Americans for Financial Reform Education Fund

This Week in Wall Street Reform | Apr 20 - 26

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THE TRUMP ADMINISTRATION, CONGRESS & WALL STREET

FDIC Must Have Full Board To Rule On BB&T-SunTrust: Sherrod Brown | American Banker
The Federal Deposit Insurance Corp. must have a "full five-member" board in place in order the consider the proposed merger between BB&T and SunTrust, Sen. Sherrod Brown said Tuesday.

The Ohio Democrat, who is the ranking member of the Senate Banking Committee, said in a letter to FDIC Chairman Jelena McWilliams that the "merger cannot be approved until internal directors of the FDIC are nominated and confirmed." In a separate letter to President Trump, Brown called on the administration to "move decisively to nominate a full slate of members to the board."

Elizabeth Warren Wants To Make It Easier To Prosecute Executives | New York Times
Prosecutions of finance executives related to the 2008 financial crisis were few and far between — and that has remained a persistent complaint about the government's response to the meltdown.

Senator Elizabeth Warren of Massachusetts has offered legislation that would make it easier to prosecute them with the Corporate Executive Accountability Act.

The challenge with charging corporate executives is that they are often insulated from the decisions that violate the law. That can make it difficult, if not impossible, for prosecutors to prove they have the requisite intent. The former head of the Justice Department's criminal division, Lanny A. Breuer, has defended the lack of prosecutions. In a PBS "Frontline" special, he said, "When we cannot prove beyond a reasonable doubt that there was criminal intent, then we have a constitutional duty not to bring those cases." Former Attorney General Eric H. Holder Jr. told a Senate committee that some banks had become so big that prosecuting them would have negatively affected the economy. In other words, they had become "too big to jail."

A Missed Opportunity At Holding Banks Accountable | The Hill (Michael Steele)
Well, Chairwoman Waters and the House Financial Services Committee called before the committee the most powerful financial institutions in the world to discuss what they have done to address the systemic issues that caused the 2008 financial crisis.
In a hearing titled: Holding Megabanks Accountable, the chairwoman set out that the hearing would "review the activities of these mega-banks and examine how they are operating today" and whether "the practices of these banks [are] still causing harm." Unfortunately, the hearing did not live up to its title.

While the hearing touched upon important issues like current systemic risks in the financial markets, the diversity in leadership positions of these big banks, and global cybersecurity threats, very little time was spent on the issue of accountability. In fact, aside from taking down Treasury Secretary Steve Mnuchin's condescending mansplaining, this hearing was a missed opportunity to ask substantive questions on behalf of the millions of Americans who lost their homes due to the excesses of these banks. The American public deserves better.

CONSUMER FINANCE AND THE CFPB

Big Credit Unions Ask CFPB To Relinquish Oversight | Law360
The nation's largest credit unions asked on Monday to pick their own government watchdog, telling the Consumer Financial Protection Bureau that the agency can and should relinquish routine oversight activities to the National Credit Union Administration.

The Credit Union National Association asked the CFPB to revert the task of examining credit unions with more than $10 billion in assets — currently nine entities — to the NCUA, which is how the process was structured before the 2008 financial crisis.

The trade group has been pushing for years to get the NCUA's experts to lead the examinations again, saying that even the largest credit unions were not at fault in the economic collapse and replacing their specialists in the wake of the crisis was unnecessary. The group contends that limiting examinations to the NCUA would benefit both the credit unions and the CFPB.

CFPB Pledges More Transparency For Companies Under Investigation | Politico Pro

The Consumer Financial Protection Bureau today announced it will provide more information to companies that are under investigation for potential wrongdoing, such as naming the laws that may have been violated and the business practices that are subject to its authority.

"In investigations where determining the extent of the Bureau's authority over the relevant activity is one of the significant purposes of the investigation, staff may specifically include that issue in the [investigative subpoena] in the interests of further transparency," the agency said.

The CFPB said its new policy on so-called civil investigative demands, the device it uses to issue subpoenas to companies, is in response to recent court decisions, as well as a 2017 report from the agency's inspector general and feedback the bureau received last year.

Robinhood Seeks National Bank Charter | Politico Pro
Fintech firm Robinhood Markets Inc. has applied for a national bank charter at the Office of the Comptroller of the Currency.

In an April 19 application, Robinhood said it wants to start a bank that could offer credit cards, loans and other lending products through mobile applications. Launched in 2013 and best known for offering zero-commission stock market trading, Robinhood says it has more than 6 million approved brokerage accounts.

"Robinhood's goal is to be able to offer its customers a full suite of financial products to service their needs," said Jack Randall, a spokesperson for the Menlo Park, Calif.,-based company.

Appeals Court Rules Tribal Offices Not Shielded in Predatory Lending Suit | Wall Street Journal
A federal appeals court in New York Wednesday cleared the way for consumer advocates to sue for injunctions barring officers of Native American tribes from engaging in alleged predatory-lending practices.

The decision came in the case of Think Finance Inc., an alleged payday lender that resorted to bankruptcy after being sued over "rent-a-tribe," practices, in which an otherwise illegal business uses a Native American tribe as a front.

Defenders of the practice say that U.S. and state laws don't apply to tribes due to their sovereign national status. Consumer advocates say the tribes aren't really doing the lending, and they also aren't getting much of the money generated by high-interest-rate loans sold to consumers online.

Fast Cash With A Catch: How Payday Loans Can Ruin Lives | WGN9
For those living paycheck to paycheck — or really anyone in need of a loan to get by until that next paycheck — a short-term loan or payday loans as they are called, can seem like a life-line. However, a WGN Investigation found those businesses promising quick cash come

with a big catch of crippling interest rates and hundreds of complaints with the Better Business Bureau.

If you look around, there are more payday loan companies than there are McDonalds. In 2017, Illinois borrowers took out more than 200,000 payday loans totaling more than $70 million. Each promise to hand you money — no credit, no problem.

The lure of easy money caught one woman, who WGN is calling Jane. She was embarrassed to admit she was financially desperate and believed she had nowhere else to turn for help. Jane has three payday loans.

What 'Junk' Tells Us About Americans' Relationship With Debt | Washington Post (Michele Singletary)
You know the story — corporate raiders, insider trading, rigged stock purchases, employees laid off and, finally, a company buried under so much acquisition debt that it ultimately collapses.

But there's another equally mesmerizing subplot to "Junk." In the middle of all this mess is another form of fallout — the way the junk bond masters taught Americans to embrace the inevitability of debt. Like the locusts that devour companies, American consumers often take on loads of debt to the detriment of their financial health.

