This Week in Wall Street Reform |Feb 3 - Feb 8

Please share this weekly compilation with friends and colleagues.
To subscribe, email info@ourfinancialsecurity.org, with "This Week" in the subject line.

TABLE OF CONTENTS

- Consumer Finance and the CFPB
- Investor Protection, SEC, Capital Markets
- Private Funds
- Mortgages and Housing
- Student Loans and For-Profit Schools
- Systemic Risk
- Taxes
- Elections, Money and Politics
- Other Topics

CONSUMER FINANCE AND THE CFPB

Fact Sheet: Kraninger Lets Industry "Drive the Agenda" at CFPB | AFR-EF

Kathleen Kraninger, the current director of the Consumer Financial Protection Bureau, told an audience of bankers at a November 2019 industry gathering that "you are really helping drive the agenda." Unfortunately for the public and for consumer financial protection, the Kraninger agenda and the Wall Street lobby's agenda are indeed all too similar. Since the Senate confirmed Kraninger on a party-line vote, she has steered the CFPB in an anti-consumer direction, making it easier for Wall Street and predatory lenders to rip people off and to discriminate against people of color.

Over two-thirds back 36 percent cap on loan interest rates: poll | The Hill

Strong majorities of Democratic, Republican and independent registered voters support a federal cap on interest rates that could pass the House later this year, according to poll results shared Tuesday with The Hill.

Seventy percent of registered voters said they approved of limiting interest rates on consumer loans to 36 percent, according to a poll conducted by Morning Consult and commissioned by the Center for Responsible Lending, a nonprofit that supports stronger lending safeguards for consumers.

Seventy-two percent of Democrats, 70 percent of Republicans and 67 percent of independents expressed some level of support for the rate cap. Just 12 percent of registered voters polled expressed opposition to the rate cap, while 18 percent said they were either undecided or didn't have an opinion about the measure.

New Morning Consult Poll Shows Broad, Bipartisan Support among Voters for 36% Interest Rate Cap on Payday and Installment Loans | Center of Responsible Lending

Voters across the country and across the political spectrum strongly support a 36% annual interest rate cap for both payday and consumer installment loans, according to a new poll commissioned by the nonprofit Center for Responsible Lending (CRL) and conducted by independent polling firm Morning Consult (View a PDF slide deck showing highlights of the poll). Approximately 10,000 registered voters took part in the survey, which has a margin of error of +/-1%.

The poll follows the introduction of the Veterans and Consumers Fair Credit Act (H.R. 5050 / S. 2833), which would cap rates at 36% APR – while not preempting states with lower caps. The legislation was introduced by Congressmen Jesús "Chuy" García (D-Ill.) and Glenn Grothman (R-Wis.) in the House and U.S. Senator Jeff Merkley (D-Ore.) in the Senate. As reported by The Hill newspaper, House Financial Services Committee Chairwoman Waters "plans to advance" the bill this year.

Rep. Glenn Grothman tweeted: This article shows strong support among all Americans for my bipartisan bill, the Veterans and Consumers Fair Credit Act, which will combat predatory lenders and protect Americans' financial futures.

Why House Democrats are at odds over rate cap bill | American Banker

A House hearing Wednesday made public a lingering split among Democrats over a bill that would cap the annual percentage rate on consumer loans at 36%.

House Financial Services Committee Chairwoman Maxine Waters, D-Calif., is pushing a bill that would extend the Military Lending Act's interest rate cap of 36% to all consumer loans. But several committee Democrats warned that the bill would cut off access to credit to minorities and other borrowers who take out short-term, small-dollar loans.

Partisan Divide Dominates Bank-Nonbank Partnership Hearing | Law 360

A House Financial Services Committee hearing on Wednesday that covered bank-nonbank partnerships and the application of state interest rate caps grew partisan as Republican members urged a soft legislative touch and Democrats called for stronger federal protections against predatory lending.

The hearing touched on proposed rules from the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation that aim to mitigate industry concerns following the 2015 Second Circuit decision in Madden v. Midland Funding. That case upended long-standing industry expectations that the legality of the interest rate charged on a bank-originated loan doesn't change if the bank sells off or securitizes that loan to a nonbank, also known as the valid-when-made doctrine.

Unkoch My Campus tweeted: Twitter thread on industry shill who testified before House Financial Services Committee: (1/7) Brian Knight testimony @FinancialCmte today is yet another example of @mercatus & @GeorgeMasonU helping their wealthiest donors cover for an agenda that harms consumers.

How do high-interest lenders evade rate caps in many states? By partnering with Utah banks | The Salt Lake Tribune

Consumer groups say that high-interest lenders — who issue such things as payday or car title loans — are using a novel way to evade state interest rate caps nationally: They partner with banks in Utah, which puts no limit on rates.

In what the groups call a “rent-a-bank scheme,” such lenders solicit, structure and collect on loans that charge up to 222% annual interest — but their partner banks in Utah technically issue or hold the loans to evade caps elsewhere.

Groups attacked the partnerships in congressional testimony Wednesday along with three Utah banks they say are involved: FinWise, Capital Community Bank and TAB Bank.

Americans for Financial Reform tweeted: The House Financial Services Committee is convening for the semi-annual review of the @CFPB and how @CFPBDirector has led the agency down an anti-consumer path. See here for video clips from the hearing.

Americans for Financial Reform tweeted: (1/2) Today is precisely the ONE-YEAR anniversary (Feb. 6, 2019) of @CFPBDirector Kraninger’s first major decision: to propose gutting consumer protections on payday lending. Why do you want to destroy a common-sense rule? #ProtectConsumers.

CFPB semi-annual report: Fall 2019 | CFPB

I am pleased to present the Consumer Financial Protection Bureau’s (CFPB or Bureau) Semi-Annual Report to Congress for the period April 1, 2019–September 30, 2019. Consumers are at the heart of everything we do at the CFPB, just as Congress intended, and we are driven by one goal: We protect, promote, and preserve the financial wellbeing of the American consumer.

