AFR Americans for Financial Reform Education Fund

This Week in Wall Street Reform | Mar 30-Apr 5

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THE TRUMP ADMINISTRATION, CONGRESS & WALL STREET

Stephen Moore's Unusual Route To The Fed As A Political Warrior | Wall Street Journal
While most other Fed officials in recent years logged careers in academia, banking or government service, Mr. Moore rose through a series of positions in conservative thought circles over the past two decades. His path was marked by a couple of muddled exits and resilience that culminated with President Trump last week offering him a seat on one of the most powerful economic policy-making bodies in the world.

"I've been very lucky in my life," Mr. Moore said in an email Thursday. "I've had a lot of jobs but never had a job I didn't like."

Scoop: Trump Expected To Name Herman Cain To Federal Reserve Board | Axios
President Trump has told confidants he wants Herman Cain on the Federal Reserve board, but will wait until his background check is completed before making the formal announcement, according to two senior administration officials familiar with the decision.

Why it matters: It's likely confirmation that Trump is ready to move ahead with the former presidential candidate, whose possible nomination was reported by Bloomberg in January. "He won't formally announce until the vet is completed ... But he likes Cain and wants to put him on there," said a senior official who has discussed the matter with the president.

Between the lines: As with any Trump "decision," administration officials are quick to attach an asterisk. This time, their hesitation is less about Trump changing his mind than about something coming up in Cain's background check that could complicate the situation.

Trump Says Fed Should Cut Rates And Lift Economy | New York Times
Mr. Trump, escalating his previous critiques of the Fed, called on Friday for policymakers to return to a policy of so-called quantitative easing: buying assets like Treasury bonds and mortgage-backed securities as a way of pushing interest rates lower.

The Fed engaged in three rounds of quantitative easing after the financial crisis in an effort to improve the economy. It has since stopped the practice and, until recently, had been slowly winnowing its huge balance sheet.

Warren Introduces Legislation Making It Easier To Jail Top Executives | The Hill
Sen. Elizabeth Warren (D-Mass.) introduced legislation Wednesday making it easier to jail executives if they or their corporations break the law or commit civil violations.

The Corporate Executive Accountability Act would expand criminal liability to negligent executives of corporations with more than $1 billion in annual revenue. The executives would also be penalized if they repeatedly broke the law or breached civil statutes, such as those protecting personal data or consumers' safety.

Executives who violate the Corporate Executive Accountability Act would be hit with a fine and/or one year in jail for a first offense and could face up three years in jail for subsequent convictions. The Massachusetts Democrat noted the legislation has the support of several watchdog groups, including Public Citizen, Americans for Financial Reform, Take On Wall Street, and the Consumer Federation of America.

Elizabeth Warren Wants CEOs To Go To Jail When Their Companies Behave Badly | Vox
The new legislation Warren introduced would basically make it easier to hold corporate executives accountable for their companies' wrongdoing. Typically, it's been hard to prove a case against individual executives for turning a blind eye toward risky or questionable activity, because prosecutors have to prove intent — basically, that they meant to do it.

This legislation would change that, Heather Slavkin Corzo, a senior fellow at the progressive nonprofit Americans for Financial Reform, told me. "It's easier to show a lack of due care than it is to show the mental state of the individual at the time the action was committed," she said.

Elizabeth Warren Plan Would Jail Executive For Consumer Data Violations | Bloomberg
Democratic presidential hopeful Elizabeth Warren released a proposal that would hold executives criminally liable if their companies violate state or federal laws affecting consumers' finances or large batches of personal data.

The bill, which was released Wednesday by the Massachusetts senator's office, listed no co-sponsors but comes as she leads White House hopefuls in delivering detailed policy initiatives to crack down corporate power in the U.S. Warren has previously proposed breaking up big tech companies and agricultural behemoths and taxing wealth.

CONSUMER FINANCE AND THE CFPB

Read: Senators Elizabeth Warren And Sherrod Brown Request New Information About CFPB's Student Lending Oversight

Why CFPB Payday Revamp Is An Even Bigger Deal Than You Think | American Banker

The Consumer Financial Protection Bureau's overhaul of its payday lending rule rolls back a key policy of the prior Obama-appointed leadership. But some observers say the move goes beyond any single regulation.

In proposing to unwind the rule, the CFPB appears to rely on a legal doctrine regarding "unfair, deceptive or abusive acts or practices." A UDAAP is prohibited under the Dodd-Frank Act, but the CFPB can determine what types of conduct meet that designation.

By softening its view toward payday lenders, some experts say the CFPB is also clarifying what constitutes a UDAAP. Such a move, long sought by the financial services industry, could have wide-ranging effects on how the bureau enforces rules at companies other than payday lenders.

Wells Fargo Seeks A CEO To Charm Washington, Fix Bank | Wall Street Journal

Wells Fargo WFC -1.57% & Co.'s board is on the hunt for a new chief executive who can appease Washington while repairing the bank's battered operations. It won't be easy.

There is no clear successor to Timothy Sloan, a 31-year Wells Fargo veteran who stepped down from the top job Thursday. The board said it plans to hire a leader from the outside, reversing its tradition of choosing long-serving employees for the top job. (The bank's general counsel, former Cravath, Swaine & Moore LLP partner C. Allen Parker, will do the job in the meantime.)

Hiring an external candidate is "the most effective way to complete the transformation at Wells Fargo," Chairman Elizabeth Duke said on a call with investors late Thursday. Boards, especially the ones running companies in heavily regulated industries, often have succession plans in place. Yet Wells Fargo's directors appear to be starting from scratch. Ms. Duke said Thursday that the board hadn't yet reached out to any potential candidates. "I don't think it's appropriate to run a search for a CEO when you have a CEO sitting in the seat," she said.

