AFR Americans for Financial Reform Education Fund

This Week in Wall Street Reform | Feb 16 - 22

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THE TRUMP ADMINISTRATION, CONGRESS & WALL STREET

AFR Voting Record Highlights Wall Street Influence In 115th Congress | Americans For Financial Reform

Americans for Financial Reform today released a new compilation of votes in the 115th Congress around financial reform that makes Wall Street's success in driving its deregulatory agenda starkly visible.

Ten years after the financial crisis, a majority of members of the Congress that wrapped up work in 2018 voted again and again for bills pushed by the bank lobby that endanger financial stability, undermine consumer and investor protections, and enable racial discrimination in lending. The change in control of the House and a heightened awareness of the dangers posed by these actions provide an opportunity to see what changes in the 116th Congress.

The report, entitled "Where They Stand on Financial Reform," lays out how each lawmaker voted in crucial areas affecting Wall Street and predatory lenders. It also identifies those members of Congress who most frequently voted with Wall Street or predatory lenders, and against the public interest. It updates a report AFR released in 2018 in order to cover the whole of the 115th Congress.

[Senator Warren Says Wells Fargo CEO Must Go In Light Of Capitol Forum Report] | **Capitol Forum**

The Federal Reserve should not allow Wells Fargo (WFC) to grow its balance sheet until CEO Tim Sloan is replaced, Senator Elizabeth Warren said on Friday, citing a new report of abuse from The Capitol Forum.

“This recent report provides more evidence that Wells Fargo is fundamentally broken, and there is no evidence whatsoever that these problems can be fixed under Mr. Sloan’s watch,” the Massachusetts Democrat wrote to Fed Chairman Jay Powell.

Last week, The Capitol Forum reported that Wells Fargo employees routinely would fill in the clients’ signatures and would otherwise doctor paperwork in order to satisfy anti-money laundering rules.

[Why Wells Fargo’s CEO Is Harder To Oust Than Elizabeth Warren Suggests] | **Bloomberg**

Recruiters and investors say the pool of plausible successors is shallow, the job description daunting and the price tag steep. The obvious internal contenders have, like Sloan, worked at the lender for more than a decade, a period of various misconduct. Finding an external candidate groomed to run the fourth-largest U.S. bank probably means poaching from just a few peers. Paying enough to pry such an executive from a more stable situation risks a firestorm with the same critics calling for Sloan’s head.

“When you replace a CEO in an institution that has issues and crisis -- and is in the news in a bad way -- it’s a very, very difficult search,” said Jeanne Branthover, a managing partner at New York-based executive-search firm DHR International.

Warren has led the charge against Sloan since he was promoted to CEO in 2016, arguing it didn’t make sense to appoint a longtime insider to clean up a growing list of scandals. She added to her calls Friday morning in a letter to Federal Reserve Chairman Jerome Powell, saying that Sloan should be fired before the regulator lifts its asset cap on the bank.

[Crapo, Brown Invite Feedback On Data Privacy, Protection And Collection] | **Senate Banking Committee Press Office**

United States Senate Committee on Banking, Housing and Urban Affairs Chairman Mike Crapo (R-Idaho) and Ranking Member Sherrod Brown (D-Ohio) are inviting feedback from interested stakeholders on the collection, use and protection of sensitive information by financial regulators and private companies.

“Given the exponential growth and use of data, and corresponding data breaches, it is worth examining how the Fair Credit Reporting Act should work in a digital economy, and whether certain data brokers and other firms serve a function similar to the original consumer reporting agencies,” said Crapo. “I am particularly interested in what data is contained in modern consumer reports, how the information is gathered, who compiles it, how it is protected, how consumers can access it and correct it, and how privacy is respected.”

"In the year and a half since the Equifax breach, the country has learned that financial and technology companies are collecting huge stockpiles of sensitive personal data, but fail over and over to protect Americans' privacy. Outdated privacy laws don't address the complex surveillance schemes these businesses profit from today," said Brown. "Congress should make it easy for consumers to find out who is collecting personal information about them, and give consumers power over how that data is used, stored and distributed."

CONSUMER FINANCE AND THE CFPB

Listen: What Regulation Rollbacks At The Consumer Financial Protection Bureau Means For Consumers | The Takeaway

Don't roll back rules that protect consumers from payday lending abuses | Tulsa World (Editorial Board)
The Consumer Financial Protection Bureau should not reverse a common-sense rule that protects payday lending borrowers.