Waters to Kraninger: America Needs Better From You | House Financial Services Committee

Today, we welcome back Consumer Financial Protection Bureau Director Kathy Kraninger for her testimony on the Consumer Bureau’s semiannual report to Congress. Let me just say at the outset that I remain very concerned about Director Kraninger’s misguided leadership of the Consumer Bureau.

Director Kraninger, since your confirmation as Consumer Bureau Director, you have undertaken a series of actions that have undermined the Consumer Bureau’s mission to protect consumers from harmful financial practices and products.

CFPB Director Kraninger Faces Congress One Year After She Unveiled Payday Protection Rollback | Allied Progress

Trump CFPB Director Kathy Kraninger is presenting her semi-annual report before the House Financial Services Committee today, one year to the day after she rolled out her proposed rule scrapping a core protection against the payday loan debt trap, the ability-to-repay standard. Consumer watchdog group Allied Progress warned that Kraninger's report would be incomplete and highly misleading if she neglects to mention that her decision to delay the ability-to-repay standard from taking effect last August has already cost consumers more than $3 billion and counting. Without this safeguard in place, there's been nothing to stop payday lenders in many states from approving high-interest loans – that average nearly 400% APR – to struggling communities they know cannot pay back them back in time. The Bureau's final payday rule is expected in April.

Brown, Warren Request Answer From CFPB Director Regarding Federal Consumer Law Taskforce | U.S. Senate Committee on Banking, Housing, and Urban Affairs

U.S. Senators Sherrod Brown (D-OH), Ranking Member of the Senate Banking, Housing, and Urban Affairs Committee, and Elizabeth Warren (D-MA), Ranking member of the Financial Institutions and Consumer Protection Subcommittee, wrote a letter to Consumer Financial Protection Bureau (CFPB) Director Kathleen Kraninger requesting answers regarding the Taskforce's formation, composition, and the selected Taskforce members' conflicts-of-interests. Instead of selecting a diverse group of professionals to provide CFPB with objective recommendations, Director Kraninger stacked the Taskforce with representatives of payday lenders, Wall Street banks, and other industry interests.

"Indeed, the members you selected make clear that the Taskforce is just a pretext to gut regulations and protections for consumers," the Senators wrote. "The pro-industry, deregulatory makeup of the Taskforce is no accident. It is our understanding that the Bureau rejected at least five qualified consumer finance experts with substantial research, scholarship, and record of public and academic service through a hiring process that was not fair, credible, or transparent."

Editorial: Trump administration sides with predatory lenders - again | Los Angeles Times

One hallmark of President Trump's tenure is the zeal with which federal agencies have sought to shred federal regulations, either by repealing or simply not enforcing them. That's been true even in cases where the deregulation is likely to raise costs for the public more than it will lower them for industry, as is the case with the administration's effort to ease limits on methane emissions.

But the administration's assault on regulations hasn't been confined to those adopted by the federal government. Trump also has sought to prevent state governments from imposing their own rules to protect consumers and businesses within their borders — for example, by suing California for adopting net neutrality rules that bar broadband internet providers here from interfering with the traffic on their local networks.

FDIC not consistent in assessing impact of rules: Watchdog | American Banker

The Federal Deposit Insurance Corp.'s process for determining the impact of new rules has been inconsistent, opaque, and has failed to assess the cost of regulation after it was finalized, according to a report from the agency's Office of Inspector General released Wednesday.

"The FDIC had not established and documented a process to determine when and how to perform cost benefit analyses," the report said. "Without thorough cost benefit analyses, the FDIC could implement or continue to enforce poorly conceived or overly burdensome rules."

In December, ahead of the inspector general's report, the FDIC asked for public feedback.

CFPBWatch.org launched, spotlights Trump administration's anti-consumer agenda | Allied Progress

As the Trump administration has escalated its efforts to take away consumer protections, consumer watchdog group Allied Progress launched a new website to help the American public understand the motives and meet the key players behind the administration's anti-consumer, industry-friendly agenda. CFPBWatch.org features detailed profiles of top political appointees at the Trump Consumer Financial Protection Bureau, whose resumes include past work for industries the agency oversees and right-wing extremists in Congress. The website will be regularly updated with new profiles and research, as well as the latest news on the Bureau's giveaways to the financial industry at consumers' expense. The effort comes ahead of CFPB Director Kathy Kraninger's congressional appearance this week defending her semi-annual report.

Allied Progress tweeted: Today we're launching http://CFPBWatch.org to hold Donald Trump and his consumer bureau accountable for the anti-consumer policies coming out of Washington, DC. (Thread).

Fintech-Bank Partnerships Are Necessary for Tens of Millions Who Lack Access to Credit | Morning Consult

The vast majority of Americans live paycheck to paycheck, and that's a big part of why 60 million Americans lack good credit. As a result, they can't obtain the same rates on loans that people with prime credit qualify for.

For banks, serving the credit-challenged is a difficult business. Given the pressure banks face to maintain low risk profiles, banks have historically shied away from serving this higher-risk consumer market, forcing people to turn to payday and auto title lenders who charge 400 percent or more in interest.

This has created a major gap in access to small dollar loans between those with good credit and those without. For the latter part of the population, lack of access has led to a catch-22 because it limits their ability to build back credit to reenter the ranks of prime.

Sewell votes to overhaul credit reporting system | Alabama Political Reporter

Wednesday, U.S. Representative Terri Sewell, D-Selma, voted in favor of the Comprehensive Credit Reporting Enhancement, Disclosure, Innovation, and Transparency Act of 2020 (Comprehensive CREDIT Act), HR3621.

Sponsors claim that the legislation addresses many credit reporting flaws by enhancing consumers' rights, requiring more transparency over the consumer reporting and credit scoring processes, and increasing the accountability of credit reporting agencies (CRAs) and companies that develop credit scoring models.