Scandals Tarnished Wells Fargo. Washington Claimed Its CEO. | Wall Street Journal
When Mr. Stumpf went to Congress in 2016 after a sales scandal erupted at Wells Fargo, he blamed low-level employees and gave evasive responses. Eager to avoid his predecessor's missteps, Mr. Sloan prepared for his most recent appearance before Congress by sounding out lawmakers and showcasing the bank's efforts to regain customer trust.

But it was too late. By the time Mr. Sloan took his seat before the House Financial Services Committee earlier this month, Wells Fargo was on the outs with Washington. Problems had emerged across the bank's other businesses, setting off a flurry of government investigations. The Office of the Comptroller of the Currency and the Federal Reserve, the bank's main regulators, were losing patience.

The OCC was debating the rare step of forcing changes to Wells Fargo's senior management or board, The Wall Street Journal has reported. The Federal Reserve was showing no signs it was ready to lift an unprecedented cap on the bank's growth put in place a year earlier.

Wells Fargo's CEO Search Won't Bring Quick Fixes | Law360
Rumors have swirled about potential replacements being lined up and more heads to roll. But Ross Delston, a longtime Washington, D.C., banking attorney and anti-money laundering expert witness, cautioned against chalking Sloan's exit up solely to pressure from critics, saying it speaks more to how constant the compliance problems facing the bank have been.

"For a bank that has long been known for its conservative approach to lending and product expansion, the number and degree of compliance issues in recent years have been quite remarkable," Delston told Law360. "To the extent that Mr. Sloan is responsible in any way, both in his role heading the bank and in his previous roles, it makes sense that the weight of these compliance failures just became too much."

That's why Linda Jun, senior policy counsel at Americans for Financial Reform, said that while she and other consumer advocates have certainly been vocal in their criticism of Sloan, their overriding ambition has been to compel the bank to treat its customers better, not just replace its CEO. "I'm hoping that it's the beginning of many things that will change there," Jun said. "Who knows how much, if it all, we influenced this decision, but I'm glad to see that he is stepping down."

'There Was Just Too Much Focus On Me.' Wells Fargo Ex-CEO On Why He Left Troubled Bank | Charlotte Observer
Wells Fargo CEO Tim Sloan said on Thursday that he realized over the past few months it was time for him to leave the fourth-largest U.S. bank.

It was his first public appearance since announcing exactly a week ago that he was stepping down immediately, more than two years after a scandal over fake accounts erupted at the bank.

"It just become very clear to me that, fairly or unfairly ... there was just too much focus on me because I had been at the company for a long time," Sloan said at a World Affairs Council of Charlotte event.

Wells Fargo, Other Banks Charge Outsized Fees To College Students Despite Federal Rules | US PIRG
Attending college can be one of the most expensive endeavors Americans face. According to U.S. PIRG Education Fund's new report, Debit Cards on Campus: Putting Student Financial Well-Being At Risk, many banks are adding to that expense by partnering with schools to offer and aggressively market new checking accounts to students. Students with these accounts, including some with Wells Fargo, paid twice as much in fees on average as students at campuses without these shared agreements, despite federal protections put in place in 2015.

"Many students already carry a crushing burden of student loan debt to pay for college. High bank fees make that load even heavier," said David Rossini, chair of U.S. PIRG Education Fund's Consumer Protection program.

Students paid $15 a year on average in fees at schools where banks did not pay the college to market their products, according the U.S. PIRG Education Fund review. However, at schools with paid marketing agreements, the amount students paid in fees was twice as high. Despite Wells Fargo only issuing a quarter of the campus debit cards nationally, their account holders racked up nearly half of total fees.

Following Equifax Hack Attack, More Federal Power To Punish Needed | Washington Post (Joe Davidson)
Equifax is one of the largest of hundreds of consumer reporting agencies. Information is power and they have lots of both. They hold, Krishnamoorthi said, "huge amounts of sensitive information." A credit score, calculated from that information, can determine whether people are able to get a loan to buy a car or a house.

They "serve an essential function in the financial services industry," Clements added. The credit and other data they collect "help determine whether and how much consumers pay for credit and can also be used in employment and rental decisions, among other purposes."

But the government does not have enough power to regulate them and they don't answer to consumers.

A Payday Lender In Disguise? New York Investigates The EarnIn App | American Banker
As early wage access programs such as Even, PayActiv, FlexWage, ZayZoon and DailyPaygain traction, some other apps are copying their style while using a more traditional payday-loan model — sparking attention from law enforcement agencies in the process.

That's what happened to Earnin, which is often referred to and bills itself as an early wage access provider, which give employees access to their paychecks before they are deposited.

The New York Department of Financial Services launched an investigation of the firm over concerns it may be skirting state lending laws by, among other things, requiring tips from users in lieu of disclosing fees.

Though Earnin looks and sounds like an early wage access provider, however, its business model is different. And most of the other early wage access providers don't do the things Earnin is accused of doing. (Neither the company nor the New York DFS wanted to comment for this story.)

“Earnin is not in the same category as PayActiv, DailyPay, and FlexWage,” said Lauren Saunders, associate director of the National Consumer Law Center. “True early wage access providers are companies that have agreements with the employer and are integrated with payroll and are not making loans and seeking repayment from the customer. Earnin seems to be trying to look like they’re giving you your pay, but they have no relationship with the employer and in my mind it’s a payday loan.”

Where Customers Are Also Lenders: One Fintech’s Payday Alternative | American Banker
For the past year, a Los Angeles-based fintech has relied on the kindness of strangers to fuel a peer-to-peer mobile lending platform it hopes will steer consumers away from high-interest payday loans while making them more creditworthy in the future.

SoLo Funds specializes in small-dollar loans with a $1,000 cap, allowing consumers to act both as lender and borrower. It's a market generally viewed as underserved given that banks generally avoid small-dollar loans due to compliance concerns. Travis Holoway, SoLo’s co-founder and CEO, started the company last year after he saw the relatively high fees and interest rates charged by many payday lenders.

