Americans for Financial Reform Education Fund

This Week in Wall Street Reform | September 8 - 15

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Letter to Congress: AFR Letter in Support of HR 1423, the Forced Arbitration Injustice Repeal Act (FAIR Act) | AFR

Americans for Financial Reform writes to express our strong support for H.R. 1423, the Forced Arbitration Injustice Repeal Act (FAIR) Act.

Financial companies regularly force consumers into arbitration by slipping it into the fine print of their standard contracts and terms of service and requiring consumers to accept it as a non-negotiable condition to obtain products and services, including bank accounts, credit cards, and student loans. In addition, forced arbitration clauses are often hidden in employment contracts as a condition of employment at many corporations, including financial companies

CONSUMER FINANCE AND THE CFPB

New Poll Reveals Bipartisan Opposition to CFPB Debt Collection Rule | Politico Morning Money

A recent poll conducted by Lake Research Partners and Chesapeake Beach Consulting shows strong bipartisan opposition among voters to major components of the proposed new CFPB2 debt collection rule.

Earlier this year, the Consumer Financial Protection Bureau proposed new rules for debt collectors. The proposal authorizes, for the first time, a specific number of communication attempts to collect past-due debts. The rules also authorizes new means of communicating with people to collect debts, such as email and direct messaging, and expands the ability to collect time-barred debt.

Users Target Capital One Cards With Madden-Tied Usury Suit | Law 360

New Yorkers who've had to pay interest on their Capital One credit cards hit two companies tied to the bank with an amended putative class action on Wednesday, accusing them of breaking the state's usury laws.

The lawsuit invokes the Second Circuit's 2015 decision in Madden v. Midland Funding in claiming that Capital One Funding LLC and Capital One Multi-Asset Execution Trust have, through their involvement in credit card securitization, collected interest payments from New Yorkers that exceeds the state's 16% usury limit.

Need Cash? Companies Are Considering Magazine Subscriptions and Phone Bills When Making Loans | Wall Street Journal

The way lenders decide who can borrow money is undergoing its biggest shift in a generation.

For decades, banks and other financiers have relied primarily on consumers' borrowing history to make lending decisions. Now revenue-hungry companies are considering metrics both mundane and peculiar, like whether applicants shop at discount stores, subscribe to magazines or pay their phone bills on time.

Those experimenting with new metrics range from big-name banks like Goldman Sachs Group Inc., Ally Financial Inc. and Discover Financial Services to upstart financial-technology firms.

CPFB Head Misguided in Reliance on Consumer Education | The Hill

Imagine that your city's water treatment facility announced tomorrow that it would scale back its work. Instead, the authorities would offer online classes and put up posters around town to teach city residents about contaminants and filtration. With slogans about "empowering consumers," they would urge residents to make their own choices about the water safety level that's right for them, based on individual health needs and taste preferences.

People would surely protest. It is both foolish and cruel to put the onus on ordinary citizens to handle an issue that requires professional training to fully understand and that can devastate people's lives if handled poorly. It seems cynically designed to relieve city administrators — and the businesses that impact the city's water supply — of their responsibilities. Yet this is exactly what's happening today in the consumer financial marketplace at the federal level.

Maloney Joins with Consumer Advocates to Introduce Overdraft Protection Act of 2019 | Rep. Maloney

Congresswoman Carolyn B. Maloney (D-NY), senior member of the House Financial Services Committee and author of the Credit CARD Act, today joined with consumer protection advocates to announce the introduction of the Overdraft Protection Act of 2019, which will crack down on unfair overdraft fees, and would establish fair and transparent practices for overdraft coverage programs.

Overdraft fees currently cost consumers an egregious $15 billion per year, according to the Consumer Financial Protection Bureau. This bill will slash this drastically. Rep. Maloney has been introducing a version of this legislation since 2009. This bill builds on the progress made under the Credit CARD Act of 2009 which saves consumers roughly $12 billion per year.

News Release: CFPB Leaves Consumers Unprotected by Failing to Implement Payday Lending Rule Provisions | AFR

Consumer watchdog groups urged the U.S. Consumer Financial Protection Bureau (CFPB) in a letter sent today to take action immediately to implement the payment provisions in its payday lending rule, whose compliance date is August 19, 2019.

These provisions restrict payday and vehicle-title lenders from attempting to withdraw money from borrowers' bank accounts after two attempts have failed, a practice that significantly harms struggling consumers. The safeguards will help consumers avoid fees for unsuccessful debit attempts that can also put their bank accounts in jeopardy. The CFPB is refusing to take steps to implement the provisions and protect consumers.