"More than 40 million Americans have inaccurate credit reports, which can determine job opportunities, how much you pay for car insurance and whether you will qualify to rent an apartment," Sewell said. "What's more, consumers have little recourse to correct errors on their reports. The Comprehensive CREDIT Act will help fix this flawed system and empower consumers to rehabilitate their damaged credit."

More And More D.C. Residents Are Being Sued Over Debt | Washington City Paper

Individuals line up one by one to check in with the small claims courtroom clerk Wednesday morning, every one with a different load. Some are carrying their babies, one is carrying a white cane. More than 70 D.C. residents are being sued over debt and had to appear in court to deal with it. When it is time to start, the six benches are filled so some sit in vinyl chairs or stand. Each hearing lasts a few minutes. The scene is dizzying.

D.C. is experiencing such an uptick in debt collection lawsuits that in October 2018, the small claims branch of D.C. Superior Court added an extra day for these cases to be heard. They are now heard on Thursdays in addition to Wednesdays.

Last Thursday, 13 of the 17 cases on the calendar were collection lawsuits. A debt buyer filed the first two cases the magistrate judge heard. The court ultimately entered a default judgement in both cases because the individuals being sued did not show up. Altogether, the debt buyer claimed a judgement balance of $3,625.99. Now that summary judgements have been issued, the debt buyer can garnish the individuals' wages or bank accounts. Their credit, employment, and possibly housing are at risk.

The Ghost of Richard Cordray | The Wall Street Journal

Sometimes it feels as if Richard Cordray is commanding his former minions at the Consumer Financial Protection Bureau from exile like Lord Voldemort in Harry Potter. Witness the bureau's lawsuit last week against Citizens Bank for transgressions it long ago disclosed and rectified.

The bureau claims that Citizens violated the Truth in Lending Act from 2010 to 2015 by failing to refund charges that customers said were erroneous. According to the lawsuit, Citizens made customers sign fraud affidavits under threat of perjury that the customers had not authorized the charges they had complained about.

CFPB also grouses that the bank directed customers with overdue bills who called for credit counseling to a debt collection department, while customers in good standing were directed to a general customer service line. Citizens says the lapses affected a mere 2% of its 1.2 million credit card customers. It also says it rectified and disclosed the issues to the CFPB soon after discovering them. "The bank did not receive a single customer complaint during or after the remediation," Citizens says.

CFPB settles against Think Fiance Entities | CFPB

The Consumer Financial Protection Bureau (Bureau) today announced a proposed settlement with Think Finance, LLC, formerly known as Think Finance, Inc., and six subsidiaries (collectively, the "Think Finance Entities"), to resolve the Bureau's lawsuit, which the Bureau filed on November 15, 2017. The Bureau alleged that the Think Finance Entities engaged in unfair, deceptive, and abusive acts and practices in violation of the Consumer Financial Protection Act in connection with the illegal collection of loans that were void in whole or in part under state laws governing interest rate caps, the licensing of lenders, or both.

INVESTOR PROTECTION, SEC, CAPITAL MARKETS

SEC Commissioner Peirce proposes crypto 'safe harbor' | Politico Pro

SEC Commissioner Hester Peirce proposed a three-year grace period for digital asset companies to conduct token sales without running afoul of federal securities laws if they meet certain conditions, her office confirmed today.

Peirce unveiled the proposal during a speech in Chicago this week at a blockchain conference.

Essentially, the grace period would provide three major exemptions from federal securities law. First, the offer and sale of tokens would not be subject to the Securities Act of 1933, other than anti-fraud provisions, Peirce said. Tokens would not have to be registered under the Securities Exchange Act of 1934. And those involved in token transactions would not have to follow provisions of the 1934 act related to exchange and broker-dealer registration.

But Peirce outlined three major conditions to meet for a safe harbor to be granted.

Applicants "must intend for the network on which the token functions to reach network maturity — defined as either decentralization or token functionality — within three years of the date of the first sale of tokens." Also, key information would have to be disclosed on a public website, and a "notice of reliance" on the safe harbor described would need to be filed on the SEC's EDGAR database within 15 days of the first token sale.

Advocates Say SEC Proxy Change Limits Corporate Owners' Oversight | Wealth Management.com

Advocates like As You Sow, Green America and Americans for Financial Reform gathered more than 18,000 signatures in opposition to an SEC proposal that would make it harder for owners to put petitions on corporate proxies.

A proposed SEC rule would limit the influence shareholders have on the corporations they own, according to advocates who delivered more than 18,000 signatures opposing the change to the commission's headquarters in Washington, D.C., today.

According to Andrew Behar, CEO at As You Sow, a nonprofit advocacy group representing shareholders, the SEC has “inverted its mandate” to protect equity owners in favor of shielding corporate boards and managing executives from addressing owners' concerns around issues like climate change and corporate governance.

Opposition to SEC Proxy Proposals Grows | Think Advisor

On the final day of public comment on two related proposals by the Securities and Exchange Commission on proxy voting rules, a petition signed by more than 18,000 individuals opposing the policy change was submitted to the SEC, which was also the subject of a protest by some of the signatories.

Green America, a not-for-profit membership organization focused on the economic power of consumers, investors and businesses to create a environmentally sustainable economy, along with Americans for Financial Reform and As You Sow, delivered the petition.

Both SEC proposals, if finalized, would make it harder for investors to challenge corporate management on environmental, social and governance issues.

In one proposal, a shareholder would have to own at least $2,000 worth of stock for three years to sponsor a first-time proxy proposal, up from one year currently. A $25,000 stake would be required if they owned the stock for one year and $15,000 if they owned it for two years.

Green America: 18,000 Signatures Delivered Urging SEC Not to Muzzle Voice of Shareholders | Yahoo Finance

Concerned citizens delivered over 18,000 signatures to the Securities & Exchange Commission (SEC) in a major show of opposition to a SEC rule proposal that would bar many investors from pushing corporations for action on major issues, including greenhouse gas reduction goals, lobbying and election spending discussion, human rights abuses and discrimination.

The proposed changes will weaken the ability of investors to raise important concerns and thereby give corporations more unchecked power, including the ability to essentially ignore the views of shareholders and other stakeholders.