This month, the bureau proposed rolling back a 2017 rule that prohibits loans to borrowers who cannot demonstrate an ability to pay them back.
That essentially prevents payday lenders from intentionally making short-term loans to weak borrowers then repeatedly flipping the debt to amass extra fees. It was a high-profit racket for predatory lenders before the rule, and it will return if the rule is rolled back.

As the Oklahoma Policy Institute recently pointed out, Oklahomans took out nearly 900,000 payday loans in 2017, incurring nearly $50 million in fees. The annual interest rate on these loans can exceed 450 percent. The average payday loan customer in Oklahoma takes out six payday loans per year, and Oklahoma leads the nation in the rate of payday borrowing.

A Partial Payday Reprieve | Wall Street Journal (Editorial Board)
The Obama Administration too often crushed legal industries that aren't politically fashionable—for-profit colleges, for instance. So it's welcome news that the Consumer Financial Protection Bureau is unwinding parts of a needlessly punitive rule on payday lenders, though a wholesale rewrite would be better.

The bureau rolled out the payday rule under Richard Cordray, the former director best known for refusing to be fired. His goal was to put out of business lenders who offer short-term loans at high interest rates to customers in a pinch. By the bureau's own estimate, the underwriting requirements, payment rules and other restrictions would have all but eliminated the industry.

Lawmakers Drum Up Support For Payday Loan Reform Bill In Mountain Brook | Birmingham Real-Time News
Six years ago, Sherry Amos Prater entered her bank to withdraw $25.

"I was told, 'Mrs. Amos, you don't have cash,'" the teller told the Vestavia Hills resident.

Prater's bank balance dwindled to zero because her then-husband took out payday loans without her knowledge, wiping out her family's savings. She became homeless and was taken in by a shelter for women and their children while working five jobs to stay afloat.

"We lost our home, we lost our savings. The one thing I didn't lose was my faith, my faith to persevere," she told a discussion on payday lending arranged by churches, social service organizations and two Republican state representatives who are pushing for a bill that would extend the due date to pay back such loans from 14 to 30 days and slash their APRs. "I lost everything, but I gained so much, and that's to give back to this community and give back in a way that's so much better than I ever dreamed. Yes, I lost, but I gained new people, I gained friends, I gained support and my children also gained a strong lesson in life: You may lose everything and that concrete ground may be hard but if you only look up, there's light."

New Loan Options Weighed For Those With Bad Credit History | Washington Times Herald
A Senate committee voted 8-2 Thursday for a bill that adds new short-term installment loans for people with bad credit history and those with low incomes facing financial stress.

Opponents, though, argued that what is being sold as a helping hand to borrowers are just risky loans that come with interest rates that are still too steep.

Sen. Andy Zay, the Huntington Republican who authored the bill, surprised those following this issue by filing a 70-page amended version of the bill late Wednesday, the day before the bill was heard in the Senate Commerce and Technology Committee.

"Most of the opponents of the bill didn't even get access to the bill till this morning," complained Sen. Mark Stoops, D-Bloomington. "Even legislators that were on the committee didn't even have access to the bill until late afternoon yesterday."

Zay said the payday loan industry needs more regulation in Indiana.

States, Consumer Groups Blast CFPB's Fintech Protections | Roll Call
State attorneys general, consumer advocates, community activists, and banking regulators are criticizing proposed legal protections for banks and technology firms that develop "innovative" financial products.

The protections would come from the Consumer Financial Protection Bureau, which in December unveiled what it calls a "regulatory sandbox" that will allow firms to develop untested fintech products and services without fear of reprisals from regulators. While the criticism rolls in, financial industry groups are rallying behind the plan, even asking the CFPB to expand the legal safe havens.

The critics include 22 Democratic state attorneys general, 77 consumer and community groups, and the Conference of State Bank Supervisors. Last week, they sent disapproving comment letters to the CFPB over the bureau's plans to expand its "no-action letter" policies, in one case calling the plans a "Sahara desert parched of consumer protections."

Small Banks You've Never Heard Of Are Quietly Enabling The Tech Takeover Of The Financial Industry | CNBC
Instead of trying to beat a wave of high-growth financial technology start-ups at their own game, a group of small banks is opting to join them.

These low-profile community banks quietly run the plumbing underneath billion-dollar fintech firms such as Square, Stripe and Robinhood — handling mundane banking activities for them like holding customer deposits and underwriting loans — while the tech firms remake finance for a digital age.