At the end of last year, total household indebtedness was $13.54 trillion, a $32 billion increase from the third quarter of 2018, according to the Federal Reserve Bank of New York's Center for Microeconomic Data. In the fourth quarter of 2018, credit card balances increased by $26 billion to $870 billion.

CFPB Seeks Public Input For Remittance Rule | Politico Pro
The Consumer Financial Protection Bureau today said it is seeking public feedback about how to rewrite its regulations for international money transfers so small companies could eventually be exempt from compliance.

The CFPB issued a request for information for its remittance rule, which took effect in October 2013 and was a requirement of the 2010 Dodd-Frank Act. The regulation requires financial companies handling international money transfers to disclose information about exchange rates and fees to the individuals whose cash is being transferred.

The CFPB said it wants feedback to consider incorporating a small financial institution exception into the rule. The bureau also said it wants to know about the expiration of a temporary exception in the rule that allows certain banks to estimate the exchange rate and certain fees they are required to disclose. The agency does not have authority to extend the exemption beyond July 21, 2020.

INVESTOR PROTECTION, SEC, CAPITAL MARKETS

States Pursue Their Own Broker-Conduct Rules | Wall Street Journal

Several states are rolling out stricter standards for investment-broker conduct, bucking industry warnings about an unwieldy patchwork of rules around the country.

The state-level rule-making, primarily in states led by Democrats, comes as the Securities and Exchange Commission moves to finish its own national conduct requirements for brokers paid by commission for investment advice. At issue are concerns about conflicts of interest, such as pay incentives that favor some investment products over others.

State regulators and Democratic lawmakers have criticized the SEC's effort, saying the commission should require brokers to meet the same standard as investment advisers: that all decisions be made with "undivided loyalty" toward the investor.

House Republicans Press SEC To Drop Personal Data Collection In Market Surveillance | Politico
Five House Republicans today asked the head of the SEC to drop a requirement that a new stock market surveillance tool collect personally identifiable information from investors.

In a letter to SEC Chairman Jay Clayton, the lawmakers — all members of the powerful House Financial Services Committee — said the so-called consolidated audit trail is vulnerable to hacking. In a bid to allay such concerns, Clayton last month said the data repository won't store some personal information from individual investors.

The CAT is collecting stock trading data from exchanges, and it is scheduled to collect personal information from big brokerage businesses on Nov. 15 of this year.

EXECUTIVE COMPENSATION

How Fannie Mae, Freddie Mac Dodged A $600,000 Cap On CEO Pay | Washington Post
For years, the chief executives of two giant government-controlled companies, Fannie Mae and Freddie Mac, have operated under a strict constraint: They can't be paid more than $600,000 a year.

The housing companies may have found a way around that congressionally mandated pay cap. Fannie Mae and Freddie Mac created a new job — president — transferring some of the work traditionally done by the CEOs to the new positions, according to government investigators. The presidents will be paid more than $3 million each.

That arrangement has been challenged by federal investigators and lawmakers. The companies' new government regulator, Mark Calabria, said he is "reviewing" the matter. It has raised a thorny question for the Trump administration: How much should executives at government-controlled companies supported by taxpayers be paid?

Noted Banking Analyst Mike Mayo Warns State Street Shareholders Executive Pay Is Too High | CNBC
Widely regarded banking analyst Mike Mayo of Wells Fargo is calling out top executives at State Street.

In a research note issued after State Street's earnings were released Tuesday morning, Mayo writes "STT needs to improve pay-for-performance and management accountability, especially after the release of 2019 proxy and disappointing first quarter 2019 and decade to date results."

State Street reported earnings of $508 million for the first quarter- a 23 percent drop from the same time period a year ago. Revenue dropped four percent.

Specifically Mayo goes after the pay package of former CEO and current chairman Jay Hooley who reportedly made $141 million dollars over nine years "despite missed targets and worst in class stock price performance."

MORTGAGES AND HOUSING

Trump-Appointed Official Promises Full Push To Overhaul Plumbing Of Mortgage Market | Wall Street Journal

The newly installed overseer of Fannie Mae FNMA -0.74% and Freddie Mac is planning a new push to overhaul the housing-finance companies, aiming to solve the last major quandary from the financial crisis.

Mark Calabria, in his first interview since taking the helm of the Federal Housing Finance Agency, said he wants to put the firms—bailed out during the crisis, but now profitable—on the road toward returning to private hands, something Washington policy makers have tried and failed to do for the past decade. With help from Congress, he hopes to eventually tear up the firms' federal charters and put them on a level playing field with would-be competitors. The two companies back around half of all U.S. mortgages. They have been in government conservatorship since the 2008 crisis.

"I see my goal as setting a path to end the conservatorship" for the companies he said, adding," they have to be stronger, healthier companies" compared to before the crisis.

HUD Reins In National Down Payment Assistance Programs | Politico

The Department of Housing and Urban Development is moving to rein in government entities that provide homebuyers with down payment assistance for Federal Housing Administration-backed mortgages, citing the rising risk of defaults.

In a letter to lenders published Thursday night, HUD said it would require new documentation to verify that any entity offering such assistance is acting in its "governmental capacity," a move that effectively limits the scope of assistance they can offer.

"It has come to FHA's attention that certain governmental entities may be acting beyond the scope of any inherent or granted governmental authority," HUD said in the letter.

[Want To Make Millions And Pay No Taxes? Try Real Estate.](#) | Bloomberg Businessweek
Real estate is a cyclical business. Markets crash. Deals sour. But hard landings are rare for a savvy property mogul, thanks to the U.S. tax code.

Take Harry Macklowe, a New York City developer. Macklowe, 81, hasn't paid income tax since the 1980s, according to a court opinion in his divorce proceedings issued in December. The ruling, which also divided luxury homes and an art collection worth more than $650 million between Macklowe and his ex-wife, Linda, doesn't suggest the couple did anything wrong to avoid paying income taxes. Rather, it highlights the special perks available to property investors in the U.S.—advantages that have expanded under the tax law signed in 2017 by Donald Trump, America's real estate developer president. "The real estate industry is notorious for throwing off lots of deductions, and real estate developers are notorious for paying very few taxes," says Steven Rosenthal, a senior fellow with the Urban-Brookings Tax Policy Center. "As Leona Helmsley said, 'Only the little people pay taxes.' "

As Democrats in Congress seek Trump's tax returns, Macklowe's divorce case provides a hint at what they might find. Real estate moguls have a range of strategies available to reduce or postpone their tax liabilities. Harry Macklowe didn't respond to a list of questions forwarded to him by his spokesman. Linda Macklowe declined to comment.

