disciplined risk and expense management under Moynihan.

GOP's Marco Rubio Takes Aim At Stock Buybacks, An Issue Under Attack By Democrats | CNBC
Republican Sen. Marco Rubio is pushing a new proposal that tackles one of Democrats' favorite talking points: stock buybacks.

The plan, unveiled Tuesday, would eliminate the preferential tax treatment of share repurchases as a way to discourage that behavior. Instead of falling under the capital gains rate, they would be taxed as dividends, which are subject to a wide range of rates.

Rubio is the chairman of the Small Business Committee, which is releasing a report on the issue today. It argues equal rates would remove companies' incentives to buy back stock in the first place.

MORTGAGES AND HOUSING

News Release: Private Equity Threatens Manufactured Home Residents

A Billion-Dollar Empire Made Of Mobile Homes | Washington Post
Also appeared in Los Angeles Times, Seattle Times and The Daily Nonpareil
The Florence Commons community consists of about 300 mobile homes of varying vintages, mostly single-wide, many valued at less than $30,000 apiece, set 20 feet apart from one another. The occupants of some will tell you: The floors buckle. The ceilings crack. The doors don't shut right. Their homes are sinking.

"Okay — it's a trailer park, not a fancy gated community," said Jessica Boudreaux, 33, who lives there with her two daughters. "If people could, they'd live somewhere else."

Yet Florence Commons, along with more than 200 other mobile home parks around the U.S., has produced hefty returns for Stockbridge Capital, a $13 billion private-equity firm, and its major investors.

Over the past three years, some of the biggest private-equity firms — Carlyle Group, Apollo Global Management and TPG Capital — have taken stakes in mobile home parks, according to a forthcoming report by the nonprofit groups Private Equity Stakeholder Project, MHAction and Americans for Financial Reform. The mobile home parks owned by private-equity firms have more than 100,000 home sites, according to the report.

When Wall Street Is Your Landlord | The Atlantic
In 2010, at the height of the foreclosure crisis, the federal government watched nervously as hundreds of thousands of families lost their homes. Empty houses blighted neighborhoods, their shades drawn, their yards overgrown. Without some kind of intervention, federal officials worried, the housing market would continue in its free fall, prices would keep dropping for existing homeowners, and the economic recovery, already tenuous, would be imperiled.

But who would fill these empty homes? Few Americans were in a buying mood, and for those who were, mortgages were harder to come by than they had been before the crash. So the government incentivized Wall Street to step in. In early 2012, it launched a pilot program that allowed private investors to easily purchase foreclosed homes by the hundreds from the government agency Fannie Mae. These new owners would then rent out the homes, creating more housing in areas heavily hit by foreclosures.

Amazon Isn't Coming To New York City — And It's A Kick In The Face For The People Who Bet Big On Property In Queens | Business Insider
Amazon revealed that it's abandoning its plans to construct a second headquarters in Long Island City.

It's a move that's sure to be a gut-punch for anyone who bought up Queens property in anticipation of HQ2 coming to town, as well as a major relief for residents concerned about soaring rents and snarled commutes.

On Thursday, the company put out a blog post announcing that it was scrapping the HQ2 project for New York: "We are disappointed to have reached this conclusion — we love New York, its incomparable dynamism, people, and culture — and particularly the community of Long Island City, where we have gotten to know so many optimistic, forward-leaning community leaders, small business owners, and residents."

Calabria Softens Previous Stances On Fannie, Freddie | Politico Pro
Mark Calabria, the White House's nominee to take over the Federal Housing Finance Agency, on Thursday sought to reassure lawmakers that he would defer to Congress on overhauling the mortgage giants Fannie Mae and Freddie Mac despite expressing strong views in the past on how they should be reformed.

"The very broad changes that I think need to happen in the mortgage finance system have to be done by Congress, and I would pledge to work in consultation and partnership with this committee moving forward," Calabria, an aide to Vice President Mike Pence, told the Senate Banking Committee during his confirmation hearing Thursday morning.

"I do believe that it is indeed possible for us to have a well-capitalized, strong system that preserves the 30-year mortgage and does provide access to affordable housing," he added, walking back his previous skepticism about the necessity of a 30-year fixed-rate mortgage.