For some, it's a match made in heaven. These smaller banks, with names like Cross River, Celtic, Sutton Bank and Evolve, say they don't care about having a household name so much as they need new lines of business as consumers increasingly switch to mobile banking. And the fintech companies, adept at luring new customers at a low cost, need the blessing of federal regulators and someone else to handle the money.

California Advocates Celebrate Victory That Results In Bank Of America, JP Morgan Chase, Wells Fargo Providing Free ATM Access To Public Benefit Recipients | California Reinvestment Coalition Press Office
A coalition of California community groups and social service providers today announced that Bank of America (NYSE: BAC), JPMorgan Chase (NYSE: JPM), and Wells Fargo (NYSE:WFC) will now provide free ATM access nationwide to low-income families who receive safety net benefits via state-issued electronic benefits transfer (EBT) cards. The three banks join dozens of smaller banks and credit unions that provide ATM access without surcharges in California. Previously, Citibank was the only top national bank to waive the fees across the country.

INVESTOR PROTECTION, SEC, CAPITAL MARKETS

Exchanges Challenge SEC In Court To Halt Rebates Regulation | Politico Pro
The top three U.S. stock exchange companies are challenging the SEC in federal district court to stop the agency's "transaction fee pilot" regulation, which was adopted in December and will test cuts to the firms' revenues.

In separate filings, the New York Stock Exchange, Nasdaq and Cboe Global Markets asked the U.S. Court of Appeals for the District of Columbia to review the SEC's transaction fee pilot, which the companies have opposed since it was proposed last year.

"The transaction fee pilot is arbitrary and capricious and otherwise not in accordance with the law," NYSE said in its Feb. 14 complaint. Nasdaq and Cboe filed petitions for review today.

Cognizant To Pay SEC $25 Million To Settle FCPA Allegations | Politico Pro

Cognizant Technology Solutions Corp. has agreed to pay the SEC $25 million to settle allegations that former company executives bribed Indian government officials, the agency said today.

Additionally, two former company officials have been indicted by a federal grand jury for bribery violations, the Justice Department said today. Gordon Coburn, Cognizant's former president, and Steven Schwartz, the company's former chief legal officer, were charged with Foreign Corrupt Practices Act violations, Justice said.

In 2014, a senior government official in the Indian state of Tamil Nadu demanded a $2 million bribe from the construction firm building a Cognizant campus in Chennai, the SEC said. Coburn and Schwartz authorized the contractor to pay the bribe and then they directed their subordinates to conceal the payments, the agency alleged.

EXECUTIVE COMPENSATION

European Investors Oppose CEO Pay More Than Vanguard, BlackRock | Bloomberg
Large asset managers oppose executive compensation plans at a higher rate than ever before, and European firms tend to reject CEO pay more often than their U.S. peers.

Allianz Global Investors last year voted against about 75 percent of compensation packages awarded to executive teams of S&P 500 firms, and Dutch pension fund PGGM opposed 98 percent of the time, according to a report issued Thursday by As You Sow, a shareholder advocacy group. Several major U.S. asset managers rejected only a fraction of those pay packages, the report said.

Growing income inequality in the U.S. and elsewhere has fueled populist sentiments and led to continued scrutiny of how corporate wealth is divided between executives and rank-and-file workers. Advisory shareholder votes on executive compensation are one of few direct tools for investors to publicly voice discontent. While not binding, poor results can embarrass directors and draw the attention of activists.

New Study Argues US Bank CEOs Make Too Much Money | Yahoo Finance
A new report argues that U.S. bank CEOs are paid too handsomely for otherwise lackluster performances.

Analysts from UK-based Aktis, a data platform that tracks bank governance, looked at compensation for bank CEOs at the largest European and American banks and concluded that European banks “seem to have aligned pay and performance more effectively” than their American counterparts.

Aktis looked at 22 global systemically important banks (or G-SIBs) and measured CEO pay against their respective banks’ return on average assets — a commonly used ratio to assess the profitability of a bank’s balance sheet. Aktis also measured pay against net interest margin (NIM), the difference between interest earned on loans against interest paid on deposits.

The Average S&P CEO Makes 273 Times More Than Its Median Employee | Axios
Thanks to the 2010 Dodd-Frank financial reform bill, shareholders gained access to new information this year.