Taxpayers Back Luxury Apartments Through Fannie Mae 'Green' Loans | Capitol Forum
So far, the 'green' program that has boosted developers has also benefitted taxpayers—the loans have been profitable and so sent money back to the U.S. Treasury.

But if the rental market sours, taxpayers could face big losses and once again be left to rescue a housing sector where Fannie Mae and Freddie Mac (FMCC), a sibling agency, played an outsized role.

And even now there are questions about who benefits from 'green' loans. The program that was conceived to help ordinary tenants and the environment is largely boosting wealthy landlords, according to a Capitol Forum review of the program.

HUD To Delay Down Payment Assistance Changes | Politico Pro
The Department of Housing and Urban Development will delay plans to rein in government entities that offer down payment assistance for mortgages backed by the Federal Housing Administration, following litigation challenging the policy.

HUD agreed to a 90-day stay postponing the changes announced last week, according to a court filing.

HUD is delaying the plan after being sued by the Cedar Band of Paiutes, which said the new policy unlawfully targeted American Indian tribes and bands by prohibiting them from participating in home purchasing assistance programs.

Waters Unveils $92B Housing Bill; House Plans CFPB Vote | Politico Pro
House Financial Services Chairwoman Maxine Waters has drafted legislation that would invest more than $92 billion in housing programs.

The California Democrat's "Housing is Infrastructure Act" includes $70 billion for the Public Housing Capital Fund, $5 billion for the Housing Trust Fund to create hundreds of thousands of new affordable housing units and $5 billion for mitigation to help shore up communities before natural disasters.

The committee will hold a hearing Tuesday on the issues addressed by the legislation.

PRIVATE FUNDS

Blackstone Equity Firm Coughs Up $1 Million Refund To Forest Hill Tenants, Non-Profit Says | New York Daily News
The mammoth private equity firm that bought a rent-stabilized Queens housing complex last year has agreed to pay $1.1 million in refunds to tenants after it found they were entitled to rent reductions, the Housing Rights Initiative revealed Friday.

The Blackstone Group, which acquired the 1,327-unit Parker Towers in Forest Hills last November, conceded that 110 units there should have been getting reductions, according to the non-profit housing watchdog, which is embroiled in a lawsuit with the Manhattan-based, multinational company.

The tenants are expected to get an average rent reduction of $230 a month.

Tenants—represented by the Newman Ferrara law firm—filed a class-action lawsuit over rent stabilization practices against the complex’s former owner, the Jack Parker Corporation, alleging the company illegally deregulated apartments despite getting tax breaks under the J-51 exemption and abatement program, which requires owners maintain rent-stabilization.

Private Equity Still Voting For Commercial Real Estate | Entrepeneur
If the prolonged slowdown in the residential was not bad enough, to begin with, major policy overhauls over the last five years – DeMo, RERA, GST, amendments in the Benami Transactions Act etc. – literally paralysed the residential segment.

While any policy change brings with it some amount of teething pains, the residential segment took a prolonged hit because it had attracted the bulk of black money in the sector. Commercial real estate was far less affected, if at all.

Hedge-Fund Ownership Cost Sears Workers Their Jobs. Now They’re Fighting Back. | The Nation
Bruce Miller got a job at a Sears in Tom’s River, New Jersey, ”fresh out of high school,” he said. He didn’t have any experience other than repairing cars in his backyard, but a friend

who worked in the maintenance department knew he was looking for work and recommended him. That was the beginning of a 36-year career with the company. “Everyone I had talked to said, ‘Get into Sears. Stick with them. They’re a great company. They’ll take care of you,’” he recalled. “I just kept my eyes open and my nose clean and worked my way up.” He eventually became an auto mechanic.

In 2005, the hedge fund ESL Investments Inc., owned by Eddie Lampert, took over the company. In the 1990s, Sears struggled to keep up with big-box competitors Walmart and Kmart and to compete with online retailers. When Lampert took over, he focused on reducing costs and increasing shareholder returns. Miller immediately noticed the difference that made to the quality of service and offerings in the stores. “We went from the top of retail to the bottom of the barrel,” he said. His pay was changed from an hourly rate to commission-based, which meant he and his co-workers started competing with one another. It also meant that when sales declined, as customers fled the dilapidated stores, his income did, too. When he started, Miller said, a slow day in his department meant repairing 100 cars—at its peak, 185 daily. But toward the end, “We were lucky to get 10 cars a day.

Benefits changed as well. The company took away five personal days. Sick days disappeared. And though he had worked a steady schedule Tuesday through Saturday from 8 am to 4:30 pm, the company started asking him to work at all hours, he said, adding that some days he worked until midnight and then had to be back at 7 the next morning.

SEC Sanctions Deustche Division For Hedge Fund Sales Tactics | Politico Pro
A U.S. division of Deutsche Bank has agreed to pay the SEC $500,000 to settle allegations that the firm misled investors about a pay-to-play scheme involving hedge funds marketed to clients, the agency said today.

From 2009 through mid-2018, Deutsche Bank Trust Company Americas of New York failed to disclose that its research group only evaluated hedge funds that agreed to share management fees with the firm, the SEC alleged. The payments were called "retrocessions," and they were a requirement for all hedge funds that DBTCA recommended to clients, the SEC said.

Some of the company's disclosures highlighted that the research group picked asset managers from an "extremely large universe," the SEC said. But "none of DBTCA's marketing materials during the relevant time period disclosed that the research group's due diligence process included only hedge funds that agreed to pay retrocessions," the agency said.

Healthcare Private Equity Deals Reach Record Levels In 2018 | Fierce Healthcare
Global private equity interest in healthcare continues to surge with deal activity hitting record levels in 2018, driven in large part by eight major buyouts valued at greater than $2 billion, according to a recent report.

Private equity deals last year rose 50% to $63.1 billion, topping 2017’s level of $42.6 billion, and deal count rose to 316 in 2018 from 265 in 2017, according to Boston-based consulting company Bain & Company. There was strong investment activity across all regions and in sectors such as healthcare IT, provider and biopharma, Bain & Company reported.

The activity in 2018 included 18 deals greater than $1 billion each in disclosed deal value, pushing larger assets to levels that are out of reach for most buyers. Eight deals in 2018 were valued at greater than $2 billion each, versus just four in 2017, and several mega deals.

Hollywood Is Gearing Up For A Legal Battle With Private Equity | PitchBook
More than 7,000 members of the Writers Guild of America fired their agents on Monday, marking the most dramatic moment to date in the labor organization's ongoing legal feud with Hollywood's four dominant talent agencies.