Waters Opening Statement At Historic Hearing On Homelessness | House Financial Services Committee Press Office
Today, Congresswoman Maxine Waters (D-CA), Chairwoman of the House Financial Services Committee, convened the first Committee hearing of the 116th Congress and the Committee's first ever full Committee hearing on the issue of homelessness in this country.

For years, Committee Democrats have worked to bring attention to the homelessness crisis and have put forth proactive solutions to address this important issue.

How The Government Shutdown Caused A Foreclosure — And Could Cause More | The Intercept (David Dayen)
Congress has reportedly reached an agreement to fund the government and avoid another shutdown on Saturday, though with the grumbling in conservative circles about the deal, it's anyone's guess whether President Donald Trump will sign it. But even if the government doesn't shut down again, the rare breakout of competence will have come too late for people like Dorothy Leong of Stratford, Connecticut.

Leong, 83, took out a reverse mortgage on her home in 2004, which gives seniors with equity in their home the opportunity to take money out and defer repayment until they die or resell the property. She used up the line of credit from the reverse mortgage long ago and receives no more money from the deal, but as with all reverse mortgages, she's still required to cover property taxes and homeowner's insurance. At the same time, Leong suffers from multiple medical maladies, including a recent heart attack and problems with her legs. With health care bills mounting, and her family's only means of support being her Social Security check and a meager income from her disabled adult son, Leong eventually fell behind on tax and insurance payments

PRIVATE FUNDS

Payless Shoestore Files Chapter 11 Bankruptcy With Plans To Close All U.S. Stores | USA Today
Payless ShoeSource filed for Chapter 11 bankruptcy protection late Monday with plans to close all of its stores in the U.S. and Canada.

The widely anticipated move marks the Topeka, Kansas-based retailer's second bankruptcy filing in about as many years.

The first time, the company arranged a deal to cut debts accumulated through a private equity deal, close struggling stores and emerge from bankruptcy in 2017 with a chance to survive.

This time, the company is entering bankruptcy with plans to close all of its about 2,500 locations in the U.S. and Canada. The company has already ended online sales.

A Hedge Fund's 'Mercenary' Strategy: Buy Newspapers, Slash Jobs, Sell The Buildings | Washington Post
The hedge fund's newspaper business, Digital First Media, is bidding to buy Gannett, operator of the nation's largest chain of daily newspapers by circulation, including USA Today — as well as its $900 million in remaining property and equipment — for more than $1.3 billion.

The tactics employed by Alden and Digital First Media are well-chronicled: They buy newspapers already in financial distress, including big-city dailies such as the San Jose Mercury News and the Denver Post, reap the cash flow and lay off editors, reporters and photographers to boost profits.

In a 2018 court case, Alden disclosed it has a series of affiliated real estate companies whose business is focused primarily on efficiently buying, selling, leasing and redeveloping newspapers' offices and printing plants.

Hedge Fund Manager: Stock Buybacks Should Be 'Illegal' | CNN
Veteran hedge fund manager Mark Yusko is deeply skeptical of the stock buyback boom set off by President Donald Trump's tax overhaul.

"I call it the tax deform bill. It was just a free handout to rich people who pay a lot of money to lobbies," Yusko, the founder and CEO of Morgan Creek Capital, told CNN Business.

Instead of using its tax savings to speed up the economy, Corporate America is just "buying back stock to stimulate their stock price," Yusko said from the sidelines of the Cayman Alternative Investment Summit.

Hedge Funds Win, Puerto Ricans Lose In First Debt Restructuring Deal | American Prospect
Wall Street scored a major victory this week in its seemingly endless campaign to extract profit from Puerto Rico, as a federal court approved a deal that locks in 40 years of extremely generous government payments on sales tax–backed bonds, the island's largest pool of debt.

The restructuring plan for what is known as COFINA debt carries grave consequences for the vast majority of Puerto Ricans: Money that could be funding health care, education, and a just recovery from 2017's hurricanes and a 13-year economic depression will instead pad the pockets of hedge-fund billionaires and their wealthy investors. Additionally, the deal is structured in a way that will deliver huge profits for vulture funds and significant losses for Puerto Rico–based investors, all the while being funded by one of the most regressive forms of tax there is—a sky-high sales tax, which at 11.5 percent is higher than in all 50 states.