Green America, Americans for Financial Reform (AFR) and As You Sow delivered the signatures today to the SEC at its Washington, D.C., offices at 100 F Street NE. Signatures also were gathered by Public Citizen.

Advocacy Groups Charge SEC With Limiting Shareholder Votes | Financial Advisor

A coalition of environmental and advocacy groups is petitioning the Securities and Exchange Commission asking that it not adopt changes to its regulations that would reduce the number of shareholders who can present resolutions to a corporation.

The coalition claims the regulation changes would “muzzle” many smaller groups of shareholders that are trying to change corporate policies involving such things as environmental, social and governance issues, as well as executive compensation. The coalition is made up of Green America, Americans for Financial Reform, As You Sow and Public Citizen. The groups on Monday delivered petitions with more than 18,000 signatures to the SEC.

PRIVATE FUNDS

United for Respect tweeted: Read @forrespect leader Giovanna de la Rosa’s open letter to Rep @JoshGottheimer & @RepGregoryMeeks, who raised campaign $$$$ from the same Wall Street company that bankrupted Toys ‘R’ Us and killed 33k jobs, right after a @HFSC PE hearing http://bit.ly/RepsLetter /1

Books helped me get through a life sentence. Exploitative fees rob others of benefit | USA Today

Last year, West Virginia contracted with a company, Global Tel Link (GTL), to provide free tablets to prisoners. These kinds of initiatives are rapidly becoming more popular, as states grapple with the legacy of four decades of tough-on-crime policies and renewed public calls for more rehabilitative prisons.

And it sounds great. Until inmates realize the company charges users every time they use the tablets, including 25 cents a page for emails and 3 cents a minute to read e-books. By that calculation, most inmates would end up paying about $15 for each novel or autobiography they attempt to read. To people who have little to no money, that’s not a benefit. That’s exploitation. The only beneficiary, aside from Global Tel Link, is West Virginia, which receives 5% of the profits.

Private Equity Is About to Get Vanguard-ed | Institutional Investor

Vanguard Group is shaking up private equity, offering its first funds focused on the asset class through a partnership with HarbourVest Partners.

The private equity funds will initially be offered to institutional clients and ultimately to qualified individual investors as well, according to a statement Wednesday from the firm.

“We’ve been very clear that an asset class like private equity makes sense for investors, but only if you secure top talent,” Chris Philips, head of Vanguard Institutional Advisory Services, said in a phone interview. “If you’re not able to secure top talent on an ongoing basis, then you are better off in public markets, where there is transparency, liquidity, and a lower fee structure.”

Congress investigates private equity firm connection to surprise medical bills | News 4 San Antonio

When you go to the emergency room in San Antonio there's a good chance the doctor who treats you doesn't work for the hospital. News 4 Trouble Shooter Jaie Avila has uncovered some local doctors actually work for one of the biggest investment firms in the country.

Congress is investigating whether this troublesome connection is to blame for the rise in surprise medical billing. Members of Congress are taking a look at private equity firms that have been buying up physician staffing companies across the nation, including here in San Antonio.

April Ray received what seemed like a typical surprise bill. She went to Methodist Specialty and Transplant Hospital for gallbladder surgery because it was in her insurance network. Her plan covered the hospital and the surgeon, but then she received an $1,800 out-of-network bill from another doctor on the team.

Where Have All The Futures Traders Gone? Ask the Hedge Funds | Bloomberg

The slow death of hedge funds is taking down a once-popular derivatives contract with it.

That’s one of the theories for why aggregate positions in S&P 500 futures have fallen steadily as a percentage of the index’s market cap since the financial crisis. The decline mirrors a fall in e-mini S&P 500 contracts reported by leveraged accounts, according to the Commodity Futures Trading Commission. The category -- leveraged money -- is often used as shorthand for hedge funds and short-term traders.

“Traders reporting under leveraged money has witnessed the biggest drop in share,” said Russell Rhoads, head of derivatives research at the Tabb Group. “This could be a function of money fleeing hedge funds, or it could be that managers get more exposure using fewer contracts.”

Vanguard to offer private equity funds to institutions. Will mom-and-pop investors be next? | The Philadelphia Inquirer

The world’s largest investment firm, Vanguard, will begin offering private equity in its suite of funds, starting with large investors such as endowments, pensions, and other institutions, the firm said Tuesday.

The move represents a fundamental shift for Vanguard, which has long built its reputation on low-cost mutual and index funds. Private equity generally charges higher fees for investors, though at least one expert expects that Vanguard will aim to be among the cheapest in this higher-cost category.

Vanguard Broadens Reach With Entry Into Private Equity | The Wall Street Journal

Vanguard Group is launching a private-equity fund, a striking move for the money-management giant that built a household brand on the back of low-cost funds for everyday investors.

The new fund is part of Chief Executive Tim Buckley’ s push to broaden the Malvern, Pa.-based company’s appeal as a financial adviser for larger investors. With Mr. Buckley at the helm, the firm with $6.2 trillion in assets under management has pressed beyond the index-fund business it is best known for and further into the advisory business. It has also added more actively managed funds to its financial lineup.

Global private equity fundraising

Private-equity funds are typically more opaque and complex than stock and bond funds. They are also more expensive, commanding as much as 2% management fees and a 20% share of profits.

Vanguard Pushes Into Private Equity By Accessing Dealmakers Like Stephen Schwarzman, Robert Smith And Orlando Bravo | Forbes

Index fund pioneer Vanguard Group, the firm likely behind your retirement savings account, is jumping into private equity. The move by $6.2 trillion in assets Vanguard is a watershed, which will continue to push private equity buyouts into the center of the financial world.

Valley Forge, PA-based Vanguard announced on Wednesday morning it is partnering with HarbourVest, a giant in managing pooled funds of private equity limited partner stakes, to offer private equity investments to its institutional clients. Though the push is initially dedicated to large, sophisticated pools of capital like pensions, endowments and foundations, over time and as regulations change, it hopes to offer these private equity strategies to individual, non-qualified investors.