But the writers aren't necessarily mad at the agents themselves. Instead, they're directing their ire at the agencies' private equity owners, which have instituted the use of "packaging fees." The WGA, a labor union representing television, radio and film writers, argues that the practice is cutting into writer pay and represents a conflict of interest, and the battle over the fees is heating up.

Last week, the WGA sued Silver Lake-backed William Morris Endeavor (WME), TPG Capital-backed Creative Artists Agency (CAA) and United Talent Agency, which received a roughly $200 million investment from Investcorp and Canadian pension manager PSP Investments last August. In the lawsuit, the WGA argues that the use of packaging fees violates state and federal law. The union implemented a new code of conduct earlier this month that essentially banned the fees, but so far, the agencies have refused to sign, leading to the suit and the mass firings. And the WGA is blaming PE.

Private Equity Firm To Refund Parker Towers Tenants Total Of $1.1M | Forest Hills Post
A private equity firm that bought Parker Towers, a rent-stabilized housing complex, last year has agreed to pay $1.1 million to tenants who are owed rent reductions, announced the tenant watchdog group Housing Rights Initiative (HRI) Friday.

The Blackstone Group, the firm that bought the 1,327-unit property in November 2018 from Jack Parker Corporation for $500 million, recognized from the time of purchase that a number of renters in the 104-20 Queens Blvd. complex were owed money.

Jack Parker Corporation failed to implement rent reductions despite receiving benefits from a J-51 tax exemption, which requires the landlord to keep their apartments rent stabilized.

Private Equity Cash Turns Off Some Clients, Mutual Fund CEO Says | Bloomberg
Institutional investors are starting to turn away from private equity real estate and infrastructure investments in favor of liquid funds that put their money to work faster, according to the head of a firm that offers such products.

“That’s a first,” said Robert Steers, chief executive of Cohen & Steers Inc., whose firm oversees about $63 billion in mutual funds and other liquid vehicles. Shares of the firm rose more than 21 percent over the 12 months through April 18, the biggest gainer in a Bloomberg index of asset managers.

Cohen & Steers competes with some private equity firms because it focuses on publicly traded investments in real estate and infrastructure such as real estate investment trusts. REITs can offer plausible liquid substitutes for privately held real estate assets, while it’s hard to find a similar proxy for traditional buyout funds, according to David Fann, chief executive officer of TorreyCove Capital Partners, a private equity consulting firm.

Watch: The Bubble Is In Private Equity In This Cycle, Longview CEO Says | Bloomberg News

Private Equity Has An Achilles’ Heel | Splinter News
It is a true irony of capitalism that in order for working people to have enough money to live on in retirement, they must create pension funds that, in turn, often invest in the very enterprises that fuel the inequality and unfairness that makes it so hard for working people to have enough money to live on in retirement. Pension funds need profits themselves, and they pour money into private equity firms, some of which embrace business models that are inimical to the interests of workers. Those pension funds are the best point of leverage for anyone who wants to pressure a private equity firm to do something, because their money ultimately comes from working people, not from Wall Street. The Writers Guild “has contacted more than a dozen public pension funds” regarding its dispute with agencies for precisely this reason. Major unions, whose members represent many billions of dollars of pension fund contributions, can lean on those pension funds, who can in turn lean on private equity firms to stop doing something terrible, or risk losing those pension investments. There have been good books written on this topic.

The pressures of capitalism make these things difficult. People want to enjoy their retirement benefits. Their pension funds need a certain amount of annual investment profits in order to have enough money to pay those benefits. Absent any pressure to the contrary, those pension funds will tend to invest in whatever will get them the highest return, which can often be private equity, even if some of those private equity firms earn those high returns by, in essence, extracting the wealth that should be going to the very workers who are paying into the pension funds. It is not hard to see how fucked up this system is from the outside, but the incredible short-term profit pressures can make it very difficult to change.

But not impossible. Money talks. Learn about your union. Learn about its pension. Learn what it is invested in. And think about how those investments serve the long-term interests of equality and fairness for working people. The money should go to the people who do the work. With that as a guiding principle, it’s not hard to see what’s right and wrong. It would be tragic for regular people to blindly fund the vampires that are sucking us all dry.

STUDENT LOANS AND FOR-PROFIT SCHOOLS

[Warren Proposes $640 Billion Student Debt Cancellation](#) | Politico
Sen. Elizabeth Warren rolled out yet another ambitious policy proposal Monday morning as she called for canceling approximately $640 billion in outstanding student loan debt.

The Massachusetts Democrat laid out the policy in a lengthy Medium post ahead of a series of youth-centered CNN town halls Monday evening with fellow 2020 presidential candidates at Saint Anselm College.

"It's a problem for all of us," she said of the massive amount of debt carried by students, which has reached more than $1.5 trillion and affects more than 40 million Americans. "It's reducing home ownership rates. It's leading fewer people to start businesses. It's forcing students to drop out of school before getting a degree."

Elizabeth Warren's Higher Education Plan: Cancel Student Debt and Eliminate Tuition | New York Times
Ms. Warren's sweeping plan has several planks. She would pay for it with revenue generated by her proposed increase in taxes for America's most wealthy families and corporations, which the campaign estimates to be $2.75 trillion over 10 years. In addition to eliminating undergraduate tuition at public colleges and universities, she would expand federal grants to help students with nontuition expenses and create a $50 billion fund to support historically black colleges and universities.

She would eliminate up to $50,000 in student loan debt for every person with a household income of less than $100,000; borrowers who make between $100,000 and $250,000 would have a portion of their debt forgiven.

"This touches people's lives," Ms. Warren said in an interview. "This is a chance to talk about what's broken and how we fix it. This is the American dream."

Warren's Student-Debt Deal Would Most Benefit Stronger Earners, Study Finds | Wall Street Journal
Sen. Elizabeth Warren's proposal for the government to forgive a huge chunk of student debt would disproportionately help upper-income households, a new analysis shows.

Nearly half of the estimated $640 billion to be forgiven under her plan would go to the top 40% of earners, or households making at least $67,847 a year, according to the Brookings Institution, a think tank.

The analysis also shows a disproportionate share of the money would go to those in managerial and professional jobs. A quarter of the money would go to people with master's degrees and 9% would go to households with doctorate and professional degrees, such as lawyers and doctors.

About 28% of the money would go to households in the bottom 40% of earners. A tenth would go to households in the bottom fifth. Lower-income households tend to have less student debt—but are also more likely to default on their loans—because they included higher rates of borrowers who dropped out or attended low-quality schools and have fewer resources to repay.