Silicon Valley Start-Up Investors Haven't Been This Pessimistic Since The Financial Crisis A Decade Ago | CNBC
Silicon Valley investors may be excited about all the wacky innovation in their backyard, but the political environment and global economy is really bringing them down.

Optimism among venture capitalists in the area dropped to the lowest level in almost a decade in the fourth quarter, according to the Silicon Valley Venture Capitalist Confidence Index, a quarterly survey of 28 Bay Area VCs released on Thursday. Confidence hasn't been this low since 2009, when the country was still mired in a historic banking and housing crisis.

"Seldom have political concerns so significantly impacted confidence and the factors that underpin the venture creation and innovation machine of Silicon Valley," wrote Mark Cannice, a professor at the University of San Francisco School of Management, in the report, which he's been producing since 2004. "However, current political wrangling, both domestically and abroad, now threatens the smooth functioning of the venture creation business model."

'Middle Class' Joe Biden Courts Wall Street Oligarch, BlackRock's Barry Fink | The Daily Beast (Jeff Hauser and Eleanor Eagan)
It is, therefore, puzzling that Biden is seemingly already betraying his supposed working-class base by cozying up to financial industry titans like Blackrock CEO Larry Fink. In January, The Atlantic reported, Biden went to see Fink, who told the ex-vice president "I'm here to help," which Biden took as a sign that Fink wanted a role in his campaign assuming he runs.

Ingratiating oneself to Wall Street executives hardly seems a winning strategy, no matter your base or "lane." A 2017 poll, for example, found that 72 percent of Americans believe that Wall Street has too much influence in Washington.

BlackRock undoubtedly exerts enormous influence in Washington. Like other corporate giants, BlackRock uses its deep well of resources to buy influence. Since 2004, BlackRock has spent just shy of $22 million on direct lobbying. This level of spending puts it on par with peers in the financial services industry. Additionally, in every election cycle since 2010, the firm has given hundreds of thousands of dollars to campaign committees and super PACs. This is also consistent with peers' behavior.

STUDENT LOANS AND FOR-PROFIT SCHOOLS

Student Debt Has Kept Homeownership Out Of Reach For 400,000 Young Families, Fed Reports | Seattle Times

Skyrocketing student-loan debt put homeownership out of reach for 400,000 Americans in their 20s and 30s from 2005 to 2014, according to a new report from the Federal Reserve.

Starting from census data showing a drop of 8.8 percentage points in homeownership among that age cohort, the Fed's researchers estimate that rising student loan balances account for roughly 2 percentage points of that drop, or nearly a quarter of it.

"While investing in postsecondary education continues to yield, on average, positive and substantial returns, burdensome student loan debt levels may be lessening these benefits," the researchers conclude. "As policymakers evaluate ways to aid student borrowers, they may wish to consider policies that reduce the cost of tuition, such as greater state government investment in public institutions."

Here's Why So Many Americans Feel Cheated By Their Student Loans | Buzzfeed News

"The people running the federal student aid seem to have a cultural resistance to the idea of loan forgiveness," John R. Brooks, a professor at Georgetown Law specializing in student loans, told me. "They see themselves as bankers: We made you the loan, and we need you to repay it. Their primary job is making sure the government gets its money back and then some, which is not what's best for students, or higher ed, or society in general."

This attitude toward student borrowers is a far cry from the original conception of education as a worthwhile investment in America's future. It conceives of the borrower not as the bearer of the future of the country, but a customer, and a petulant one at that. It also conceives of education as a transaction, in which recipients must pay back every cent, plus interest, in order to make good on the investment that has been made in them. That understanding is mirrored in every corner of the repayment process — and nowhere more so than the Public Service Loan Forgiveness Program.

Argosy Fails To Deliver $9 Million In Federal Aid | Inside Higher Ed

Argosy University has failed to distribute more than $9 million in financial aid to its students, a court-appointed receiver told The Arizona Republic, and it's unclear where the money is.

The nonprofit Dream Center Education Holdings in 2017 acquired the Argosy chain from the for-profit Educational Management Corporation, as well as the company's Art Institutes and South University chains. Dream Center converted those institutions into nonprofits.

Since then Dream Center, a Los Angeles-based religious organization, has struggled to keep the chains viable. Last month a federal court appointed a receiver for the campuses. And Dream Center has moved to close or break up some of its institutions. For example, a private investment firm created a nonprofit a few hours before the end of last year to buy several Art Institutes and South campuses.