“I quickly realized there needed to be more affordable access to small-dollar loans,” Holoway said in a recent interview with American Banker.

Through the firm's website, SoLo users can request to borrow money from others on the site. Those who lend money cannot charge interest, but can collect money in the forms of tips. Borrowers also set the repayment date. If lenders are feeling particularly generous, they can waive the requirement for a loan to be paid back.

Read: Demos White Paper Proposing A Consumer-Oriented Public Credit Registry

INVESTOR PROTECTION, SEC, CAPITAL MARKETS

AFR News Release: Lobbyist Proposals Would Solely Serve Corporate Interest, Discarding Accountability

Retirement Overhaul Gains Traction With Senate Bill | Wall Street Journal
The Senate on Monday introduced legislation to overhaul the U.S. retirement system, a sign that efforts to revamp retirement-savings plans are gaining traction.

The move comes shortly after the House of Representatives on Friday introduced its own legislation on the U.S. retirement system. Analysts say a bill could be passed by Congress and signed into law this year.

The Senate legislation seeks to repeal the age cap for contributing to traditional individual retirement accounts, currently 70½. The measure, introduced by Senate Finance Committee Chairman Chuck Grassley (R., Iowa) and Sen. Ron Wyden (D., Ore.), would also make it easier for small companies to offer 401(k) plans and for certain employers to automatically increase employees' contributions to 401(k) plans above 10% of pay.

The changes would be the most significant to retirement plans since 2006, when Congress made it easier for employers to enroll workers automatically in 401(k)-type plans and invest their money in funds that shift focus from stocks to bonds as people age.

4-Person SEC May Shift Away From Corporate Penalties | Law360
For many years, there has been an active debate among the commissioners of the U.S. Securities and Exchange Commission regarding the appropriateness of imposing corporate penalties on issuers of securities. Republican appointees traditionally have taken the view that corporate penalties harm shareholders and are only appropriate — if at all — in cases where the corporation received some corporate benefit as a result of the misconduct. Democratic appointees typically have focused on the deterrent value of penalties and advocated penalties more broadly, even when there has been no corporate benefit.

Although some had predicted a shift away from corporate penalties under the Trump administration, the commission has continued in the last couple of years to impose penalties even when there is no corporate benefit.

However, the recent departure of Commissioner Kara Stein, a Democrat who was strongly in favor of such penalties, has shifted the balance. There are now four commissioners: two Republicans, only one Democrat, and Chair Jay Clayton, who is a political independent appointed by a Republican president.

Because it is likely that this four-person commission will remain in place for the remainder of the current presidential term, we may soon see fewer corporate penalties in financial reporting cases and, if recent votes are indicative, potentially more broadly. Indeed, in several recent cases, both Republican commissioners voted against corporate penalties even where there was a corporate benefit, a significant departure from recent years.

How The Government Gave Up On Retirement Security | The Atlantic (Joshua Gotbaum)
Recently, the U.S. Treasury said that it is perfectly okay for companies to swindle employees out of their pension by offering one-time payments worth less than the pension that those

employees are giving up. The Department of Labor, nominally responsible for protecting workers in retirement plans, said nothing. This isn't the first time the government stood by as American businesses shifted risks onto their employees and retirees. Treasury and Labor, whose decisions shape the retirements of millions of people, have for years been letting companies offer a one-time payment instead of the lifetime pension they committed to.

The scandal is that the one-time payment doesn't even have to be equal in value to the pension. It can be worth less—in fact, under rules passed by Congress and regulations issued by the Treasury, it usually is.

Lawyers for Treasury and Labor are famous for requiring voluminous disclosure of incomprehensible minutiae, yet neither department has ever required companies to mention their profit-taking at their employees' expense. Employees, in theory, are free to figure this out on their own, but companies know that most will not.

New SEC Nominee May Not Have Time To Influence Reg BI | Investment News
Allison H. Lee may not join the Securities and Exchange Commission in time to influence the agency's final investment advice reform rule.

Ms. Lee, a former SEC enforcement official, was nominated by the Trump administration Tuesday to replace Democratic SEC member Kara M. Stein, whose term ended in December. Ms. Lee also is a former counsel to Ms. Stein.

If confirmed by the Senate, Ms. Lee would restore the SEC to full strength with five commissioners — three of whom were selected by Republicans (including SEC chairman Jay Clayton) and two of whom were selected by Democrats.

Ms. Lee could arrive just as the SEC is finishing the advice reform rule package, which revolves around so-called Regulation Best Interest to raise the standard of conduct for brokers. Most observers expect a final rule to be released this summer.

Economic Insecurity Is Becoming The New Hallmark Of Old Age | The Nation (Katherine Newman and Rebecca Hayes Jacobs)
The United States is in the early stages of a crippling retirement crisis. Nearly half of all private-sector employees in the country—some 58 million people—had no company-sponsored retirement plan in 2018. As recently as 1999, only 39 percent of retiring workers were in this predicament. The retirement situation in the United States isn't just bad; it's getting worse with each passing year.

The crisis engulfs all kinds of workers: blue-collar teamsters, high-skilled professionals working for profitable corporations like Verizon and United Airlines, and public-sector civil servants in cities plagued by budget crises (read: Detroit). Many have lost their health insurance and pension benefits—and in some places, they've even been ordered to return payments that were miscalculated by pension authorities years in the past. An increasing number of people now work at jobs that never offered pension plans in the first place.

Pensions are regarded by most workers as among the most binding of all promises—a compact between themselves and their employers, sealed by years of labor. Americans assign to government the responsibility for protecting this sacred compact from any temptation by companies to raid retirement accounts for their own purposes. Increasingly, though, this once-unbreakable promise has become discretionary: Employers can abandon it when the stock market falters, when a firm goes through financial reorganization, or simply when shareholders demand higher profits. Insecurity is becoming the standard of older age in this country.