“We are entering the private equity market the Vanguard way—partnering with a world-class advisor to provide a high-quality offer,” Tim Buckley, CEO of Vanguard, said in a statement. “While this strategy will be initially available to institutional advised clients, we aim to expand access to investors in additional channels over time. For individual investors in particular, this partnership will present an incredible opportunity—access and terms they could not get on their own.”

Private-equity buyouts don’t tell a simple simple story | Chicago Booth

Proponents of private-equity investment say it can unlock a company’s value and improve efficiency. Critics charge that private-equity buyouts can hurt performance, employment, and wages at target companies.

But the effects are more complex than either of these views suggests, according to Chicago Booth’s Steven J. Davis, University of Maryland’s John Haltiwanger, University of Michigan’s Kyle Handley and UMichigan PhD candidate Ben Lipsius, Harvard’s Josh Lerner, and the Census Bureau’s Javier Miranda.

In the past four decades, private-equity operations have reshaped thousands of American companies, affecting millions of workers and acquiring a reputation as business enhancers or destroyers—or both. As the researchers point out, some policy makers are pushing regulation. The European Union imposed the Alternative Investment Fund Managers Directive to prevent “asset stripping” in acquisitions. Massachusetts Senator Elizabeth Warren, a leading Democratic candidate for president, proposed a measure she calls the Stop Wall Street Looting Act of 2019 to broadly regulate private equity.

Earth Fare, Inc. Announces Store Inventory Liquidation Sales; Company Pursues Sale of Stores | PR News Wire

Earth Fare, the authentic specialty natural and organic grocery store and full-service supermarket, announced today that it will begin inventory liquidation sales at all of its stores. Pursuant to the Worker Adjustment and Retraining Notification Act (WARN), all employees have been notified of the impending closure of the company's stores and corporate office. During this time, the Company will continue to pursue a sale of assets, in whole or in parts.

"Earth Fare has been proud to serve the natural and organic grocery market, and the decision to begin the process of closing our stores was not entered into lightly. We'd like to thank our Team Members for their commitment and dedication to serving our customers, and our vendors and suppliers for their partnership," said Earth Fare.

Letter: Private equity fees are not quite so straightforward | Financial Times

In his Inside Business column "Pension funds and private equity are inseparable bedfellows" (February 3), Jonathan Ford suggests that fees on private equity funds are "presently running at 6 per cent a year". Regrettably this is a misleading statement, which undermines his otherwise thoughtful and timely contentions.

Fixed management fees charged annually by private equity funds are used to defray annual operating costs such as salaries, rent and IT expenses and are typically 1.5 to 2 per cent of fund commitments, so are a fraction of the 6 per cent rate stated. Importantly they must also be repaid as part of a full return of commitments to investors before any profit stake is paid, so are effectively a loan to the private equity manager. Indeed as a loan such fees also accrue interest, again in effect, at a "preferred return" rate typically of 8 per cent (so a healthy margin above current base rates).

Pension funds and private equity: a puzzling romance | Financial Times

It is a guiding principle of finance that there is a premium to pay for tying up investors' money in illiquid investments. The tighter those knots are, and the longer holders are bound in for, the higher the price.

Take private equity, where investors commit their cash for up to a decade in unsaleable investments.

You might think at first glance that this rule goes without saying. After all, don't most buyout industry handouts show private equity investments returning much more than public market alternatives?

Returns data from the British Private Equity and Venture Capital Association's 2018 performance measurement survey provide an example. These show that over the previous decade, UK private equity generated returns of 13.7 per cent a year, net of fees, far outpacing the 9.1 per cent on the FTSE All-Share index.

They suggest that when pension schemes fling their cash at buyouts, they can expect some reward for their patience. That is schemes such as Calpers, which is seeking to raise the proportion of its giant fund in private equity by a third, or Britain's Universities Superannuation Scheme, which has roughly 21 per cent of its assets tied up in "private markets".

MORTGAGES AND HOUSING

Could Lack Of Impact Assessment In OCC And FDIC Proposal Break CRA? | NCRC

I was traveling out of town recently to conduct a training session for bankers on the Community Reinvestment Act (CRA). At the airport, I heard an exasperated parent telling his toddler, "If you keep playing with that, you will break it." It seems like both community groups and bankers have been telling the Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC) the same thing. If they keep playing with CRA without assessing the impact of their proposed changes, they will break it.

A cardinal rule of any rulemaking is that a federal agency must use data and analysis to assess the impact of its proposed changes to a regulation. Based on NCRC's analysis so far, it appears that the OCC and FDIC have flagrantly violated this fundamental rule.

NCRC Analysis Of OCC & FDIC Proposal Indicates Credit Card Lenders May Have Reduced Incentive To Make Community Development Investments | NCRC

The Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC) recently proposed a rulemaking (NPRM) that would radically change the manner in which retail lending, consumer lending and community development (CD) activities of banks to low- and moderate-income (LMI) borrowers and census tracts are assessed during examinations under the Community Reinvestment Act (CRA).

Changes to Community Reinvestment Act will return us to redlining [Opinion] | Houston Chronicle

Just two years ago in Houston, a major national bank was sued for "modern-day redlining." The NAACP alleged the bank was engaging in discriminatory practices after closing more than half its offices in minority neighborhoods while adding them in predominantly white areas.

Despite the allegations, redlining could be making a comeback. This week, lawmakers in Washington heard testimony from the head of the Office of the Comptroller of the Currency (OCC), Joseph Otting, on his plan to "modernize" the Community Reinvestment Act (CRA).

Since 1977, the CRA law has been a driving force behind banks being held accountable in making investments in the communities they serve. However, I believe Otting's proposed approach will do the opposite of modernizing the CRA and return us to the bad old days of redlining.

As Trump touts economy, CRA reform looms large | American Banker

After a State of the Union speech in which President Trump described a "blue-collar boom," Republican lawmakers focused on banking issues hailed the president's economic record while Democrats used the occasion to criticize a pending plan to reform the Community Reinvestment Act.