Opening A Dangerous Floodgate | Inside Higher Ed (Thomas Corbett)
U.S. secretary of education Betsy DeVos has recently launched an effort that may result in an abdication of her responsibility to safeguard federal taxpayer funds. Specifically, she seeks to eliminate and weaken many of the requirements put in place to protect taxpayers and students from being wrongly billed for a subpar college education. In doing so, she gravely underestimates the reality inside for-profit education companies and fails to realize that not all colleges put students first.

I have special insight into these issues, because I served in the executive ranks of several large for-profit college chains: University of Phoenix, Kaplan University and ITT Technical Institute. I would like to share my experience as a former campus president of the now-defunct ITT Tech.

I feel compelled to speak out as an Air Force veteran who was deeply troubled by the conduct of my former employers as they took advantage of thousands of veterans -- to circumvent the federal 90-10 requirementsand gain access to the financial benefits of the GI Bill.

Art Institute Left Dream Center In 'Dire' Situation, Receiver Says | Education Drive
Dream Center Education Holdings (DCEH) and its remaining assets, including several Art Institutes, face a "dire" cash shortage and lack funds to pay for operations and federal aid stipends to students, according to Mark Dottore, the court-appointed receiver managing DCEH assets.

Dottore told Education Department official Diane Auer Jones in a letter dated Feb. 7 that the DCEH entities only had $3.8 million left to fund necessary services after a Feb. 1 payroll payment. Dottore added that "the most critical need" was to pay $13 million in stipends owed to Argosy University students.

He asked Jones to waive restrictions on the university placed by the department under its Heightened Cash Monitoring 2 system and release $13 million of $21 million in available funds.

Dream Center Receiver Says DeVos-Blessed Studio Enterprise Is Taking Money For Nothing | Republic Report
The court-appointed receiver now overseeing the operations of distressed Dream Center Education Holdings (DCEH) has written to the Betsy DeVos Department of Education that Studio Enterprise, a company designated to service former and current DCEH schools, is taking service fees from the deal without providing any services, draining badly-needed cash from the operation. That troubling arrangement seems to be part of a worrisome disappearing act involving millions in taxpayer-funded student aid, as the meltdown of this entire operation intensifies.

Mark Dottore, the receiver, wrote to Acting Under Secretary of Education Diane Auer Jones on Thursday, with an accounting of the $51 million in taxpayer dollars the DeVos Department had provided in January and early February to Argosy University, South

University, and the Art Institutes, the three chains that DCEH purchased from Education Management Corp. a year ago. (The letter was attached to a federal court filing today on behalf of DCEH students by their lawyers from the National Student Legal Defense Network.)

SYSTEMIC RISK

BB&T And SunTrust Merger Deals A Blow To Atlanta | Wall Street Journal
SunTrust Banks Inc. is so intertwined with the history and culture of this city that news of its merger with BB&T Corp. and the loss of its headquarters stunned many leaders in the business community.

The SunTrust logo can be seen throughout metro Atlanta, most notably on the Atlanta Braves' SunTrust Park in suburban Cobb County, which opened in 2017. Sixty-story SunTrust Plaza is a major presence downtown. Parks, university libraries and streets in the city are named for families closely associated with the bank, including the Woodruffs and the Hurts.

The bank's leaders helped finance Coca-Cola Co.'s international expansion and were instrumental in the building of Emory University's campus in the Atlanta area. They also played a key role in working with Civil Rights leaders to ensure that Atlanta, unlike other southern cities, desegregated relatively peacefully under the slogan "The City Too Busy to Hate."

"For those of us who grew up here and have a history in Georgia, you think of SunTrust as one of those iconic brands in Atlanta," said Jonathan Hightower, 39, a banking lawyer at Bryan Cave Leighton Paisner LLP. "It's right up there with Coca Cola."

SunTrust-BB&T Merger: Deregulation Is Encouraging The Creation Of Regional Megabanks | Medium.com (Oscar Valdes-Viera, AFR Policy Researcher)
The merger between SunTrust and BB&T announced last week is a big deal, literally and figuratively. The deal merges two of the twenty largest banks in the U.S. to form the eighth largest bank in the country. The new entity, with over $430 billion in total assets, will enter the group of supersize regional banks that aren't quite global Wall Street banks, but have national scale and the ability to dominate conventional commercial banking in their markets.