The big picture: Companies must now disclose the ratio of pay between the CEO and the company's median employee. Not surprisingly, five of the top 10 worst CEOs overall are present in the list's top 10 companies with the highest ratio of CEO to median employee pay.

- Note: Mattel, whose CEO makes 4,987 times more than its median employee, said 78% of its employees work abroad — and mostly in manufacturing plants, where wages are far lower than in the U.S.

MORTGAGES AND HOUSING

Hot Property: US Mobile Homes' Affordability Slips As Corporates Move In | Reuters
When Russ Watson decided to move to a mobile home community in Florida in 2011, it was to be near his father and in a space that was affordable.

"He said it was a great place to live — and you can live here cheap," Watson said of the community, called Park Place.

But over the next few years, ownership of Park Place - which has about 475 homes - changed hands, Watson said: first to an investment group and next to one of the country's largest owners of mobile home parks, Sun Communities.

New Report Highlights How The Rent To Own Industry Coerces Payment From Vulnerable Families | National Consumer Law Center Press Office
Across the nation, the $8.5 billion annual rent-to-own (RTO) industry uses the threat of criminal charges to demand payment from low-income consumers who have fallen behind on abusive contracts. Under little-known state laws often written years ago by the industry's lobbyists, RTO companies exert legal authority to turn a dispute with any of its 4.8 million customers over a furniture set, appliance, or a computer into threats of arrest, felony theft charges, and even incarceration.

The Rent to Own Racket: Using Criminal Courts to Coerce Payments from Vulnerable Families, a report from the National Consumer Law Center, finds that the District of Columbia and 47 states have laws that can be used to criminalize the failure to return rental property at the end of an RTO lease term. As a result, vulnerable families on tight budgets who can't keep up with onerous payments face devastating criminal consequences, even after paying thousands of dollars on predatory contracts marked up two to three times what a customer paying cash in a traditional retail store would pay. A survey by the Federal Trade Commission found that nearly four in five RTO customers earn less than $40,000 annually and three in five are racial or ethnic minorities.

Deutsche Bank Reverses Pledge To Help Distressed Homeowners | Bloomberg
Deutsche Bank AG has decided that none of the more than $4 billion it promised to spend on consumer relief after the global mortgage crisis will go to distressed U.S. homeowners, according to a report by the monitor of the 2017 settlement.

Instead, the consumer-relief money will be spent on originating new loans, according to the Feb. 13 report by the bank's monitor, Michael Bresnick.

The decision reverses pronouncements by the bank and the U.S. Justice Department that some of the funds -- part of an overall $7.2 billion settlement over bad mortgage bonds sold before the 2008 crisis -- would go to aiding people who were in imminent risk of defaulting on their mortgage payments, have especially high interest rates or owe more on their mortgage than in the value of their home.

U.S. Existing House Sales Fall Sharply To Three-Year Low | Reuters
U.S. home sales fell in January to their lowest level in more than three years and house prices rose only modestly, suggesting a further loss of momentum in the housing market.

The National Association of Realtors said on Thursday existing home sales dropped 1.2 percent to a seasonally adjusted annual rate of 4.94 million units last month.

That was the lowest level since November 2015 and well below analysts' expectations of a rate of 5.0 million units. December's sales pace was revised slightly higher.
The drop in January came after months of weakness in the U.S. housing market. Existing home sales were down 8.5 percent from a year ago.

Housing Is Already In A Slump. So It (Probably) Can't Cause A Recession. | New York Times (Conor Dougherty)
The United States has had 11 recessions since the end of World War II. All but two were preceded by a big decline in the housing market.

Inside that bit of trivia lie some fundamental insights into housing's outsize role in the business cycle, along with clues to suggest that the economy is on firmer footing than the increasingly pessimistic forecasts make it seem. The gist is this: The United States may or may not enter a recession this year, but if it does, housing is unlikely to be the cause, because it never really recovered in the first place.

“Housing is not in a position to lead this thing down,” said Edward Leamer, an economics professor at the University of California, Los Angeles.

How much it can help prolong the overall recovery is another matter. Home sales and prices have been sluggish in the face of rising interest rates. Still, the pace of construction, combined with pent-up demand from young adults, suggests that the sector should at least remain stable in the face of uncertainty elsewhere.