EXECUTIVE COMPENSATION

Wells Fargo's Tim Sloan Is Eligible For Office, Driver After He Departs | Bloomberg
Tim Sloan took a beating as Wells Fargo & Co.'s boss, but at least he won't have to fight California freeway traffic or keep his own calendar in retirement.

The 31-year company veteran, who stepped down Thursday after struggling to tame scandals at the bank, is entitled to a company-paid office, administrative assistant and access to a part-time driver for two years after his departure, according to a regulatory filing.

The benefits, worth about $400,000, are contingent upon him remaining available for consulting services and continuing to represent the firm with customers and employees.

Wall Street Bonuses Were 3x The Earnings Of All Full-Time Workers Making Federal Minimum Wage | CNBC
Wall Street investment banks are infamous for the hefty bonuses they often dole out. In fact, in 2018, the bonus pool for the 181,300 security industry employees who work in New York City was $27.5 billion, according to the Office of the New York State Comptroller.

If that sounds like a lot, it is: That amount is more than three times the combined annual earnings of all 640,000 U.S. workers employed full time at the federal minimum wage, according to a new analysis from Inequality.org, a project of the progressive think tank the Institute for Policy Studies.

The average 2018 bonus for securities industry employees is $153,700, according to the report. The federal minimum wage is $7.25 an hour, which would be $15,080 a year, based on a 40-hour work week.

MORTGAGES AND HOUSING

Read: Letter From Representative Katie Porter To Comptroller Of The Currency Joseph Otting On Fair Lending, CRA, And Public Input

Senate Confirms Mark Calabria As Head Of FHFA | American Banker

The Senate on Thursday confirmed Mark Calabria as director of the Federal Housing Finance Agency, where he is likely to play a pivotal role in the policy debate over reforming Fannie Mae and Freddie Mac.

Calabria, who has been serving as the chief economist to Vice President Mike Pence, was confirmed by a vote of 52 to 44 to a five-year term as the chief regulator of the government-sponsored enterprises. He was approved under new Senate rules that reduced the debate time for most presidential nominees to two hours.

His Senate supporters praised Calabria for a balanced view on housing finance reform. "During his nomination hearing a few weeks ago, Dr. Calabria made a commitment to carrying out the clear intent of Congress in protecting taxpayers while also underscoring the importance of maintaining access to affordable housing," Senate Banking Committee Chairman Mike Crapo, R-Idaho, said on the Senate floor in support of Calabria's confirmation. "Before considering any action, Dr. Calabria has said he will first ask 'what does the statute say?'"

More Managers Make Move To Mobile Homes | Pensions And Investments
Manufactured housing, once a neglected sector of the real estate market, is starting to pop up on the radar of real estate managers.

Managers like manufactured homes, also known as mobile homes, because they can earn a value-added return by converting some of the parks to institutional ownership; they make improvements, increase income by raising rents and create portfolios that can be sold or spun off into real estate investment trusts. The new but growing segment requires less capital expenditure than other real estate sectors, and retiring baby boomers are creating more demand in the face of a dwindling supply of parks.

A joint report by MHAction, the Private Equity Stakeholder Project and Americans for Financial Reform pointed out another attraction for real estate managers — the ability to finance their acquisitions through loans from the Federal National Mortgage Association. In recent years, Fannie Mae has offered financing for money managers buying mobile home communities as well as loans for residents purchasing the homes to promote affordable housing.

California Ordered To Use Settlement Money As It Was Intended — To Help Homeowners | San Francisco Chronicle
California is wrongly holding on to $331 million from a nationwide bank settlement and must use the money for its intended purpose: to help homeowners victimized by foreclosures during the Great Recession, a state appeals court ruled Tuesday.

The money was part of the state's share of a settlement in 2012 with the nation's five largest mortgage servicers — Bank of America, Wells Fargo, Citigroup, JPMorgan Chase and GMAC — that had been accused of abusive lending practices. The settlement also contained more than $20 billion in direct aid to homeowners nationwide who had been harmed by a wave of foreclosures that started in the recession of 2008-09.

Sen. Kamala Harris, who was state attorney general at the time, negotiated the terms for California that directed $331 million to programs such as hotlines to help foreclosed homeowners, legal aid, consumer education and efforts to combat financial fraud. Legislators also passed a law in 2012 directing the settlement funds to programs directly helping the homeowners.

But the state Finance Department under Gov. Jerry Brown instead used the money to pay off state housing bonds and debts owed by state agencies that handle the bonds and consumer programs. Last July, the Third District Court of Appeal in Sacramento ruled that the payments to the agencies violated the 2012 law and the terms of the mortgage settlement. The court ordered the funds redirected to aid foreclosure victims.

JPMorgan's Dimon Says Bad Mortgage Rules Hindering Growth Of U.S. Economy | Reuters

JPMorgan Chase & Co Chief Executive Jamie Dimon said on Thursday bad mortgage rules were hindering the growth of the U.S. economy and called for swift reforms.

In his annual letter to the shareholders, Dimon said the involvement of many regulators coupled with increased political intervention was making it difficult to achieve much-needed reforms in mortgage lending.

“This has become a critical issue and one reason why banks have been moving away from significant parts of the mortgage business,” Dimon wrote

Bank Of America Aims To Close Homeownership, Will Give Borrowers Up To $10,000 To Close A Loan | Housing Wire

Bank of America is committing $5 billion to help boost homeownership for “low- to moderate-income and multicultural homebuyers and communities” across the country, the bank announced Tuesday.

According to the bank, it plans to commit an additional $5 billion over the next five years to its Bank of America Neighborhood Solutions program, which “will help more than 20,000 individuals and families thrive through the power of homeownership.”