It's by far the biggest bank merger since the financial crisis, and signals a potential return to the go-go years of bank expansion and super-concentration that occurred between the major bank deregulation bills in the 1990s (the 1994 Riegle-Neal Act and the 1999 Graham-Leach-Bliley Act) and the 2008 financial crisis. Even in that period — the era that put "too big to fail" at the center of the financial system — this merger would have been huge, one of the largest bank mergers ever by asset size.

But this isn't a surprise to those who have been paying attention to the legislative and regulatory signals coming out of Washington. Last year,Congress passed S. 2155, a law that directed the Federal Reserve to ease up on regulatory requirements for large regional banks with up to $250 billion in assets and giving them an opening to relax regulations on even bigger banks. Supporters of S. 2155 repeatedly and misleadingly claimed that the bill was only about helping small and community banks thrive. However, as we, and others, pointed out last year, a likely effect of the bill will be reducing the number of community banks by encouraging consolidation and making it easier for big banks to swallow up smaller ones.

Elizabeth Warren Was Right: New Law Is Already Making Banks Bigger | The Intercept (David Dayen)
The proposed $28 billion merger announced Thursday between large regional banks SunTrust and BB&T is the biggest banking tie-up since the financial crisis, creating what would become the nation's sixth-largest bank. And it's a direct result of actions taken by the Trump administration and the bipartisan group of lawmakers who passed a bank deregulation bill in 2018.

While Democrats insisted that the bank bill, S.2155, was merely about community bank regulatory relief, critics and industry experts expected that it would lead to consolidation of the sector, which began to occur almost immediately after passage. "I'm concerned about the negative impact of increased consolidation caused by S.2155 on community banks and on customers who benefit from more competition for their business," wrote Massachusetts Sen. Elizabeth Warren in April 2018, just a month after the bill's passage.

Fed Official Calls For A Revamp In The Way Financial-Sector Threats Are Assessed | Wall Street Journal
Global regulators must revamp the way they assess new threats to the financial system, as the tide of postcrisis rules crests and the financial sector evolves, a top Federal Reserve official said Sunday.

"We cannot be complacent and assume that we are safe from all shocks," Fed governor Randal Quarles, the central bank's point man on regulation, said in remarks prepared for a conference in Hong Kong.

Mr. Quarles chairs the Financial Stability Board, a panel of international policy makers established in 2009 to overhaul global financial regulations. It doesn't have the power to order around member countries, which control their own financial rules. But the FSB is important because regulators use it to establish baseline international standards and pressure peers in other countries to adopt them.

Mr. Quarles said the FSB must put more of its resources into identifying new vulnerabilities now that more than a decade has passed since the financial crisis and nearly all of the board's postcrisis reform agenda is complete.

Bank Mergers Get Faster Under Trump | Wall Street Journal
Bank mergers are getting speedier under President Trump, with federal regulators changing policies that had deterred deals after the financial crisis.

That stance could potentially help fuel more consolidation, though it has also raised concerns that regulators aren't scrutinizing mergers closely enough.

Last week, BB&T Corp. and SunTrust Banks Inc. announced plans for a $28.2 billion all-stock deal that, if completed, would be the biggest bank merger since the crisis.

The number of bank mergers approved hasn't changed significantly in the past two years. But the process for getting a deal across the finish line has gotten quicker and community groups appear to have less input.

Here's What Must Happen Before Charlotte Can Land A New HQ In BB&T, SunTrust Deal | Charlotte Observer
A proposed $66-billion merger between BB&T and SunTrust Banks, which would put a new bank headquarters in Charlotte, turned heads last week as the largest U.S. bank merger since the financial crisis about a decade ago.

The combination of Winston-Salem's BB&T and Atlanta's SunTrust would form the sixth-largest U.S. bank, holding approximately $442 billion in assets and $324 billion in deposits, both companies said in announcing their plans last Thursday.

Industry experts largely expect regulators to approve the transaction this year. But the proposal is triggering outcry from some Democrats in Congress, who say they worry it will raise banking costs for consumers and create another large U.S. bank that might hurt the economy if it were to fail.