In December, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corp. unveiled a proposal to overhaul the decades-old CRA, but the proposed framework has sparked sharp divisions between Republicans laudable of the regulators' approach and Democrats who worry it would undermine the anti-redlining law.

"We need to do more on the Community Reinvestment Act and it should not be gutted," said Rep. Carolyn Maloney, D-N.Y., a senior member of the House Financial Services Committee, after the president's address Tuesday.

Home-Loan Banks May Soon Channel Funds to More Mortgage Players | The Wall Street Journal

On the second floor of a squat office building in a quiet Washington suburb, workers ensconced in cubicles sell millions of dollars of bonds each day, money that later flows to a range of borrowers, from community lenders to global megabanks.

The trading room, 250 miles from Wall Street, is the nerve center of the Federal Home Loan Banks, a $1.1 trillion network of government-chartered cooperatives that is so obscure there isn't even a sign on the front of the building.

Founded during the Great Depression to support housing finance, the system's role has evolved. It was an important source of liquidity during the crisis of 2008 to commercial banks. Since then, it has become a supplier of cheap funding to the likes of Wells Fargo & Co. and JPMorgan Chase & Co.

STUDENT LOANS AND FOR-PROFIT SCHOOLS

Where you attend college could be costing you more to borrow and refinance education loans, report says | The Washington Post

Two college students. Same credit profile. Same $10,000 loan. Same bank. The only difference is one attends a community college, while the other is enrolled at a four-year institution. But the community college student is charged more to borrow.

This scenario is at the heart of a report released Wednesday by the Student Borrower Protection Center examining how the use of education data in underwriting private student loans may exacerbate economic and racial inequality. The advocacy group, founded by former Consumer Financial Protection Bureau official Seth Frotman, suggests that Wells Fargo and Upstart could be engaging in educational redlining by raising the price of credit for historically marginalized groups.

CFPB and U.S. Department of Education sign memorandum of understanding to better serve student loan borrowers | CFPB

The Consumer Financial Protection Bureau (Bureau) and the U.S. Department of Education (ED) announced a new coordination agreement in order to better serve student loan borrowers. Under the newly signed Memorandum of Understanding (MOU) the agencies will share complaint information from borrowers and meet quarterly to discuss observations about the nature of complaints received, characteristics of borrowers, and available information about resolution of complaints. The MOU also provides for the sharing of complaint data analysis, recommendations, and analytical tools.

"This agreement concerning student loan complaints will protect students as both the Bureau and the Education Department work to resolve their complaints," said Consumer Financial Protection Bureau Director Kathleen L. Kraninger. "This MOU provides a robust framework that allows for the staff at both agencies to work together to provide better outcomes for consumers."

Consumer Financial Protection Bureau Sign Memorandum of Understanding to Better Serve Student Loan Borrowers | U.S. Department of Education

The U.S. Department of Education and the Consumer Financial Protection Bureau (CFPB) announced a new coordination agreement in order to better serve student loan borrowers. Under the newly signed Memorandum of Understanding (MOU) the agencies will share complaint information from borrowers and meet quarterly to discuss observations about the nature of complaints received, characteristics of borrowers, and available information about resolution of complaints. The MOU also provides for the sharing of complaint data analysis, recommendations, and analytical tools.

"All student loan borrowers, whether they have a Federally-held or private student loan, deserve world-class service and quick resolution when facing issues," said U.S. Secretary of

Education Betsy DeVos. "Through this new agreement with the CFPB, we will coordinate our regulatory efforts, avoid needless duplication, and protect the borrowers we serve."

Brown, Menendez Demand Answers From CFPB Director On Failure To Protect Student Loan Borrowers | U.S. Senate Committee on Banking, Housing, and Urban Affairs

We write regarding the Consumer Financial Protection Bureau's (Bureau) ongoing failure to conduct oversight of federal student loan servicers. It has now been more than two years—and more than a year that you have been Director—since the Bureau examined the companies that service the student loans for 43 million borrowers.[1]

For the past year, you and your staff have provided a variety of excuses and shifting explanations for the Bureau's failure to fulfill this critical oversight role:

During a March 2019 hearing before the Senate Committee on Banking, Housing, and Urban Affairs, you testified that you were in the process of hiring a new student loan ombudsman who would be responsible for reestablishing the information sharing Memorandum of Understanding (MOU) with the Department of Education (Department) that would allow the Bureau to resume examinations of federal student loan servicers;[2]

Feds to give former Art Institute students a new opportunity for loan forgiveness | The Washington Post

Former students of a now-defunct chain of art schools who remain saddled with federal loans have a better chance of that debt being erased under an arrangement confirmed Thursday by the Education Department.

The agency has agreed to expand the period of eligibility for former Art Institute students to have their debts canceled through the department's closed-school discharge program. Borrowers are usually eligible if they were enrolled, on approved leave or had withdrawn within four months of their college closing. Instead of the standard four-month period, the department is extending the time frame to nearly a year for students at the Art Institute's five locations.

More Students Who Went To The Art Institute Of Colorado Will Get Their Loans Forgiven | Colorado Public Radio

The federal Department of Education has agreed to expand student loan forgiveness for those who attended now-defunct Art Institute schools in Colorado and Illinois. And that's on top of what they've already done.

Last November, Education Secretary Betsy DeVos said the department would cancel about $11 million in federal loan student debt for loans taken out between Jan. 20, 2018 and when the Art Institute campuses closed in December of that year. The schools lost their accreditation on Jan. 20, 2018.

At that time, the department also extended eligibility for closed school discharge to June 29, 2018, meaning students enrolled on, and after, that date would be eligible for full relief on their federal loans still owed, as well as a refund of the loans they already paid. Students who are enrolled when an institution closes or withdraw no more than 120 days before a closure are eligible for this kind of loan forgiveness. In November, the department said in a release that that "window can be extended in exceptional circumstances at the discretion of the Secretary."