And as part of the program, Bank of America is rolling out a host of new loan programs and options, including grants of as much as $10,000 to help a borrower close a loan.

PRIVATE FUNDS

Private Equity Tricks Mask Mounting Debt: “I'm 5 Foot 8 Inches, But I Can Change The Scale And Make Myself 6 Foot 2 Inches On A Pro Forma Basis” | Business Insider

Jonathan Lavine, co-managing partner at Bain Capital, is warning that massive debt piles in the private equity industry are raising the risk of a crash.

Speaking in an interview with the Financial Times, Lavine said some in the industry are being "increasingly aggressive" in their calculations of future sales growth when analyzing client deals. That means debt levels are based on increasingly exaggerated financial projections.

He colorfully used the below analogy:

"I'm 5 foot 8 inches, but I change the scale and make myself 6 foot 2 inches on a pro-forma basis," the Bain boss told the Financial Times. "I'm not actually 6 foot 2 inches on a pro-forma basis, but I can make adjustments like standing on a box, maybe trying to stretch." The FT says private equity firms are paying "record high prices" for deals and investors are piling money into funds, which may have created a bubble that Lavine says an economic downturn could pop.

The industry is rife with overestimated estimates, a worrying sign that in some cases has seen credit as a percentage of the transaction ramp up to more than 30%, Lavine told the FT.

CalPERS Not Alone On Private Equity Shift | Pensions And Investments
alPERS is busy fielding questions about its plans to adopt a new private equity investment model, but it's far from the only asset owner to change up its investment strategy to boost returns and lower fees.

Asset owners including the $226.5 billion CalSTRS, the $44 billion University of Texas/Texas A&M Investment Management Co. and $55.8 billion Los Angeles County Employees Retirement Association are making changes to their private equity investment approaches to evolve beyond commingled funds, which in the beginning came with high fees and take-it-or-leave-it terms but potentially higher returns than stocks and bonds.

Like the $354.8 billion California Public Employees' Retirement System, they are hoping to boost returns, reduce costs and gain control, even as private equity moves into a phase with expected lower returns that nevertheless are projected to outperform public markets.

BlackRock Shakes Up The Private Equity Industry | Institutional Investor
BlackRock, the world largest asset manager, said Monday it would begin investing in private companies with a new fund that is designed to be less risky than traditional buyout funds.

The firm’s private equity fund, Long Term Private Capital, has attracted $2.75 billion from investors to provide to “high-quality companies,” according to BlackRock’s statement. The asset manager said it has $1.25 billion in hand and that the rest of the committed capital will become available as the fund increases in size.

“This is HUGE news, it may change the dynamics of the PE market,” Christopher Ailman, chief investment officer of California State Teachers’ Retirement System, tweeted Monday. “New structure, new life, and new alignment with L.P.s. It WILL change the landscape.”

The BlackRock fund will target the “large population of strong, stable companies” that need long-term capital, but don’t wish to go public or become a target of a leveraged buyout, according to André Bourbonnais, who is leading the LTPC team. The firm has worked with “several major institutional clients” to customize the permanent pool of capital to their needs, according to the statement.

STUDENT LOANS AND FOR-PROFIT SCHOOLS

Joint Letter: AFR, 55 Other Orgs Support The PROTECT Students Act

The Creeping Capitalist Takeover Of Higher Education | Huffington Post Highline
Many colleges don’t actually run online programs themselves. They outsource much of the work to an obscure species of for-profit company that has figured out how to gouge students in new and creative ways. These companies are called online program managers, or OPMs, an acronym that could come right out of “Office Space.” They have goofy, forgettable names like 2U, HotChalk and iDesign. As the founder of 2U puts it, “The more invisible we are, the better.”

But OPMs are transforming both the economics and the practice of higher learning. They help a growing number of America’s most-lauded colleges provide online degrees—including Harvard, Yale, Georgetown, NYU, UC Berkeley, UNC Chapel Hill, Northwestern, Syracuse, Rice and USC, to name just a few. The schools often omit any mention of these companies on their course pages, but OPMs typically take a 60 percent cut of tuition, sometimes more. Trace Urdan, managing director at the investment bank and consulting firm Tyton Partners, estimates that the market for OPMs and related services will be worth nearly $8 billion by 2020.

What this means is that an innovation that should have been used to address inequality is serving to fuel it. Instead of students receiving a reasonably priced, quality online degree, universities are using them as cash cows while corporate middlemen hoover up the greater share of the profits. In a perfect twist, big tech companies are getting the spill-off, in the form of massive sums spent on Facebook and Google ads. It’s a near-perfect encapsulation of the social and structural forces that allow the already-rich to get richer at the expense of everyone else. And it all started with a man named John Katzman, who has come to deeply question what has become of his own creation.

State Colleges Seduced By For-Profit, Online Education | Republic Report (David Halperin)
As Betsy DeVos’s Department of Education works this morning to outsource more and more taxpayer-funded student aid to predatory for-profit online education companies, Wall Street investors see a new gold rush. Seeking to avoid the stigma and regulatory requirements of openly running a for-profit college, they are finding willing partners in another taxpayer-funded sector: state college and university presidents, who are anxious to make their schools 21st-century high tech models.

But whether these new so-called "public-private partnerships" will well serve students and taxpayers is another matter.

George Mason University in Virginia is one public school seeking to ride the wave, contemplating the creation of its own online superschool and hosting next month, for a second year in a row, its P3-EDU conference, "an invitation only event bringing together a select group of university leaders and a handful of private company CEOs to network and share best practices around public-private partnerships in higher education."

Statement On Wells Fargo's Response To 'Debit Cards On Campus' Report | US PIRG
After being asked to comment on U.S. PIRG Education Fund's report on oversized fees on college students' checking accounts, Wells Fargo announced that it would be eliminating some fees on its campus debit cards.