Fed Debating If Balance Sheet Should Be Regular Tool, Daly Says | Reuters
U.S. central bankers are currently debating whether it should confine its controversial tool of bond buying to purely emergency situations or if it should turn to that tool more regularly, San Francisco Federal Reserve Bank President Mary Daly said on Friday.

"In the financial crisis, in the aftermath of that when we were trying to help the economy, we engaged in these quantitative easing policies, and an important question is, should those always be in the tool kit — should you always have those at your ready — or should you think about those are only tools you use when you really hit the zero lower bound and you have no other things you can do," Daly told reporters after a talk at the Bay Area Council Economic Institute.

"You could imagine executing policy with your interest rate as your primary tool and the balance sheet as a secondary tool, but one that you would use more readily," she added. "That's not decided yet, but it's part of what we are discussing now."

Large Banks Assuming More Risk In Auto Lending | American Banker
Big banks have been adding more fuel to the riskiest segment of the U.S. auto loan market than smaller depositories and credit unions, according to new research from the Federal Reserve Bank of New York.

In the third quarter of 2018, 25% of outstanding auto loans issued by banks with more than $50 billion of assets went to subprime borrowers, the study found.

Fed's Bowman, In First Speech, Pledges Open Door For Small Banks | Politico Pro
Federal Reserve governor Michelle Bowman, in her first speech at the central bank, said she will make it a priority to have an open line of communication with small banks.

Bowman, who officially joined the agency in November, is the first person confirmed to the Fed seat reserved for a community banker — a position created in 2015.

"I plan to fulfill this unique responsibility by traveling widely and listening closely to community bankers, consumers, small business owners, community leaders — all of the stakeholders with an interest in this area," she said at a conference hosted by the American Bankers Association.

TAXES

Build Your Own Wealth Tax: Try Your Hand At Taxing The Superrich | Vox
But Warren, who is running for president, isn't the first Democrat to propose a wealth tax in recent years. During the 2016 Democratic primaries, Sen. Bernie Sanders proposed a more modest wealth tax as an option for financing part of his Medicare-for-all plan. And we might see other 2020 candidates propose wealth taxes.

Now we've created a wealth tax calculator — a tool that lets you design your own wealth tax — based on a data set estimating the wealth of Americans in 2016 from the People's Policy Project. You can see how much revenue it generates and what programs it could pay for.

Smaller Tax Refunds Surprise Those Expecting More Relief | New York Times
The tax preparers at H&R Block had to take a new class before their busy season started this year: empathy training.

They listened to a mock exchange between an employee and a customer whose refund would not just shrink but disappear. The fictitious client had received a $1,500 refund last year, but this year would owe $575.

The playacting was prescient. The tax overhaul that took effect last year promised relief, but now that returns are being filed, some people are baffled. They're getting smaller refunds — or sometimes having to write a check — even though nothing in their situation seems to have changed.

The average refund among early filers was down 8.4 percent, according to the Internal Revenue Service. The smaller checks, in some cases, stem from the loss of certain deductions. For others, it's because less money is being withheld from their paychecks. The I.R.S., in trying to more closely match the amount held out of paychecks with the amount that taxpayers will owe, changed its withholding tables.

The result is that taxpayers may be paying less over all but still getting a bill after filing their return. That has caught many people off guard.

OTHER TOPICS

America's 1% Hasn't Had This Much Wealth Since Just Before The Great Depression | MarketWatch
It's not fashionable to wear flapper dresses and do the Charleston, but 1920s-style wealth inequality is definitely back in style.

New research says America's ultra-rich haven't held as much of the country's wealth since the Jazz Age, those freewheeling times before the country's finances shattered. "U.S. wealth concentration seems to have returned to levels last seen during the Roaring Twenties," wrote Gabriel Zucman, an economics professor at the University of California, Berkeley.

Zucman said all the research on the issue also points to large wealth concentrations in China and Russia in recent decades. The same thing is happening in France and the U.K., but at a "more moderate rise," the paper said.

Trump Offers Socialism For The Rich, Capitalism For Everyone Else | The Guardian (Robert Reich)
America will never be a socialist country," Donald Trump declared in his State of the Union address. Someone should alert Trump that America is now a hotbed of socialism. But it is socialism for the rich. Everyone else is treated to harsh capitalism.