Elizabeth Warren Wants To Cancel Student Loan Debt. Critics Wonder If That's The Right Solution. | New York Times
For Samantha Morgan and her husband, Justin, the plan would be life-changing. He works as a laboratory manager, and she works part-time for a nonprofit. They said they had accrued about $70,000 in student loan debt between them and are making payments on an income-based repayment plan.

"Your monthly payment is so low that you're not paying your loans because interest accrues so fast," Ms. Morgan, 30, said. "My loan has actually gotten bigger."

If they faithfully make their payments for 20 years, the loans would be forgiven. The couple, who have a 3-year-old son, said they could not afford to buy a house and were reluctant to have another child, in part because of their debt burden.

The Morgans are precisely the kind of people that Ms. Warren's proposal is meant to help. But one criticism of the plan, and of other candidates' ideas to eliminate college tuition or student debt, is that it would benefit some on the road to becoming doctors, lawyers and other well-paid professionals.

The Warren campaign said that the plan was designed both to capture a wide swath of borrowers, and to target those who need it most. Its payouts are progressive, canceling up to $50,000 for every person with a household income under $100,000, but gradually declining for households with incomes up to $250,000. Those who make more than $250,000 would get nothing.

They're Not Even Making Sure They're Correct: Botched Transcripts Add Insult To Injury For Students Abandoned By Dream Center Closures | Chronicle Of Higher Education
When a college shuts down, students need proof of their grades and coursework. That proof comes in the form of their official college transcripts.

And so former students at Argosy University and the Art Institutes — for-profit colleges operated by the Dream Center chain that shut down last month — have been requesting official transcripts en masse. More than 40,000 students have submitted requests.

Yet the transcripts coming in the mail haven't always looked official, some students complain. Instead of being printed on special watermarked paper, some transcripts have arrived on standard white printer paper. In at least some instances, no stamped seal appears on the envelope — another missing symbol of authenticity.

"They're not even making sure they're correct," complained Brittany Donner, 29, a former Argosy student. "They're just sending them out to get them out."

Sudden Death: Can The Most Damaging Kind Of For-Profit Closure Be Prevented? | Education Dive
"Instead of teaching out a school responsibly, instead of giving students a heads up that next quarter (they're) going to have to think about transferring, or the quarter after next — they (students) just show up, and there's a sign on the school saying 'We're done,'" said Trace Urdan, managing director at education-focused investment bank and consulting firm Tyton Partners. "That is something you're seeing more and more."

The closures have been numerous. Nearly 1,100 for-profit college campusesclosed between 2014 and 2018, according to data compiled by The Chronicle of Higher Education. At the 100 largest campuses alone, more than 177,000 students were affected. The most disastrous year for the sector was 2016, when ITT failed and nearly 450 for-profits closed.

By comparison, 2018 — when ECA and Vatterott shuttered their campuses — saw 185 campus closures. That's more than any other year reviewed by The Chronicle except 2016. Approaches to reversing the trend of abrupt closures vary, and observers say the current warning system contributes to the problem by not accurately predicting whether a college will fail. The economics of the closures are no easier to solve, as colleges struggle to balance declining enrollment and heavy cost structures built out at a time when student populations swelled.

White House Blasted For Failing To Protect Student GIs | Courthouse News
U.S. Representatives Susan Davis and Mike Levin – chairs of House subcommittees on education and labor and Veterans' Affairs – hosted a joint hearing Wednesday on how to protect student veterans from for-profit institutions in light of enforcement and oversight rollbacks by the Trump administration.

Davis, who chairs the Subcommittee on Higher Education and Workforce Development, and Levin, who chairs the Veterans' Affairs Subcommittee on Economic Opportunity were joined by fellow Democrats – Rep. Mark Takano, the Veterans' Affairs chair, and Rep. Susie Lee – for a hearing on protecting student veterans from predatory practices by for-profit educational institutions.

Prior to the start of the hearing, Takano said "broken promises" to veterans regarding their benefits is the "single greatest threat" to volunteer military service.

Read: Inequitable Judgments: Examining Race And Federal Student Loan Collection Lawsuits | National Consumer Law Center

Bridging The Gap On Accountability | Inside Higher Ed
For-profit colleges have for years been higher education's boogeyman for consumer advocates and many Democrats in Congress. And those lawmakers have repeatedly called for tougher standards in response to the sector's relatively high loan default rates and other poor outcomes.

But Senator Chris Murphy, a Connecticut Democrat, suggested this month that his party hasn't focused enough on failures happening at all colleges -- including public and nonprofit institutions. And he argued that a reauthorized Higher Education Act should add accountability for all colleges that receive federal aid.

"By committing to fix the outcomes crisis across the board for every student, we can frankly bridge the gap between Republicans and Democrats," he said at an event hosted by the think tank Third Way.

Does More Federal Aid Raise Tuition Costs? Not For Most Students, Research Says | NPR
That predecessor, former Secretary of Education William Bennett, spelled out his idea in 1987. "If anything, increases in financial aid in recent years have enabled colleges and universities blithely to raise their tuitions, confident that Federal loan subsidies would help cushion the increase," he wrote in The New York Times. It became the Bennett Hypothesis, and researchers have studied it extensively in recent years. Results and opinions are mixed — but there's isn't definitive evidence that federal aid is driving up costs across all types of schools.

"The body of research finds some modest evidence to support the Bennett Hypothesis, but it's not the strong relationship like Secretary DeVos is implying," explains Robert Kelchen, assistant professor of higher education at Seton Hall University.

The evidence? For-profit colleges where students can pay using federal aid have much higher tuitions than those schools that can't accept aid, according to a 2014 study. In fact, researchers Stephanie Cellini and Claudia Goldin found that the difference in tuition between the eligible schools and the less expensive, non-eligible schools was about the same as the federal aid students received.

Only A Third Of Charleston School Of Law Grads Passed The Bar In February | The Post And Courier
Graduates of the private for-profit Charleston School of Law continue to lag behind their peers at the public University of South Carolina School of Law on the latest round of bar exams.

For the second year in a row, about one-third of Charleston School of Law graduates — 34 percent — passed the state's Uniform Bar Examination when it was administered in February, according to results released last week.

USC Law alumni fared better, with 71 percent of graduates passing the bar this time. Overall, 141 of 219 applicants passed the bar in South Carolina.