MASSPIRG's Higher Education Campaign director Kaitlyn Vitez issued the following statement in response:

"Wells Fargo's announcement is a first step, but it can and should do more to help students, some of whom could still end up paying hundreds of dollars in fees. According to its own press release, student fees will only be cut in half -- which still leaves Wells Fargo as one of the most expensive campus debit card option for students out of all the banks in our study.

"The Consumer Financial Protection Bureau recommends that a "safe and affordable" debit card should have no overdraft fees and should offer fee-free ATM access, among other protections. Wells Fargo and other banks should meet that standard, and we continue to urge the Department of Education to investigate paid marketing agreements between banks and colleges that push students into accounts with hidden fees."

SYSTEMIC RISK

Stephen Moore Would Change The Federal Reserve For The Worse — Much Worse | Washington Post
In the past year, President Trump has fruitlessly tried to cajole, castigate and even coerce the people he has appointed to the Federal Reserve — mostly via tweet, of course — into acquiescing to his demands for lower interest rates.

This, if he is confirmed, could very well be the first step down a troubling path for the Fed. It is not just, as we will get to in a minute, that Moore demonstrably lacks either the experience or the expertise we would want in a central banker. It is also that he has an abundance of something we would not: political loyalty. Not to wax too nostalgic, but the Fed has been one of the few institutions that, even in these polarized times, has largely remained nonpartisan. You might say it has not had red state economists or blue state economists, but just United States economists doing their best to keep both inflation and unemployment low. That is the reason that, until Trump, it had been a bipartisan tradition to reappoint Fed Chairs, regardless of which party had originally nominated them, as long as they still wanted the job and seemed to be good at it.

Trump Wants Herman Cain On The Federal Reserve Because He's An Unqualified Hack | New York Magazine Intelligencer (Jonathan Chait)
Cain has advocated hard-money views that occupy a different universe than anything Federal Reserve board members have advocated, or probably even consider sane. Cain assailed the "politicized" Federal Reserve for "inflat[ing] our currency" in 2011, and calling for a return to the gold standard in 2012. The gold standard is an extreme deflationary policy favored by right-wing cranks, which would make it impossible to lower interest rates during recessions. The gold standard is a policy for people who object to the entire purpose of the Federal Reserve.

On the surface, it might seem paradoxical that Trump's response to a Federal Reserve policy that he considers too tight is to nominate a fanatical tight-money advocate. It would be like rejecting Yellen as too short and then nominating somebody three-feet tall.

But there is a peculiar logic to it. Cain's gold-standard fanaticism did not come from any deep ideological belief about interest rates or the money supply. It was an expression of right-wing fanaticism and partisanship during the Obama administration. The conservative business elite habitually expressed wild fears that Obama was producing hyperinflation, socialism, or some other form of uncontrollable social disintegration. Cain's punditry followed that script. So did Trump's, who at the time attacked the Federal Reserve for its loose money.

U.S. Regulators Propose Rule Discouraging Large Banks From Investing In Competitors' Debt | Reuters
U.S. bank regulators proposed a rule on Tuesday that would discourage large banks from heavily investing in debt issued by other large banks by requiring them to hold additional capital against such investments.

The proposal from the Federal Reserve, Federal Deposit Insurance Corporation and Office of the Comptroller of the Currency is aimed at ensuring banks do not end up holding large amounts of "total loss-absorbing capacity" (TLAC) debt from fellow banks.

Banks are required to issue TLAC debt under new rules established after the 2008 financial crisis, which were aimed at ensuring banks can quickly access more equity if pushed to bankruptcy, lowering the odds taxpayers would need to bail them out.

What Will Cause The Next Debt Crisis? | Bloomberg
For her CBC Massey Lectures in 2008, Canadian writer Margaret Atwood chose to talk about debt. The text, written in the first half of the year (and later published as Payback: Debt and the Shadow Side of Wealth), described how she'd noticed a lot more ads on public transportation for debt relief services. "Why are there so many of these ads? Is it because there are unprecedented numbers of people in debt? Very possibly," she said. Today, more than 10 years after the global debt-driven financial crisis that Atwood intuited, angst remains.

Central banks that bought bonds and kept interest rates low to spur economic recovery have fueled record levels of corporate and government borrowing. While Atwood's lectures considered debt from historical, theological, literary, and even ecological perspectives, we asked investors and analysts to consider a simpler question as this credit cycle ages: What could go wrong now?

Possible Trump Deutsche Bank Fraud Raises Serious Questions | Forbes (Mayra Rodriguez-Valladares)
As a globally systemically important bank, Deutsche Bank's risk management capabilities should matter not only in Germany and the United States, but in any country where Deutsche Bank has legal entities. Bloomberg's Tim O'Brien and the New York Times' David Enrich have recently produced well-researched, detailed articles about President Donald Trump's relationship with Deutsche Bank. O'Brien and Enrich present numerous incidents going back twenty years of Trump "inflating his wealth" when trying to obtain approval for loans or securities underwriting. These incidents seriously call into question the quality of Deutsche Bank's risk management enterprise-wide.

TAXES

Top Democrat Proposes Annual Tax On Unrealized Capital Gains | Wall Street Journal
The top Democrat on the Senate's tax-writing committee wants to tax long-term investments like other types of income, raising rates and requiring the wealthiest people to pay taxes on their unrealized gains each year.

The plan from Sen. Ron Wyden of Oregon is the latest proposal from Democrats in Congress and on the presidential-campaign trail to boost taxes on the wealthy in a bid to address what they view as the problems of economic inequality and provide a funding stream to pay for new programs. While the specific proposal has little chance to become law anytime soon, such ideas could carry over into policy if the party makes gains in 2020 elections.