[What Do Hipsters And Banks Have In Common? Gentrification] | Forbes
Close your eyes and picture the typical, vilified gentrifier in the San Francisco Bay Area. He's probably white, mid-thirties, makes an absurd amount of money at a tech company, wears his pants just a bit too tight, and likes hosting salons in his thoroughly remodeled West Oakland Victorian home bought out from under a black family put into dire straits after the 2008 financial crisis.

But if you really open your eyes to the realities of gentrification — you should equally picture a banker in a suit. Hipsters are the symptom, not the only cause, of a gentrification scheme also influenced by banks working in partnership with big-time developers.

Sounds like a conspiracy theory? As usual in this series, The Money Story Behind the Story — follow the money, and you'll get the full story. That's precisely what Kevin Stein from The California Reinvestment Coalition has done in the report "Anti-Displacement Code of Conduct: How Banks, Private Equity and Wall Street Can Stop Contributing to Displacement." In this interview, he explains how the banks we use every day are fueling gentrification — and what we can do about it

PRIVATE FUNDS

As McKinsey Sells Advice, Its Hedge Fund May Have A Stake In The Outcome | New York Times
McKinsey is alone among the leading consulting firms in operating the hedge fund, which invests for about 30,000 current and former McKinsey partners and other employees. The fund — McKinsey Investment Office, or MIO Partners — is as opaque as its parent.

McKinsey does not disclose the identity of its clients — the chief executives, prime ministers and princes who seek its counsel on management best practices. And even as the firm is privy to market-moving corporate maneuvers and confidential government information, its hedge fund's investments are often secret, with a large part of its approximately $12.3 billion in holdings concealed behind a tangle of shell companies in an island tax haven in the English Channel.

As a result, any intersections between McKinsey's consulting work and the fund's investments are largely hidden.

Schumer Wants To Know How Many Journalists Will Be Fired If Hedge Fund Takes Over USA TODAY | Roll Call
Senate Minority Leader Charles E. Schumer wants to know how many journalists a hedge fund intends to lay off if it manages to take control of the publisher of USA TODAY.

The attempt by the hedge fund Alden Global Capital to take control of the newspaper publisher Gannett has the attention of the New York senator, who is expressing concern about the ability of the public to have access to local news.

Schumer's interest should be no surprise, since the company, which also publishes USA TODAY and newspapers across the country, owns a number of upstate New York papers, as well.

STUDENT LOANS AND FOR-PROFIT SCHOOLS

Betsy DeVos Vs. Student Veterans | New York Times (Carrie Wofford and James Schmelling)
Despite robust objections from roughly three dozen national veterans and military service organizations, Secretary DeVos elected to eviscerate student protections and quality controls for colleges — particularly those governing the often low-quality, predatory for-profit colleges that target veterans in their marketing schemes.

You've probably seen their sort of ads: a young soldier parachuting from a plane in one moment, smiling as he raises his hand in the warm, glossy confines of a for-profit school in the next, then the final shot of the veteran hoisting his degree, hugging his family.

Why are veterans the targets? Because for-profit colleges milk a federal loophole that allows them to count G.I. Bill benefits as private funds, offsetting the 90 percent cap they otherwise face on their access to taxpayer-supported federal student aid. Nearly two dozen state attorneys general have said this accounting gimmick — known as the "90/10 loophole" — "violates the intent of the law."

Neg Reg Committee Wraps Up Second Session, Adds Fourth Meeting In April | National Association Of Student Financial Aid Administrators Blog
The negotiated rulemaking committee focused on making changes to federal regulations governing accreditation issues wrapped up its second session on Friday by making a few minor changes to proposed regulatory language, and debating recommendations from the subcommittee examining the Teacher Education Assistance for College and Higher Education (TEACH) Grant program.

Predatory Online Colleges Brag Of Big Earnings Under Booster Betsy DeVos | Republic Report (David Halperin)
While some predatory college chain operations, like Dream Center/EDMC, Education Corp. of America, and Vatterott, have been collapsing under the weight of abuses and mismanagement, other for-profits are now bragging to Wall Street investors that boom times are back. Two of the most prominent examples — Grand Canyon University and Career Education Corp. — have benefitted from privileges granted by, or close ties to, the Donald Trump-Betsy DeVos Department of Education, which has done everything possible to eliminate rules that protect students and taxpayers from predatory college abuses.

As my colleague Bob Shireman noted on Twitter today, Grand Canyon had an earnings call this week, on which CEO Brian Mueller bragged to investors about the "tailwind" the school has had in its marketing, producing a “record 7000 new students.” Mueller reported a remarkable 34.3% operating margin.