SYSTEMIC RISK

The Shelby Mafia Is Muscling Through A Major New Bank Merger | The Intercept

The main players in approving the [$28 billion bank merger] between SunTrust and BB&T, and the agency that will ultimately oversee it, can all be traced back to the same Senate office, led by Alabama Republican Richard Shelby. As the former chair of the Senate Banking Committee, Shelby wields significant sway over the direction of conservative policy on financial regulation; alumni of his office are sprinkled throughout regulatory agencies and K Street. On Capitol Hill, they even have a name for it: the "Shelby mafia."

The lead lobbyist for SunTrust Bank is a former Shelby chief counsel. The head of the Federal Deposit Insurance Corporation, which will not only decide whether to approve the merger, but will also serve as the combined bank's primary federal regulator, is another former Shelby chief counsel. And the White House official responsible for vetting financial regulator nominees, who has yet to move through two Democratic vacancies on the FDIC who may have concerns about the merger, is a third former Shelby chief counsel.

"The Shelby mafia is representative of how the Republican establishment expertly cultivates and deploys likeminded people throughout the government and the broader political ecosystem," said Jeff Hauser, director of the Revolving Door Project at the Center for Economic and Policy Research. No similar system exists on the left and certainly not out of an individual senator's office.

Warren, Brown Raise Alarms About Biggest Bank Merger Since Financial Crisis | Politico

The biggest proposed bank merger since the 2008 financial crisis is drawing flak from Sen. Elizabeth Warren and other key Democrats, who warn that it could create another institution so large that its failure would threaten the economy.

The potential deal between BB&T and SunTrust, which would create the nation's sixth-largest retail bank, has also sparked fears about branch closings and whether the marriage will reduce consumers' access to credit, concerns that were voiced on Thursday at a public hearing in Charlotte.

While it's unlikely that Warren or other lawmakers like Rep. Maxine Waters could block the merger, the timing of the deal gives Democrats more 2020 campaign fodder against President Donald Trump, who has overseen a sweeping bank deregulation agenda despite the populist message of his 2016 campaign.

Critics Blast BB&T, SunTrust Merger. They Fear Bank Closures, Fewer Loans | Charlotte Observer

Branch closures. Cuts in lending to minorities and low-income communities. Fewer loans to small businesses.

Those were among the concerns expressed about the proposed merger of BB&T and SunTrust during a public hearing Thursday on the $66 billion deal. The hearing by the Federal Reserve and Federal Deposit Insurance Corporation was part of both regulators' review of the combination, which would result in the sixth-largest bank in the U.S. That bank would be headquartered in Charlotte.

It was the first meeting held for the public to address the proposed mega-deal.

More than 100 people attended the meeting at the Charlotte branch of the Federal Reserve Bank of Richmond in uptown. The event drew a range of opponents and supporters, including SunTrust CEO Bill Rogers and BB&T CEO Kelly King.

Wall Street Nears A Big Win In The Latest Revamp Of Volcker Rule | Bloomberg
In a win for Wall Street banks, the latest effort to overhaul the post-crisis Volcker Rule is moving toward a narrower and clearer definition of what types of trades are prohibited, said people familiar with the matter.

Regulators appointed by President Donald Trump took a first stab last year at toning down Volcker's trading limits, which were meant to prevent bankers from threatening the financial system. However, bankers blasted the revamp, arguing it might make it even harder for firms to buy and sell securities. In response to that criticism, the watchdogs are now focused on erasing the 2018 proposal's centerpiece -- known among regulators as the "accounting prong" that would have determined which trades are banned.

A less onerous method embedded in the original Volcker has become the favored replacement for the accounting test, said three people who asked not to be named because an expected rewrite hasn't been completed. Senior officials at the five federal agencies revising Volcker met April 16 to discuss the new direction, the people said. The change would be an unmistakable victory for megabanks, which have been lobbying to weaken Volcker ever since its inclusion in the 2010 Dodd-Frank Act.

Trump Finally Pulls Plug On Cain-For-Fed | New York Magazine Intelligencer
It's been obvious since at least April 11 that Trump's interest in placing Herman Cain — former pizza chain executive, right-wing radio gabber, and 2012 presidential candidate — on the Federal Reserve Board was waning. That's when four Republican senators, enough to sink any confirmation, signaled it was a bad idea.

But last week Cain himself, apparently annoyed at the resuscitation of one of the sexual-misconduct allegations that helped sink his White House run, reiterated his determination to push for a spot on the monetary policy-setting body:

Help Wanted: Regulators Seek Executives To Staff Failed Banks | Wall Street Journal
The Federal Deposit Insurance Corp. is assembling a stable of executives who could be installed in top jobs at failed banks, taking advantage of a calm spell in the business to better prepare for the next downturn.

The regulator has interviewed dozens of bankers over the past two years or so in search of people qualified to serve as board members or executives at banks seized by the agency in the future, FDIC officials said.

There is no immediate need for this list of backup executives and board members: a U.S. bank hasn't failed since December 2017, the economy is relatively strong and industry profits are at records. Yet the agency is trying to avoid some of the pitfalls of the last financial crisis, which led to a spate of bank failures that strained its resources.

The Fed Is In Worse Shape Than Economy As Post-Crisis Expansion Reaches A Decade | CNBC (Victor Li)
When President Trump came into office, he inherited a growing economy that had seen the unemployment rate fall substantially over the previous eight years. His own appointed Fed Chair, Jerome Powell, committed to continue the normalization of monetary policy that began under his predecessor, Janet Yellen. This was a prudent policy consistent with maintaining low inflation in an economy that was at full employment.

However, when the stock market began to waver last year under fears of tariffs and a trade war, Trump made the unprecedented move of criticizing the Fed policy of raising the fed funds rate, even though the gradual move to normalize rates was anticipated and clearly communicated. He went as far as saying that the central bank had "gone crazy" and even looked into whether he had the authority to fire Powell.

The political motive was clear: to use the Federal Reserve as a scapegoat in the event that a recession does occur, even if it's the result of his own economic policies. This erosion of confidence in the Federal Reserve poses grave risks to our economy.

Fed Proposes Blueprint For Bank-Controlling Companies | Reuters
The U.S. Federal Reserve on Tuesday proposed a framework for determining when a company has taken control of a bank and must face more rigorous oversight and restrictions, a move that could remove hurdles for banks seeking to attract investors and partners.

The new proposal would for the first time establish clear standards for when the central bank considers a company as taking control of a financial institution, which could be a boon for banks and investors who have had to tread cautiously as such determinations previously were made on a case-by-case basis.

A company that gains control of a bank is considered a bank holding company and, as a result, is subject to Fed supervision and a host of restrictions on other business activities.