Unlike plans from Sens. Elizabeth Warren and Bernie Sanders, Mr. Wyden's tax would go after investment income rather than total accumulated wealth or estates that are passed on from wealthy individuals to their heirs.

JPMorgan Head Says Trump Tax Law Added $3.7B To His Profits | The Hill
JPMorgan CEO Jamie Dimon lauded President Trump's tax cuts, saying the legislation passed in 2017 boosted the bank's net profit by $3.7 billion.

"All things being equal (which they are not), the new lower tax rates added $3.7 billion to net income," Dimon said in JPMorgan's annual investor letter on Thursday.

"The new tax code establishes a business tax rate that will make the United States competitive around the world and frees US companies to bring back profits earned overseas," Dimon added. "The cumulative effect of capital retained and reinvested over many years in the United States will help cultivate strong businesses and ultimately create jobs and increase wages."

The letter, which outlines the bank's earning performance, said it made a record profit in 2018, with net income of $32.5 billion and $111.5 billion in sales, figures the bank said reflect "strong underlying performance across our businesses."

OTHER TOPICS

You Elected Them To Write New Laws. They're Letting Corporations Do It Instead. | USA Today
Each year, state lawmakers across the U.S. introduce thousands of bills dreamed up and written by corporations, industry groups and think tanks.

Disguised as the work of lawmakers, these so-called "model" bills get copied in one state Capitol after another, quietly advancing the agenda of the people who write them.

A two-year investigation by USA TODAY, The Arizona Republic and the Center for Public Integrity reveals for the first time the extent to which special interests have infiltrated state legislatures using model legislation.

USA TODAY and the Republic found at least 10,000 bills almost entirely copied from model legislation were introduced nationwide in the past eight years, and more than 2,100 of those bills were signed into law.

California Quietly Lifts Ban On Working With Wells Fargo | Bloomberg
Even before Tim Sloan stepped down as the chief executive officer of scandal-stung Wells Fargo & Co., the bank had already gotten back into the good graces of the biggest U.S. state.

California Treasurer Fiona Ma in mid-February quietly removed sanctions put in place by her predecessor that kept the bank from underwriting the state's bonds and barred California from investing in Wells Fargo's debt. In 2016, then-Treasurer John Chiang approved the steps to punish the San Francisco-based bank after it admitted that employees opened bogus accounts in customers' names to meet sales goals.

Ma, who took office in January and is from the bank's hometown, made the decision after staffers recommended it, her Deputy Treasurer Tim Schaefer said. He pointed to changes at the board, including the appointment of former Federal Reserve Board governor Betsy Duke as chair, and at the corporate responsibility committee.

Deutsche Bank's U.S. Unit Kept Danske's Shady Billions Flowing | Bloomberg

Years before regulators learned about what may be one of the biggest money-laundering pipelines in history, low-level bank employees in Jacksonville, Florida, sounded repeated alarms.

Compliance workers for Deutsche Bank AG flagged some of at least $150 billion in transactions that the bank's U.S. subsidiary handled for a tiny Estonian unit of Danske Bank It's not clear how urgently the Florida team warned executives at Deutsche Bank Trust Co. Americas. But when workers sought broader scrutiny of certain clients, they got a familiar response from some higher-ups, the officer said: Shut up, focus on the transaction in front of you, file your paperwork and move on.

Internal documents, court records and interviews with dozens of people -- including more than 20 current and former employees of the troubled German lender -- show that its U.S. unit largely resisted strict money-laundering compliance for years. The insider accounts help explain why Deutsche's U.S. subsidiary kept handling Danske's business after competitors quit.

Gun Control Group's Report Card On U.S. Banks' Firearms Ties Has Several F's | New York Times
Gun control activists have spent years trying to limit the number of assault-style firearms available to civilians: holding rallies, drafting proposed laws and backing campaigns by shareholders of publicly traded gun makers.

Now, one advocacy group is focusing on a different pressure point: the consumer banks that provide loans and other financial support to the gun industry.

The group, Guns Down America, which formed in 2016 after a mass shooting in Orlando, Fla., has created a ranking system that gives 15 banks letter grades based primarily on their ties to firearms makers and trade groups like the National Rifle Association.
Six of the banks, including JPMorgan Chase and Wells Fargo, received failing grades. Citigroup earned the highest one, a B.

Igor Volsky, Guns Down America's founder and executive director, said he hoped the grading system would compel banks to be more publicly supportive of gun control measures, in the same way that many companies have taken positions on gay rights, immigration and other social issues.

Should We Worry About The Slowing Economy? | New York Times (Ruchir Sharma)
Economists keep basing forecasts on trends established during the postwar miracle years, when growth was boosted by expanding populations, rising productivity and exploding debt. But population and productivity growth had stagnated by 2008, and the financial crisis put a sudden end to the debt binge. The miracle is over.

Politicians often promise to bring back a golden age, but serious economists also are encouraging a similar illusion. Even during the Industrial Revolution, in the 19th century, the world economy rarely grew faster than 2.5 percent a year, until the post-World War II baby boom began to rapidly expand the labor force. After 1950, the combination of more workers and more output per worker lifted the pace of global growth to 4 percent. Economists came to think 4 percent was "normal."

Yet by last decade, the baby boom had faded out from Europe to Japan and China. Even in the United States, younger and faster-growing than most developed countries, growth in the working-age population slowed to a mere 0.2 percent last year from 1.2 percent in the early 2000s. Because fewer workers correlates directly with slower growth, that decrease implied a 1-point drop in economic growth.

This New Play *The Lehman Trilogy* Turns The Financial Crisis Into High Art | Town And Country Magazine (Bethany McLean)
Albert Camus once said that "fiction is the lie through which we tell the truth," and there's no better example than the 2008 financial crisis of a truth so big that facts may never capture its entirety.