PRIVATE FUNDS

The Yoga Instructors vs. the Private Equity Firm | New York Times

Natasa Babic often teaches three yoga classes on Thursdays at three different locations for three different employers. Her day starts at 6 a.m. and ends after 9 p.m. In between, she's teaching, going back and forth on the subway, preparing classes and researching techniques.

For her work, Ms. Babic, 37, earns $175. She doesn't get health insurance, doesn't get overtime and her teaching slots aren't guaranteed.

So when teachers at YogaWorks, where she teaches six classes a week, began talking about forming a union, Ms. Babic was interested.

Leon Cooperman Warns Private Equity is a Risky Bet Fueled by Low Interest Rates | Bloomberg

Leon Cooperman, chief executive officer of Omega Advisors Inc., speaks during an interview in New York, U.S., on Tuesday, Oct. 11, 2016. Cooperman, the hedge-fund manager accused of insider trading, said Tuesday that his Omega Advisors Inc. will continue investing money for clients even as its assets have dropped to $4 billion. Photographer: Christopher Goodney

Legendary hedge fund manager Leon Cooperman took a shot at the private equity industry, saying low interest rates that have fueled its returns won't last.
"I think it's a scam personally," Cooperman said Wednesday at an event hosted by the New York Alternative Investment Roundtable. With interest rates likely to rise over the next few years, the "timing is wrong."

The Private Option | The Atlantic

WINSTON-SALEM, N.C.—In the span of 24 days in May 2017, two men died in Forsyth County's jail. Both were fathers. Both were black. The first man, Deshawn Lamont Coley, had written request after request begging for his asthma inhaler—accurately predicting that his sporadic access to it was putting his life at risk. The second, Stephen Antwan Patterson, was found without a pulse about a week after he was booked with a blood-pressure reading that would likely have led any free person to the emergency room. The deaths came at an uncomfortable time for Forsyth County: Patterson died just four weeks before the Board of Commissioners sat down to decide whether to renew a contract with the private health-care company that had cared for the two men, then called Correct Care Solutions and now Wellpath, or sign with someone else.

MORTGAGES AND HOUSING

Parked: Colorado's mobile home park residents living 'half the American dream' | Coloradoan

In the Aurora mobile home park where she lived for 16 years, eviction notices kept coming to Petra Bennett's door — for unauthorized guests, lack of insurance, late rent. They were bogus threats to make the single mother leave. And eventually, she did.

In Federal Heights, Karla Lyons' waitressing wages are eaten up by a constant stream of home and yard repairs ordered by her park manager, including removal of a giant maple tree that fell on her patio roof and crushed it. She would move if she could afford it.

[**Trump's Housing Finance Plan Will Make Mortgages More Expensive, Especially for Black Borrowers, Housing Groups Say**] **| Washington Post**

The Trump administration's plan to overhaul the country's housing finance system would make mortgages more expensive for minority borrowers and aspiring homeowners in the South, the Midwest and rural communities, according to fair housing and lending groups.

The plans, unveiled last week by the Treasury and Housing and Urban Development departments, would end government control of Fannie Mae and Freddie Mac, which purchase mortgage loans and package them into securities that they guarantee. The proposal also recommends eliminating the mortgage backers' affordable housing goals and introducing competition that experts say could further reduce access to credit for low-income communities.

[**Wells Fargo, Bank of America, Quicken Loans, others want DTI requirement eliminated from QM lending rules**] **| Housing Wire**

The rule also includes a stipulation that a borrower's monthly debt-to-income ratio cannot exceed 43%, but that condition does not apply to loans backed by the government (Federal Housing Administration, Department of Veterans Affairs, or Department of Agriculture).

Additionally, Fannie Mae and Freddie Mac are not bound this requirement either, a condition known as the QM Patch. Under the QM Patch, loans sold to Fannie or Freddie are allowed to exceed to the 43% DTI ratio.

But some in the mortgage industry, including Federal Housing Finance Agency Director Mark Calabria, believe that the QM Patch gave Fannie and Freddie an unfair advantage because loans sold to them did not have to play by the same rules as loans backed by private capital.

[**Details Behind Big Carlyle-Hometown Deal, Ripples in Manufactured Homes, Communities Ahead**] **| Manufactured Home Pro News**

It would be a mistake to lump all manufactured home community operators into any one bucket. As with all industries and professions, there are good, bad, and so-so operations. For example, some community operators pride themselves on good resident relations and fair dealings. Others, not so much.

That distinction between how an operation does business with its clientele are what we have for some time referred to as 'white hats,' 'black hats,' or those 'gray hats' that need to decide which of those two directions they are headed.