Trump's Regulatory Rollback Boosts Odds Of A Financial Crisis | The Hill (Martha Hamilton and Kathleen Day)
What will trigger the next financial crisis? Economists have been raising alarms about high-risk debt, but the real danger may be closer to home.

Since taking over, Trump's administration has been wiping out measures designed to prevent consumers from being ensnared in unsustainable debt and, at the same time, eliminating borrowers' ability to seek court-ordered relief when they are.

Consumers are the engine of the economy, accounting for 6 to 7 cents of every dime spent, so these policies put everyone, including taxpayers, at risk. It's a scenario eerily reminiscent of events that drove the U.S. into a ditch in the Great Depression of the 1930s and the Great Recession 10 years ago.

Lenders who created the more recent mess and reaped hundreds of billions of dollars in fees weren't held accountable, leaving consumers and taxpayers to pay the consequences of loans that never should have been made.

Fed Lays Out Framework For Defining Bank Ties To Other Companies | Politico
The Federal Reserve on Tuesday proposed clarifying what type of business relationship constitutes control of a bank by another company, a move that could provide welcome legal certainty for community banks and financial technology firms.

Fed regulatory chief Randal Quarles has called this area "ripe for reexamination" since companies that either control or are controlled by banks are subject to certain bank regulations. In his first major speech last year, Quarles said the rules could often only be understood by "supplication to someone who has spent a long apprenticeship in the art of Fed interpretation."

More straightforward requirements could help banks looking to partner with fintechs, as well as private equity firms interested in investing in banks. The proposal also comes at a time when multiple fintech companies are considering becoming full-service banks, which could have significant regulatory implications for their investors.

Weaker European Bank Earnings Should Matter To The US | Forbes (Mayra Rodriguez-Valladares)
A slew of European banks is reporting earnings starting tomorrow, April 24 until May 3. A weaker European economy, trade tensions, low European interest rates, and Brexit uncertainty are all key factors adversely impacting European banks.

Unfortunately, many of European banks' woes are of their own making. A host of regulatory and legal fines and ongoing money laundering investigations of several banks do not bode well for European earnings. According to a very detailed Moody's Investors Services report, FAQ: Money laundering and economic sanction breaches remain costly threats,' "European banks were fined over $16 billion from 2012 to 2018 related to money laundering and trade sanction breaches." Thus far, US regulators have imposed more than 75% of the fines, and they are not done yet. "The US is now investigating Danske Bank, which admitted some failures in the anti-money laundering (AML) controls of its Estonia branch. Swedbank is also being investigated for some weak AML controls at Baltic operations, and preliminary investigations are ongoing at other Nordic banks. Italy's central bank has also found shortcomings in AML processes of ING Italy." And as I wrote a few weeks ago, Deutsche Bank is also being investigated in the U.S. for alleged fraud and money laundering.

European regulators are also imposing larger penalties than previously; in September 2018, Dutch regulators fined ING Groep $915 million. Moody's points out that "Although most fines have been lower than the affected banks' annual pretax earnings, they remain a costly threat, posing financial, operational, and reputational risks."

TAXES

Renaissance Explores Settlement As IRS Seeks Billions In Taxes | Bloomberg
Hedge fund giant Renaissance Technologies is in talks to resolve a dispute with the Internal Revenue Service over a tax maneuver that saved its owners billions of dollars.

James Simons, the firm's billionaire founder, and Robert Mercer, an influential backer of President Donald Trump, are among Renaissance insiders who profited from the maneuver and would bear the cost of a settlement. A resolution may entail "substantial" additional payments from investors in the flagship Medallion fund, the firm said in a December letter seen by Bloomberg.

The case is among the largest ever handled by the IRS, pitting it against some of the nation's biggest political donors. A bipartisan Senate panel estimated in 2014 that Medallion investors underpaid their taxes by some $6.8 billion over more than a decade by masking short-term gains as long-term returns.

Swiss Insurance Firms Agree To Pay $5.1M For Customers' Tax Dodging | Politico
Two subsidiaries of a Swiss insurance company will pay the U.S. $5.1 million for issuing or holding policies and accounts that allowed their holders to evade U.S. taxes and reporting requirements, the Justice Department said today.

Zurich Life and Zurich International Life had around 420 U.S.-related policies between them, with a maximum value of about $102 million. The policies did not meet requirements that would have qualified them for favorable tax treatment under the U.S. code, so increases in principal were subject to taxation and required to be disclosed, the department said.

"In issuing or having undeclared U.S. related policies, [the companies] knew or should have known that they were helping U.S. taxpayers conceal from the IRS ownership of undeclared assets, maintained as insurance policies or accounts," Justice said.

Here's How TurboTax Just Tricked You Into Paying To File Your Taxes | ProPublica
Did you know that if you make less than $66,000 a year, you can prepare and file your taxes for free?

No? That's no accident. Companies that make tax preparation software, like Intuit, the maker of TurboTax, would rather you didn't know.

Intuit and other tax software companies have spent millions lobbying to make sure that the IRS doesn't offer its own tax preparation and filing service. In exchange, the companies have entered into an agreement with the IRS to offer a "Free File" product to most Americans — but good luck finding it.

OTHER TOPICS

Glencore Faces New Corruption Investigation With CFTC Probe | Bloomberg
Glencore Plc is under investigation by the U.S. Commodity Futures Trading Commission for possible corrupt practices, the latest legal headache for the world's biggest commodity trader.

It's another sign that the industry is coming under intense scrutiny by authorities for business practices in resource-rich countries around the world. There are now a multitude of bribery and corruption investigations in jurisdictions ranging from Brazil to the U.S., drawing comparisons with the early 1980s when Glencore's founder Marc Rich was prosecuted for tax evasion.

Glencore is among the trading houses being investigated by the Justice Department, Federal Bureau of Investigation and Brazilian authorities in the Car Wash scandal. The company has also been subpoenaed by the Justice Department for documents relating to possible corruption and money laundering in Nigeria, the Democratic Republic of Congo and Venezuela.

The Fed's Dual Mandate Is Outdated | Bloomberg (Jim Bianco)
Most everybody seems to be wondering what's happened to U.S. inflation and why it hasn't returned in any meaningful ways as suggested by the economic models. The answer matters to the Federal Reserve's unique status as a central bank with a rare "dual mandate" of maximum employment and stable prices.

The evidence is mounting that this dual mandate is clouding the Fed's judgment, especially at a time when the relationship between inflation and employment is being openly questioned. Congress has changed the mandate before, and maybe it should do so again. Perhaps Congress can give the Fed a mandate of full employment and financial stability, or a mandate of low inflation and financial stability. But juggling employment and inflation at the same time is becoming more and more problematic.