Thing is, Grand Canyon’s apparently effective TV ads, and website, endlessly tell prospective students that the school is “non-profit,” in a world where deceptive and abusive practices by for-profit colleges have destroyed that industry’s reputation.

DeVos Plan Would Aid Predatory Colleges And Hurt Taxpayers, Students, Higher Education | Republic Report (David Halperin)
The Trump-DeVos Department of Education is holding another round of meetings this week on a proposed set of regulations governing higher education. The proposals span a ridiculously wide range of issues, but the overriding theme is clear: Just about anyone or anything that wants to call itself a school can run just about any kind of self-styled education program and get access to taxpayer-funded grants and loans with minimal oversight and accountability. The Department would have lower standards for accreditors, the outside non-profit groups that the Department uses as gatekeepers for access to federal dollars, and accreditors would have fewer oversight obligations with respect to schools. In addition, schools would be able to outsource their education programming to unaccredited, unmonitored outside contractors.

During the public comment period at the end of today’s session, I plan to offer the following remarks:

U.S. Student Loan Delinquencies Hit Record | Bloomberg Businessweek
Delinquent U.S. student loans reached a record $166 billion in the fourth quarter. But since “delinquency rates for student loans are likely to understate effective delinquency rates” by about half, according to the Federal Reserve Bank of New York, the figure is probably a far cry from reality. Factoring for understatement would imply that about $333 billion in student debt has not been serviced in at least three months. Putting this into perspective, $441 billion had been disbursed under Treasury’s entire Troubled Asset Relief Program to provide financial stability during the recession.

California’s Black Students Lag In College Completion Despite Some Gain | Mercury News
Black students in California have shown progress in enrolling and completing college in recent years but still lag behind other racial and ethnic groups.

That is the finding of a new report which blames those graduation gaps on inadequate high school preparation, poverty and campuses that don’t have enough black faculty to serve as mentors, among other causes.

“Growing racial equity gaps obstruct the promise of educational opportunity for black students and diminish the economic potential of our state,” said the study by the Campaign for College Opportunity, a Los Angeles-based nonprofit advocacy organization.

Where The 2020 Candidates Stand On Student Debt And College Affordability | MarketWatch
When Barack Obama ran for president for the last time in 2012, sweeping reform of our college financing system wasn't even on his agenda, let alone that of his Republican opponent Mitt Romney.

Fast forward just seven years and, in the first few months of the primary contest for the Democratic nomination, candidates have started to stake out their positions on whether to make college free in some form or provide some kind of relief for student-loan borrowers.

This cycle's contest will likely reanimate some of the 2016 debate between Hillary Clinton and Senator Bernie Sanders, an Independent from Vermont, and their supporters and critics over whether debt-free or tuition-free college is the best way to help more students afford higher education, said Mark Huelsman, associated director of policy and research at Demos, a left-leaning think tank.

2020 Democrats Press Administration On Student Loan Fraud Claims | Politico Morning Education Newsletter
2020 DEMOCRATS PRESS ADMINISTRATION ON STUDENT LOAN FRAUD CLAIMS: A group of 17 Senate Democrats, led by Amy Klobuchar, is demanding the Trump administration explain why it's taking the Education Department so long to resolve claims for debt relief submitted by students who say they were defrauded.

Rep. Katie Porter Gives Trump And DeVos A Western State Law School Ultimatum | OC Weekly
Congresswoman Katie Porter (D-Irvine), who is on leave as a law professor at UC Irvine, where she founded the Consumer Protection Unit, is using her expertise to intervene on behalf of struggling students caught up in the mess involving Dream Center Education Holdings, Argosy University and Western State College of Law.

Porter, who holds her second official town hall with constituents Tuesday night in Mission Viejo, outright accuses Dream Center Education Holdings and the Argosy system that includes the Western State campus in Irvine, of engaging in fraud.

"It's unacceptable that Argosy University and Dream Center Education Holdings defrauded students in the 45th District and across the country," Porter says in a statement. "Argosy students have still not received the financial aid they expected at the beginning of January, and $9 million of taxpayer-funded student aid has gone missing. My heart sank when I heard that some Argosy students have found themselves unable to pay rent or buy groceries."

Through its Education Holdings subsidiary, Los Angeles-based Dream Center, a faith-based nonprofit co-founded by father and son Pentecostal pastors, partnered with a private equity firm in 2017 to purchase for-profit universities from the Education Management Corp.