In the conservative mind, socialism means getting something for doing nothing. That pretty much describes the $21bn saved by the nation's largest banks last year thanks to Trump's tax cuts, some of which went into massive bonuses for bank executives. On the other hand, more than 4,000 lower-level bank employees got a big dose of harsh capitalism. They lost their jobs.

Banks that are too big to fail – courtesy of the 2008 bank bailout – enjoy a hidden subsidy of some $83bn a year, because creditors facing less risk accept lower interest on deposits and loans. Last year, Wall Street's bonus pool was $31.4bn. Take away the hidden subsidy and the bonus pool disappears.

Fed To Finalize Plans To End Balance Sheet Runoff 'At Coming Meetings:' Mester | Reuters
The Federal Reserve will chart plans to stop letting its bond holdings roll off "at coming meetings," Cleveland Fed President Loretta Mester said on Tuesday, signaling another major policy shift for the Fed after pausing interest rate hikes.

"At coming meetings, we will be finalizing our plans for ending the balance-sheet runoff and completing balance-sheet normalization," Mester said in remarks prepared for delivery in Cincinnati. "As we have done throughout the process of normalization, we will make these plans and the rationale for them known to the public in a timely way because transparency and accountability are basic tenets of appropriate monetary policymaking."

The Fed built up its balance sheet in the aftermath of the 2007-2009 financial crisis, buying trillions of dollars of bonds in an effort to push down longer-run borrowing costs after it slashed short-term borrowing costs to near zero.

Fed Chief Says U.S. Economic Expansion Has Been 'Uneven' | Wall Street Journal
Federal Reserve Chairman Jerome Powell said Tuesday, during a visit to Mississippi, that the economic expansion hasn't been evenly shared in many parts of the country, particularly in rural America.

"Data at the national level show a strong economy" with historically low unemployment and output growing at a "solid" pace, Mr. Powell said in a speech at Mississippi Valley State University. He noted earlier Tuesday, during a question-and-answer session with students, that the Fed doesn't think the risk of a recession "is at all elevated."

Mr. Powell didn't otherwise address the economic outlook or monetary policy in his speech, instead underscoring the need for policies to reduce inequality by improving access to education, entrepreneurship and banking services in regions with high concentrations of poverty.

JP Morgan Creates First US Bank-Backed Cryptocurrency | BBC News
US investment bank JP Morgan has created a crypto-currency to help settle payments between clients in its wholesale payments business.

JPM Coin is the first digital currency to be backed by a major US bank.

The crypto-currency, which runs on blockchain technology, has been used successfully to move money between the bank and a client account.

JP Morgan says it sees potential in using digital coins to reduce risk and enable instant transfers.

I Asked Wall Street Insiders Whether They'd Prefer Elizabeth Warren Or Donald Trump. It Turned Out To Be A Hard Question. | Vox
So whom would Wall Street prefer: Warren, the anti-corporate crusader who promises to be a steadier hand? Or Trump, a president who generally tries to keep his friends happy but is so unpredictable that his actions risk blowing up the system?

"I would vote for Trump and hold my nose, and he's worse than anything I feared," one fund manager told me. He said in 2016 he wrote in Mitt Romney's name and told me he believes Warren is a socialist (she's not). "How you vote in this coming election is voting your pocketbook or the need to have a person in office who is a person of integrity. If you vote your pocketbook, clearly, you're voting with Trump."

In recent weeks, I reached out to more than a dozen fund managers, traders, and investors to pose to them a relatively simple question: If in 2020 it comes down to Warren versus Trump, whom do you choose? Many of them preferred not to comment, but about half of the group weighed in — albeit some on the condition of anonymity.

Elizabeth Warren Keeps Pressure On Big Banks To Help Workers During Government Shutdowns | Roll Call

Several weeks into the last shutdown, Warren sent letters to some of the nation's largest financial institutions asking what sort of assistance they were providing to workers who were furloughed or working without pay.

And now the banks — Bank of America, Citigroup, JPMorgan Chase, U.S. Bancorp and Wells Fargo — have all responded to the senator and 2020 presidential hopeful. In the reply letters, the banks outline what they ultimately did to help their customers.

The responses, which were also reviewed by Roll Call, show that the banks generally treated government shutdowns as they would a natural disaster.