[Her Firm Represented Awful For-Profit Colleges. Now She's DeVos's Enforcement Chief.](#) | Republic Report

Trump education secretary Betsy DeVos gutted her department's student aid enforcement unit, which was created during the Obama administration to crack down on predatory abuses and scams by for-profit colleges. Now DeVos has put in charge of college investigations a lawyer who represented for-profit colleges, from a law firm, Cooley, whose clients have included some of the worst predatory schools in the industry.

According to her LinkedIn page, Lisa Bureau has since November held the title "Director of Investigations, Partner Enforcement and Consumer Protection Unit" at the Department of Education. A Department proposed new organizational chart from December shows that unit is within the Partner Participation and Oversight division, under long-time Department career official Robin Minor. That division is part of the Department's Office of Federal Student Aid (FSA), where the more robust enforcement unit once resided.

Betsy DeVos is letting for-profit colleges trap students in debt they can never repay | Fortune

Imagine you're an ambitious young college student and, after a couple of years in the classroom, you decide to make teaching your career. The next step is a master's degree, which is supposed to be a giant step toward obtaining your teaching credentials. You sign up for a program that looks great, pay for the classes, and work hard—only to find out the degree doesn't meet your state's requirements.

Or you're an aspiring nurse halfway through your RN program, but when your school goes bankrupt you're left back at square one—except for tens of thousands of dollars in student loans you still have to repay.

These nightmare scenarios are not movie scripts; they were the everyday reality for thousands of Americans ensnared by the for-profit and career college industry before the Obama administration began to regulate it.

Grand Canyon Education's stock price drops after critical report from investment firm | Arizona Republic

The stock price of Phoenix-based Grand Canyon Education has lost more than 10% of its value since an investment firm published a critical report of the company late last month that alleges securities-law fraud.

Grand Canyon Education — one of the more valuable corporations headquartered in Arizona and the former parent of Grand Canyon University — followed with its own rebuttal of several of the criticisms in the report, which it called "inaccurate and misleading."

The report from Citron Research, whose founder is seeking to profit from weakness in the shares of Grand Canyon Education, cited a U.S. Department of Education ruling in early November as one of a series of "red flags" for the Phoenix company.

Key Senators Turn Up Heat on OPMs | Inside Higher Ed

Questions about the legality of colleges sharing tuition dollars with companies that help them recruit students are not new, but until recently, lawmakers weren't asking them.

On a recent afternoon when President Trump's impeachment inquiry was grabbing attention in Washington, that changed.

In Jan. 23 letters to the CEOs of five leading online program management companies, Senators Elizabeth Warren and Sherrod Brown questioned the legality of the business practices of 2U, Academic Partnerships, Bisk Education, Pearson Learning and Wiley Education Services.

The senators requested copies of all contracts the OPM companies hold with colleges, as well as sample presentation materials and details of expenditures and revenue. The companies were asked to provide the information by Feb. 21

Who is watching out for students? | U.S. PIRG

Attending college can be one of the most important and expensive financial decisions in a person's life. Adding to that expense, many financial institutions and schools partner to offer and aggressively market their banking products on campus. Students with these accounts often end up paying hundreds of dollars or more in account fees each year.

This is a big deal for the millions of young people struggling to make ends meet while attending college. We know that small financial shocks -- just a couple hundred dollars over the course of a semester -- can often mean the difference between finishing school and being forced to defer or drop out with no degree and a mountain of debt.

Regulators and lawmakers have raised concerns in the past about costly fees and risky features that can be attached to certain college-sponsored financial products. We saw this in the student loan market, we saw this in the credit card market, and now we see it in the market for school-sponsored banking and debit card products.

SYSTEMIC RISK

JPMorgan's Role in Metals Manipulation Under U.S. Criminal Probe | Bloomberg Government

U.S. authorities that accused six JPMorgan Chase & Co. employees of rigging precious-metals futures are building a criminal case against the bank itself, two people familiar with the situation said.

The previously unreported investigation of the global bank's parent company, part of a wide-ranging federal clampdown on market manipulation, raises the prospect of criminal charges and significant fines against America's largest bank.

No formal accusations have been made against JPMorgan. A bank spokeswoman, Jessica Francisco, declined to comment and pointed to company filings from last year disclosing that the Justice Department's Criminal Division was investigating "trading practices in the metals markets and related conduct." Read more from Tom Schoenberg and Liam Vaughan.

Risky Corporate Debt to Take Center Stage in 2020 Stress Tests | The Wall Street Journal

The Federal Reserve will test the strength of the largest U.S. banks by subjecting them to a hypothetical recession in which credit markets seize up and private-equity investments take a hit.

The annual stress tests, in which 34 large banks must show how they would survive dramatic market and economic shocks, will feature a situation in which a severe global recession leads to “widespread defaults” on corporate loans, the Fed said Thursday.

In the worst-case scenario, which the Fed terms “severely adverse,” a broad selloff in corporate bonds and leveraged loans hits an array of risky credit instruments and private-equity investments, sending shocks through a variety of markets. The biggest banks in America—a group that includes JPMorgan Chase & Co. and Goldman Sachs Group Inc.—must pass the tests to return money to shareholders.

Brown, Senators seek answers on Federal Reserve repurchase activity ahead of hearing | U.S. Senate Committee on Banking, Housing, and Urban Affairs

U.S. Senators Sherrod Brown (D-OH), ranking member of the U.S. Senate Committee on Banking, Housing and Urban Affairs, along with Sens. Reed (D-RI), Warren (D-MA) and Smith (D-MN), wrote to Federal Reserve Chairman Jerome Powell requesting answers regarding the Federal Reserve’s ongoing repurchase activity.

“Though the Fed’s actions are consistent with its policy of maintaining the targeted interest rate range, we have not seen interventions of this size and persistence since the financial crisis.” the senators wrote.