Government Aid Should Educate The Many, Not Enrich The Few | Salt Lake Tribune (John Watkins and James "Cid" Seidelman)

American education policy is guided by two disparate forces: expanding access to higher education and privatizing the costs of that access.

The policy platform of President Trump and Education Secretary Betsy DeVos has given for-profit higher-education institutions new hope by reversing protections implemented by the Obama administration, changes that would enable many for-profit colleges to again profit at the expense of students and taxpayers.

Broadening access helps historically under-served students — the poor, minorities, single women, veterans, etc. Privatizing access has exploded the growth of government-provided loans now totaling $1.5 trillion, with a disproportionate amount going to for-profit institutions as the principal source of their revenue.

Schultz's Toxic Investments: For-Profit College, Tax Shelter For The Rich | Politico
Howard Schultz, the billionaire former Starbucks CEO and possible independent presidential candidate, invested millions of dollars and personally owned stock in Capella University, a troubled for-profit college that overcharged the federal student loan program hundreds of thousands of dollars, records show.

Schultz, a co-founder of the venture capital group Maveron, invested in the Minnesota-based university in 2003 and exited when the online institution went public in 2006, according to an analysis of federal records, press releases and Maveron's website.

Schultz touted the relationship in a 2003 news release announcing Maveron's $7.5 million investment in Capella's online education programs.

SYSTEMIC RISK

Watchdog: Bank Cop Didn't Enforce Conflict Of Interest Rule For 15 Years | Politico Pro
For a decade and a half, a top bank regulator failed to properly enforce an ethics rule prohibiting federal officials from having a financial interest in the industries they regulate, a key government watchdog told the White House and Congress this week.

The Office of the Comptroller of the Currency, which supervises national banks, "engaged in a serious ethical lapse spanning 15 years by failing to implement any" oversight under the rule between 1996 and 2011, according to the Office of Special Counsel, which handles claims from government whistleblowers.

The OSC letter, backed up by investigations from the Treasury Department's inspector general, says that the bank regulator fixed the error after 2011. But the report could bring increased scrutiny of how recusals have been handled more recently for other officials, such as Comptroller Joseph Otting, who was barred under the same rule from participating in policymaking during his first couple of months on the job while he had not yet divested from his bank stocks.

The OCC declined to comment on the report.

TAXES

Wall Street, Seeking Big Tax Breaks, Sets Sights On Distressed Main Streets | New York Times
Distressed America is Wall Street's hottest new investment vehicle.

Hedge funds, investment banks and money managers are trying to raise tens of billions of dollars this year for so-called opportunity funds, a creation of President Trump's 2017 tax package meant to steer money to poor areas by offering potentially large tax breaks.

Little noticed at first, the provision has unleashed a flurry of investment activity by wealthy families, some of Wall Street's biggest investors and other investors who want to put money into projects ostensibly meant to help struggling Americans. The ranks of those starting such funds include Anthony Scaramucci, the New York hedge fund executive who served briefly as Mr. Trump's communications director.

Trump's Tax Law Makes Big Winners Of Banks, Giving $29B Boost To Profits | Politico
The tax cut law signed by President Donald Trump helped boost bank profits to a record $237 billion last year, a 44 percent jump from 2017, the government said Thursday, the latest evidence of the law's huge benefit to corporate America.

Lenders brought in $72.4 billion more in income in 2018 than the previous year, with $28.8 billion — or more than a third of that figure — attributable to lower taxes, the Federal Deposit Insurance Corp. said in its quarterly report on the industry.

Banks also earned more in interest last year, thanks to steady rate hikes from the Federal Reserve; net interest income was up 8.1 percent compared to 2017, as loan rates continue to rise faster than the rates those lenders pay out on deposits.

Tax Law Helped Boost 2018 Bank Profits To Record Level | Wall Street Journal
The new tax law drove double-digit profit growth at U.S. banks last year, a federal regulator said Thursday, boosting the industry's earnings, which would have hit a record even without the tax changes.

Banks collectively notched record annual profits of $236.7 billion, the Federal Deposit Insurance Corp. said, an increase of $72.4 billion, or 44%, from 2017.

No bank failed in 2018, marking the first time that has happened since 2006, a year before the start of the financial crisis. Officials said the lack of failures reflected a sharp reduction in problematic banks, though they acknowledged it was unlikely to last.