STUDENT LOANS AND FOR-PROFIT SCHOOLS

Twitter Thread of 9/9 House Financial Services Committee Hearing on student debt crisis | AFR

We are clipping videos from todayTwitter Thread of 9/9 House Financial Services Committee Chairwoman Hearing's hearing on the $1.5 Trillion #StudentDebtCrisis. Find them in this thread, starting with this unexpected question about
@CongBillPosey's view on @TaylorSwift13.
#HassleForATassle

Hasan Minhaj Tells Congress To Take The Student Loan Debt Crisis More Seriously | Huffington Post

Comedian and "Patriot Act" host Hasan Minhaj dished out a blend of jokes and statistics Tuesday while testifying to Congress about the country's rising student loan debt crisis.

Minhaj, whose political comedy show highlights a number of issues that include student loan debt, appeared alongside several experts and consumer advocates before the House Financial Services Committee to talk about the predatory student lending industry and the growing debt crisis facing at least 44 million people. The full committee hadn't taken up the issue in at least 20 years.

Hasan Minhaj Rails Against Student-Loan Debt Crisis in Congressional Testimony | Vulture

One of the best episodes of Hasan Minhaj's Netflix series Patriot Act was a deep dive into the student-loan debt crisis, so the comedian did all his homework before testifying in front of Congress today on the same topic. Speaking before the House Financial Services Committee this morning, Minhaj said the episode of Patriot Act focused on the student-loan debt crisis "really hit home with our audience," illustrating his point by revealing that after polling his live studio audience at the time, he learned that they alone were in over $6 million in student-loan debt.

Minhaj went on to note that the members of the Financial Services Committee paid far less for college than the millennial generation. "We looked up where the 60 members of this committee went to college and what your school's tuition was at that time, even adjusting for inflation, college costs way less across the board," he said. "On average, this entire committee graduated from college 33 years ago and paid an inflation-adjusted tuition of $11,690 a year. Today, the average tuition at all of your same schools is almost $25,000. That's a 110 percent increase over a period of time when wages have gone up only 16 percent. So people aren't making more money, and college is objectively way more expensive. You see what's happened? We've put up a paywall to the middle class."

How For-Profit Colleges Have Targeted and Taken Advantage of Black Students | Vice

In a 2015 TV spot, comedian Steve Harvey told a room full of people that if they didn't like their lives, they should change them. "If you keep doing what you've been doing, you're gonna keep getting what you've been getting," he said. "Make the decision to move your life forward, go to a place that can help you get it done, and go see what else life's got for you."

It sounds like the kind of boilerplate inspirational messaging you'd expect from the host of Family Feud. But the commercial was part of an ad campaign from Strayer University, a for-profit school that has marketed itself to people of color; another ad featuring an inspirational Queen Latifah speech and shots of ecstatic Black people. There's reason to be skeptical about the life-changing potential of a Strayer education: According to the Brookings Institution, graduates from Strayer hold more total student debt than those of the notoriously expensive New York University, and they struggle to pay back their loans on a median salary of about $46,000.

Dean of struggling Florida Coastal School of Law in Jacksonville abruptly resigns | Florida Times-Union

The dean of Florida Coastal School of Law in Jacksonville abruptly resigned Tuesday afternoon. Scott DeVito's departure comes one day after he sent an email to students informing them the school had just learned that the American Bar Association denied its application to convert to a nonprofit status.

DeVito had been a professor at the school for 11 years and served as dean for the past four. "After considerable thought and personal reflection, I have made the decision to resign from Florida Coastal School of Law," according to his statement Tuesday. "I wish you all the very best and will greatly miss you."

ABA legal ed denies Florida Coastal's nonprofit app, along with reports students haven't gotten financial aid | ABA Journal

In addition to InfiLaw's Florida Coastal School of Law losing its bid to become a nonprofit school and its dean resigning, there are reports that federal financial aid funds have not been disbursed to students.

The money for the fall semester was expected to be deposited to student accounts by or before Sept. 9, Above the Law reports. The website posted an email Wednesday that Rick Inatome, InfiLaw's CEO, sent to students.

Struggling Law School's Dean Unexpectedly Resigns Amid News Of Missing Student Loan Funds | Above the Law

When we last checked in with Coastal School of Law in February 2019, the struggling law school had recently announced its plans to convert to a nonprofit institution, having already submitted an application to the American Bar Association for the change. At the time, the law school was out of compliance with the ABA's accreditation standards pertaining to its admissions practices and risked facing similar consequences as its defunct Infilaw sister schools, Charlotte School of Law, which closed in August 2017, and Arizona Summit Law

School, which had its accreditation revoked in June 2018 and will officially close by spring 2020.