UNDERSTANDING CLOs | Structured Finance Association

SFA's Michael Bright on the group's new paper: "SFA's white paper is both a primer on Collateralized Loan Obligations — how they work and the role they play in expanding credit — and a straightforward assessment of why our industry and policymakers are correct to pay close attention to the potential risks in this growing market. As our core values state, we believe that all financial instruments entail risk but should not involve recklessness. Fostering an open, fact-based dialogue about what opportunities and risks exist in the use of CLOs is part of our purpose.

Marshall Auerback – Do Davos Billionaires and Bankers Really Believe That There Won’t Be Any More Booms and Busts? | Brave New Europe

Can runaway booms descend into busts absent monetary tightening by the world’s central banks? I pose this question in the wake of an extraordinary exchange on January 22 at Davos between Bloomberg editor-at-large Tom Keene and Bob Prince, co-CIO of Bridgewater Associates, in which the latter posited the notion that “we’ve probably seen the end of the boom-bust cycle.”

It is striking that one of today’s titans of finance has given us what appears to be another version of “this time it’s different,” which the famous investor Sir John Templeton once described as “the four most expensive words in investing.” My own basic take has been that the U.S. economy over the past three years has been weaker than the underlying quantitative data suggests and that there is ample historical precedent to suggest that credit cycles can end, even in the context of a low interest rate environment, notably via a deterioration in the quality of credit itself, as the great economist Hyman Minsky once explained in his financial instability hypothesis.

TAXES

[Despite Trump's Claims, It Is Hard To See Much Economic Impact Two Years After Passage Of The Tax Cuts And Jobs Act](#) | Tax Policy Center

In last night's State of the Union address, President Trump declared, "Our economy is the best it has ever been." And, he added, "If we hadn't reversed the failed economic policies of the previous administration, the world would not now be witnessing this great economic success."

Yet, two years after passage of a signature element of Trump's economic agenda, the Tax Cuts and Jobs Act, the US economy looks in many ways like it did before the landmark tax cut. Overall, the US economy had a burst of growth in 2018, right after Congress passed the TCJA. But in 2019, growth was essentially the same as in 2017. The stock and bond markets are up, business investment is down, and wages are up—a little. Job growth remains solid but weaker than in the period immediately after passage of the TCJA.

Overall, it is hard to identify any inflection points around the TCJA, which Congress passed in December, 2017. Despite the Trump Administration's rosy promises that the post-TCJA economy would boom, it has instead grown on many dimensions at roughly the same steady, unspectacular pace as it did prior to passage of the tax law.

NY lawmakers propose stock buyback tax that could raise billions from corporations | The Daily News

ALBANY — State lawmakers have taken stock of Wall Street and they don't like what they see.

A pair of Democratic legislators plan to roll out a piece of legislation Tuesday that would tax corporate stock buybacks, a way that companies return "excess" cash to shareholders, and they say the plan could boost state coffers by billions.

The practice of buying back stocks, also known as open-market share repurchases, gained national attention in the wake of the 2017 federal tax overhaul that left major corporations flush with cash.

Many of those companies chose to reward investors rather than put the money toward hiring more workers, raising wages or investments such as research and development, which is a major problem, according to bill sponsor Assemblywoman Yuh-line Niou (D-Manhattan).

Washington Is Finally Having the Right Conversation about Taxes | Institute on Taxation and Economic Policy

Democratic presidential candidates are committed to progressive tax policy. There are proposals to tax highly concentrated wealth, raise rates at the top, tax capital gains the same as other income and other ideas. In a recent blog, ITEP federal policy director Steve Wamhoff wrote about some of the proposals.

This new attention to tax policy is great news because our tax system could do much more to raise adequate revenue for America's needs, and to ensure that the rewards of our economy are more widely distributed, rather than funneled almost entirely to those who are already extremely wealthy.

It's also not surprising, given that Americans have been telling pollsters for years that they want higher taxes on the wealthy and on corporations. What's remarkable is that it took this long for politicians to catch up and that many still have not.

ELECTIONS, MONEY, AND POLITICS

Mike Bloomberg: Fixing Inequality Is My Priority | The New York Times

Every Democrat running for president agrees that income inequality is one of the great problems of our time. And we all agree that the wealthy should pay more in taxes.

But only one of us has actually raised taxes on the wealthy by persuading a Republican legislature to vote for them: Me.

When I was elected mayor of New York City, seven weeks after the terrorist attacks of Sept. 11, we faced a budget crisis and a recession. I had a choice: slash budgets and conduct mass layoffs, which would especially hurt the young, the elderly and low-income communities — or raise taxes.

So I took the politically difficult step of proposing tax increases, including one on those making more than $500,000 a year (about $700,000 in today's dollars). I persuaded a Republican-led State Senate and a Democratic-led State Assembly to pass the bill, and a Republican governor to sign it. The extra revenue — roughly $400 million per year — allowed us to invest in our future and create jobs and opportunity in the neighborhoods where they were needed most.

OTHER TOPICS

CBS This Morning tweeted: WEALTH INEQUALITY: The richest 1% controls more wealth now than at any time in more than 50 years. But what does wealth inequality really look like? @TonyDokoupil turned America's economic pie into a real one and asked people a simple question: Who gets what?

She Helped a Customer in Need. Then U.S. Bank Fired Her. | The New York Times

To understand how some companies have lost their souls, consider what happened after U.S. Bank stiffed a customer before Christmas.

Marc Eugenio had deposited a $1,080 paycheck into his account at U.S. Bank. The bank put a hold on most of the sum, and he spent many hours in a branch office over two days, trying to get access to the money so he could buy presents for his 9-year-old daughter and 13-year-old son.

On Christmas Eve, Eugenio found himself parked at a gas station in Clackamas, Ore., a Portland suburb, both his fuel gauge and his bank balance on empty. A bank employee had told him that money would soon show up in his account — perhaps a ruse to get him out of the branch office. For hours Eugenio then tried his debit card at the gas pump, so he could buy a few gallons and get home to his wife and children.

"I was stranded," he told me. "I could have walked home, but it would have been five miles in the cold."