Filthy Rich, Owing No Taxes | Axios

Fortune 500 companies have begun to file their annual regulatory reports, and a pattern is emerging. After the Trump tax cut, an outsized number, led by giants like Amazon, GM and Halliburton, owe zero or very little in 2018 U.S. income taxes — or are actually due a refund.

Why it matters: Amid popular anger at establishment institutions, companies earning large profits and paying no taxes risk a serious public backlash.

OTHER TOPICS

Sherrod Brown's Opening: Less Liberal Than Liberals | Politico
In the Senate, Sherrod Brown is known as a scourge of Wall Street. But in a Democratic presidential primary with fellow Sens. Bernie Sanders and Elizabeth Warren thundering away at bankers, Brown is viewed by many in the industry as a reasonable alternative.

The Ohio senator has called for breaking up the big banks and has even fought against Democratic colleagues who supported financial deregulation. But according to bank representatives, Wall Street watchdogs and others who have worked closely with him in Congress, Brown has also earned a reputation as someone open to dialogue with the industry in his role as the top Democrat on the Senate Banking Committee. He has taken corporate PAC money and shown a practical streak focused on protecting workers in his home state, where finance is a major employer.

For Wall Street Banks In London, It's Moving Time | New York Times
The financial landscape of Europe is changing as banks shift employees and hundreds of billions of dollars' worth of assets from London to new subsidiaries across the bloc in time for Britain's divorce from the European Union, a process known as Brexit, on March 29.

Banks are adjusting contracts with "Brexit clauses" to protect themselves if the separation is chaotic. Lawyers are checking regulations, jurisdiction by jurisdiction, to gird for possible future contractual disputes.

Cities across the Continent have been vying for a piece of an industry that represents about 7 percent of Britain's gross domestic product and more than a million jobs there.

Frankfurt, Paris, Dublin and Luxembourg will be the first to secure new business as financial services companies gauge how profitable London remains. In the next months, these cities, along with Madrid and Milan, will find more traders, compliance teams, human resource managers and technology workers in their midst. Amsterdam will become home to more European markets.

U.S. Regulators Lack Sufficient Data Standards Ahead Of Next Financial Crisis — Ex-Treasury Official | Reuters
The U.S. financial system has failed since the 2008 financial crisis to sufficiently improve the standards and quality of data used by regulators and institutions to identify trouble spots, a former senior U.S. Treasury official argues in a new study.

“Because the next crisis is unlikely to replicate those of the past, we do not know in advance what information we will need,” writes Richard Berner, former head of the Treasury’s Office of Financial Research, the unit created in the aftermath of the crisis to improve financial data quality and standardization.

“Data standardization is critical to that undertaking. This is one of the core lessons of 2008 that has only been partially realized thus far,” adds Berner, who is now at New York University’s Stern Business School.

Income Inequality Is Rising So Fast Our Data Can’t Keep Up | Washington Post
Wages at the top of the income distribution continue to rise much more rapidly than wages for everyone else, according to an analysis of the latest federal data by the Economic Policy Institute, a progressive think tank.

But the data are just as notable for what they don’t say, according to the report by EPI economist Elise Gould. Increases in wages at the top are outpacing economists’ ability to measure them because the federal survey tracking the wage data “top-codes” the highest earnings amounts: For confidentiality reasons, wages are fully recorded only up to a certain threshold. The Bureau of Labor Statistics and the Census Bureau, which jointly administer the survey, haven’t changed that threshold in 20 years, even as top incomes have skyrocketed. As a result, the survey is capturing less information on top pay than it used to. “All workers who report weekly earnings above $2,884.61 (annual earnings for full-year workers above $150,000) are recorded as having weekly earnings of exactly $2,884.61, to preserve the anonymity of respondents," Gould writes. That top-code threshold hasn’t been updated since 1998.

As a result, the survey is becoming less useful for tracking top incomes at a time when public concern over inequality is growing. Representatives from the Census Bureau did not immediately respond to a request for comment.

Under Pressure, Google To End Mandatory Arbitration For Employees | Axios
Google will no longer require current and future employees to take disputes with the company to arbitration, it said Thursday.

The big picture: After protests last year, the search giant ended mandatory arbitration for individual cases of sexual harassment or assault for employees. Employees have called for the practice to end in other cases of harassment and discrimination. Google appears to be meeting that demand for employees — but the change will not apply in the same blanket way to the many contractors, vendors and temporary employees it uses.