As luck would have it, in June 2019, Florida Coastal found itself back in the ABA’s good graces after adopting higher admissions standards, but there was still no word on its would-be conversion to a nonprofit in affiliation with a yet-to-be publicly named “university located in the Southeast.” All that was known was that the affiliate school could potentially give Florida Coastal the ability to double or triple in size.

Students reeling after Frederick for-profit cosmetology school shuts down | Frederick [MD] News Post

Allison Patrick was 20 days from being able to take the state board exams to earn her cosmetology license. She could have taken the written portion of the exam on Tuesday. Instead, she drove to class at Frederick School of Cosmetology. Running a few minutes late, she arrived at the school at 403 S. Jefferson St. to see several students carrying bags out of the building. The school had closed, the other students told her.

“I am just shocked,” said Patrick, 18. “I was so far along and I thought I was finally close to being done, and now it’s just, boom, no, I’m not.”

For-Profit College Phasing Out Enrollment at Physical Campuses | Inside Higher Ed

The Center for Excellence in Higher Education, a for-profit college chain based in Salt Lake City, is halting enrollment of new students at physical locations as it looks to shift to mostly online instruction. "We're going through a reevaluation of what is the right model for delivery of higher education," said Eric Juhlin, the company's CEO.

CEHE, which operates Stevens-Henager College and College America, has about 2,100 students attending classes at its campuses. Another 10,000 are enrolled in online programs. Juhlin said the company isn't planning to close any campuses, but will experiment with a model where some student services and lab or clinical work happens on campuses and most instruction takes place online.

Proposed Amendment Scrutinizes For-Profit Schools Targeting Veterans | Diverse: Issues in Higher Education

Men in camouflage descend the steps of a plane. The camera cuts away to the front of a large house where a soldier embraces his pregnant wife and picks up his son. Instrumental music swells in the background.

“It took extraordinary courage, sacrifice, commitment – and most of all, it took hope,” says a male voice. “We want to thank all those men and women who served our nation and help protect our freedom. Thank you from all of us at ITT Technical Institute.”

SYSTEMIC RISK

Banks Around The World Face Significant Profits Pressure For The Foreseeable Future | Forbes

Numerous indicators in the U.S. and around the world are signaling a slowing economy at best and a near-term recession at worst. The slowing global economy, along with low interest rates, ongoing trade tensions, and intensifying Brexit uncertainty will weigh on banks' profitability for the foreseeable future. In the US, whatever benefits banks derived from Trump's tax reform, if any, are long gone.

Last week's announcement from Coalition that American and European investment banks' capital markets and advisory's revenues hit a thirteen-year low is likely to be the beginning of more challenges to come. Even before that announcement, Moody's Investor Services had changed its positive outlook on global investment banks to stable precisely due to slower economic growth and lower interest rates.

Volcker the Man Blasts Volcker the Rule in Letter to Fed Chair | Bloomberg

The former Federal Reserve chairman, who championed the restrictions while serving as an adviser to President Barack Obama after the 2008 financial crisis, said regulators have used "simplification" as an excuse to weaken the rule's core concepts. Agency chiefs were pushed to make the changes by "well-compensated industry lobbyists," he wrote to current Fed chief Jerome Powell in an Aug. 20 letter, a copy of which was obtained by Bloomberg News.

"The new rule amplifies risk in the financial system, increases moral hazard and erodes protections against conflicts of interest that were so glaringly on display during the last crisis," Volcker, 92, wrote of the overhaul unveiled by regulators last month.

News Release: AFR Education Fund Statement on Office of Financial Research Staff Working Paper on the Volcker Rule | AFR

This new paper does not contradict previous comprehensive studies finding that liquidity in the corporate bond market has been robust and has shown no signs of deterioration over the period in which the Volcker Rule was implemented. For example, extensive research by the New York Federal Reserve and a study by the Securities and Exchange Commission found that overall corporate bond market liquidity remained strong during the period of Volcker Rule implementation, and in some ways improved over this period. This is consistent with a boom in corporate bond issuance and record low spreads during the years in which regulatory reforms were implemented.

The OFR staff working paper does find evidence that banks affected by the Volcker Rule charge significantly lower markups for newly issued bonds they underwrite (that are exempt from most Volcker Rule restrictions on proprietary trading) than they do for other types of bond trades covered by the Volcker Rule. This is suggestive of some price impact, but the paper does not analyze what, if any, implications this has for the bond market as a whole. The authors themselves state that their data suggests “in aggregate limited impact on all dealers’ corporate bond markups after the Volcker rule’s effective date.” (See page 9 of the paper; emphasis in original)