Entire forests have been decimated by the journalistic and academic work explaining the crisis, which reportedly cost Americans more than $12 trillion. But those events have also inspired works of fiction, from movies such as The Big Short and Margin Call to novels like Behold the Dreamers and plays like The Power of Yesand, now, The Lehman Trilogy, a three-part epic directed by Sam Mendes that will have its North American premiere at New York's Park Avenue Armory this month.

Maybe it's not surprising that artists would find inspiration in something so seismic. The financial crisis didn't just upend the global economy, it reshaped the assumptions that govern modern societies in profound ways I still see playing out a decade later.
Ben Power, the deputy artistic director of Britain's National Theatre, who adapted The Lehman Trilogy from its Italian original (written by Stefano Massini), feels similarly. "I've always been fascinated by big stories," he says. "Stories that tell us about systems that shape our lives, whether we are aware of them or not."

A CEO Who's Scared For America | New York Times (David Leonhardt)
Things began to change after the 1970s. Stakeholder capitalism — which, Georgescu says, optimized the well-being of customers, employees, shareholders and the nation — gave way to short-term shareholder-only capitalism. Profits have soared at the expense of worker pay. The wealth of the median family today is lower than two decades ago. Life expectancy has actually fallen in the last few years. Not since 2004 has a majority of Americans said they were satisfiedwith the country's direction.

"Capitalism is a brilliant factory for prosperity. Brilliant," Georgescu says. "And yet the version of capitalism we have created here works for only a minority of people."

In his retirement, when he's not spending time with his family, Georgescu has been trying to agitate other corporate leaders. He has published a book, called "Capitalists, Arise!" He has written op-eds and given talks. He talks about the signs of frustration, in both the United

States and Europe. He has seen societies fall apart, and he thinks many people are underestimating the risks it could happen again. "We're not that far off," he told me.

Lessons From The Auto Rescue, 10 Years Later | New York Times (Steven Rattner)
The financial crisis and plummeting economy had swept America's already fragile carmakers into an existential crisis. Unaided, a complete collapse of the sector, including its many suppliers and dealers, was inevitable. At Mr. Obama's instruction, the auto task force, which I led, administered a strong dose of tough medicine.

The ensuing turnaround was remarkable. Vehicle sales, which had fallen nearly in half, bounded back, reaching an 18 million pace in late 2017. Massive losses became massive profits. Employment across the sector, which had fallen to 623,000, has grown to a million Americans.

In acting so muscularly, Mr. Obama defied both conservative critics and public sentiment. A poll in October 2009 showed that 54 percent of Americans opposed government help for the industry.

That, too, has flipped. By 2012, 56 percent of Americans supported the help given to the car companies. And little has been heard from the loud voices that denounced Mr. Obama for reaching forcefully into the private sector.

While we didn't get everything right, I came away from the job with some pre-existing views reinforced and some new lessons learned:

Dimon Weighed Presidential Run For Much Of 2018, Report Says | Bloomberg
JPMorgan Chase & Co. Chief Executive Officer Jamie Dimon weighed a presidential run last year before ultimately deciding he couldn't secure a major party nomination, CNBC reported, citing unidentified people with knowledge of the situation.

Dimon spent much of 2018 mulling a run, CNBC said. The longest-tenured major Wall Street CEO, who's described himself as "barely" a Democrat, has been a critic of many of Donald Trump's policies, while he has praised corporate tax cuts passed in 2017.

Dimon has been quick to publicly shut down speculation that he plans to run over the last year. His increased presence in Washington in recent years as chairman of the Business Roundtable and his outspoken views on U.S. public policy have fueled talk that he could enter politics.

The Great Recession Split The Millennial Generation Down The Middle, Creating 2 Groups With Very Different Financial Habits | Business Insider
Forget intergenerational differences with baby boomers and Gen X— millennials have their own generation gap, and it's all thanks to the financial crisis.

Jason Dorsey, a consultant, researcher of millennials, and president of the Center for Generational Kinetics, told Business Insider that the best way to look at millennials is by life stage and the events that shaped them, particularly the Great Recession.

Older millennials, defined by CGK as those over 30, took the greatest hit from the recession, making it harder for them to accumulate wealth. Younger millennials, defined by CGK as those under 30, entered the job market during the recovery period — and by watching the financial crisis unfold and not experiencing it directly, they learned what to do and what not to do, financially speaking.

The 'Best Economy' Ever Isn't Working For Most People | The Nation (Katrina Vanden Heuvel)
Federal Reserve Chair Jerome H. Powell says that the the "growth of economic activity has slowed." The usually optimistic International Monetary Fund projects US economic growth will drop to 1.8 percent in 2020—despite trillion-dollar annual deficits and the Fed putting off any more interest rate hikes for the rest of the year. If Powell and the projections are right, the long recovery that began after the Obama administration saved an economy that was in free fall is nearing its end. Yet President Trump trumpets the "best economy" ever, touting low unemployment. So this is what we get at the height of recovery? This is as good as it gets?

It's true that wages have begun to rise a bit, with demand for workers and minimum-wage hikes in states and localities finally giving a boost to those on the bottom. But the average weekly pay has grown less than 1 percent per year for the decade. Low-wage workers' hourly pay in 2017 barely surpassed what they earned in 1979, while that of high-wage workers has increased nearly 50 percent. Inequality is at extremes not seen since 1928. Workers are still not capturing a fair share of the increased productivity that they help to create.

And while incomes have stagnated, key costs have soared. Health care remains remarkably expensive; millions go without insurance or are underinsured. Gallup reports that since Trump took office, the number of Americans without health insurance has increased by a stunning 7 million. Female, younger and lower-income workers have seen a greater decline than those who are male, older and/or wealthier. Life expectancy has declined for the third year in a row. The lack of health care explains part of that. The savage opioid epidemic—a disease of despair—accounts for another chunk.