For the current dual mandate to work, the Fed needs a unifying theory so a change in monetary policy affects the mandate the same way and by the same amount. Without a unifying theory, a change in monetary policy is mired with conflicting and contradictory outcomes when trying to satisfy two goals at once.

Capitalism In Crisis: US Billionaires Worry About The Survival Of The System That Made Them Rich | Washington Post
For decades, Democrats and Republicans have hailed America's business elite, especially in Silicon Valley, as the country's salvation. The government might be gridlocked, the electorate angry and divided, but America's innovators seemed to promise a relatively pain-free way out of the mess. Their companies produced an endless series of products that kept the U.S. economy churning and its gross domestic product climbing. Their philanthropic

efforts were aimed at fixing some of the country's most vexing problems. Government's role was to stay out of the way.

Now that consensus is shattering. For the first time in decades, capitalism's future is a subject of debate among presidential hopefuls and a source of growing angst for America's business elite. In places such as Silicon Valley, the slopes of Davos, Switzerland, and the halls of Harvard Business School, there is a sense that the kind of capitalism that once made America an economic envy is responsible for the growing inequality and anger that is tearing the country apart.

On a quiet weekday at a strip-mall coffee shop, the conversation between Khanna and Larsen turned to what went so wrong.

Americans still loved technology, Khanna said, but too many of them felt locked out of the country's economic future and were looking for someone to blame.

"What happened to us?" he imagined people in these left-behind places asking.

Read: Tax-Exempt Lobbying: Corporate Philanthropy As A Tool For Political Influence | Boston University

The Dark Money Lobbying Group Going After Pension Funds | Institutional Investor
In an era when a television star is president and celebrities regularly wade into political matters, an organization devoted to keeping politics out of something — anything — seems refreshing.

Enter the Institute for Pension Fund Integrity.

The impressively named group began its campaign to "keep politics out of pension funds" roughly a year ago, launching in April 2018. Since then IPFI has released several white papers covered by Reuters, Barron's, Institutional Investor, and other mainstream publications. It has submitted reports to the Securities and Exchange Commission roundtable and targeted specific U.S. public funds, including New Jersey's and Washington State's.

Founder Christopher Bancroft Burnham claims that IPFI is working to depoliticize pension funds and make performance information more accessible.

But in practice the organization primarily attacks divestment initiatives and environmental, social, and governance (ESG) programs. The information it publishes on public funds is frequently rife with errors and seemingly self-serving data. And for someone striving to make pensions nonpartisan, Burnham has deep political ties. He served on President Donald Trump's transition team in 2016, and was recently subpoenaed by the House Judiciary Committee as part of its investigation into potential abuses of power and illicit campaign activities.

Morgan Stanley To Pay California $150M In Connection With MBS Sales | Politico Pro
Morgan Stanley will pay California $150 million to settle allegations that the company hid risks concerning mortgage-backed securities sold to the state's pension funds.

From 2003 to 2007, Morgan Stanley was aware of misrepresentations it made and failed to correct its statements when selling the securities to CalPERS and CalSTRS, California Attorney General Xavier Becerra said.

"Morgan Stanley lied about the risk of its products and put profits over teachers and public employees who relied on its advice," Becerra said. "Today's settlement holds Morgan Stanley accountable for misleading Californians who were unfairly blindsided."

Wall Street Is Killing The European Investment Bank | CNN
Europe's biggest investment banks are getting trounced by their American competitors. And it's not clear they'll be able to make up lost ground any time soon.

Barclays (BCS), Credit Suisse (CS) and UBS (UBS) reported another round of lackluster investment banking results this week. And Deutsche Bank (DB) disclosed Thursday that first quarter revenue from its corporate and investment bank dropped 13% to €3.3 billion ($3.7 billion).

The weak earnings are likely to increase pressure on European banks that have struggled to cut costs and overhaul unproductive businesses following the global financial crisis. Many are now facing big questions over whether they can compete with Wall Street.

Deutsche Bank, which has already moved away from some investment banking activities, is back to square one with its future planning after merger talks with German rival Commerzbank(CRZBF) collapsed. At British lender Barclays, an activist investor is pushing for its investment bank to be pared back

Deutsche Bank And Commerzbank Merger Talks Collapse | CNBC
Merger talks between Germany's top two lenders, Deutsche Bank and Commerzbank, have ended in failure.

The banks cited the need for extra capital, restructuring costs and execution risks as the reasons why the merger would not be in their best interests.

"It made sense to evaluate this option for domestic consolidation in Germany. However, we were always clear: We needed to be convinced that any potential combination would generate higher and more sustainable returns," Christian Sewing, chief executive officer of Deutsche Bank, said in a statement Thursday morning.

Deutsche Bank Considers Forming 'Bad Bank' | Wall Street Journal
Deutsche Bank AG DB -2.40% executives have discussed creating a new unit to house unwanted assets and businesses that could be earmarked for closure, part of contingency

planning under way should a possible merger with German rival Commerzbank AGCRZBY -3.03% fall through, according to people familiar with the matter.

Deutsche Bank for years has been retooling its strategy and management, promising to reinvigorate profits, repair compliance weaknesses and cut rising costs. Executives insisted publicly up until late 2018 that the bank should only consider deals after it heals itself. Now, deep into merger talks, it is looking at a potentially bigger cleanup effort than it previously signaled.

Planning for a possible no-deal outcome has taken on greater urgency at Deutsche Bank as merger talks have proven more complicated than proponents originally expected, the people said.

Staunch union resistance to massive job cuts needed for a deal to work financially have proved an especially difficult impediment since the two banks revealed in mid-March that they are exploring a potential tie-up. Deutsche Bank at that time described the merger talks as part of a strategic review aimed at boosting its profitability.

Reagan's Supply-Side Warriors Blaze A Comeback Under Trump | Politico Magazine
Those decades of free-market machinations are now paying off, as a quintet of Ronald Reagan administration alumni — Kudlow, Laffer, Forbes, Moore and David Malpass — united by undying affection for each other and for laissez-faire economics, have the run of Washington once more. Members of the tight-knit group have shaped Trump's signature tax cut, helped install each other in posts with vast influence over the global economy, and are working to channel Trump's mercantilist instincts into pro-trade policies. Blasted by their critics as charlatans and lauded by their acolytes as tireless champions of prosperity, there's no denying that the quintet has had an enduring impact on decades of economic policy.