AFR Americans for Financial Reform

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CONSUMER FINANCE & THE CFPB

Watchdog: 'Gotcha' credit card fees reduced by $16 billion

Becky Yerak, Chicago Tribune, 12/3

A federal watchdog determined that the 2009 Credit Card Accountability Responsibility and Disclosure Act, called CARD Act for short, has helped reduce the cost of "gotcha" credit card fees by more than $16 billion. The CARD Act cracked down on unexpected interest rate hikes, excessive late fees and hard-to-avoid over-limit fees, the Consumer Financial Protection Bureau said in a 297-page report issued Thursday.

More than 100 million credit card accounts were opened in 2014 by all classes of consumer, but the bureau sees several potential pocketbook risks on the horizon for 2016, including deferred-interest financing promotions, subprime credit card terms and rewards programs that are hard to understand.

U.S. law saves billions on credit card fees, but risks remain: CFPB

Reuters, 12/23

Credit card holders have avoided more than $16 billion in fees over the last few years because of tighter regulation of the U.S. card market, but they are still vulnerable to aggressive collections and high costs, according to a federal consumer watchdog. The Credit Card Accountability Responsibility and Disclosure Act, enacted in 2009 during the financial crisis, helped consumers avoid $7 billion in late fees from 2011 through 2014, according to a report released on Thursday by the Consumer Financial Protection Bureau.

At the same time, the average late fee declined 20 percent after the law required fees to be "reasonable and proportional." The report also found consumers saved more than $9 billion in over-the-limit fees in that period, mostly because the law requires companies to notify consumers they will be charged for exceeding credit limits

See CFPB study and speech by CFPB Director Richard Cordray at Consumer Federation of America conference.

Protection Bureau's Stormy Path to Reform the Auto Finance Industry

Steven Davidoff Solomon, NY Times, 12/1

House Republicans are trying to shut down the Consumer Financial Protection Bureau's attempt to regulate the $900 billion auto finance industry. It's a political battle that just might lead to the end of the fledgling agency's mission to regulate every nook and cranny of consumer finance.

[T]he agency is forbidden from regulating auto finance. When the Dodd-Frank Act was negotiated, the auto dealers successfully lobbied to deprive the CFPB of jurisdiction over auto dealer financing. The move was blatantly political and then-Representative Barney Frank, who led the charge on the bill in the House, protested, but with auto dealers in virtually every congressional district, the dealers got their way.

[The Politics of Indirect Auto Lending and the CFPB](#)

Adam Levitin, Credit Slips, 12/2

Steve Davidoff Solomon has a Dealbook column on the CFPB's attempts to regulate auto lending that unfortunately gives the wrong impression about what the agency is up to, but which does tee up a really interesting question about the agency's politics.

The auto lending story is really simple. There are two ways you can get an auto loan. You can get it straight from the dealer (direct lending) or you can get it from a third party (indirect lending), with the dealer brokering the loan. When dealers make loans they often sell them to third parties (including securitization conduits), but they can also keep them on their books. The CFPB has statutory authority for rulemaking, examination, and enforcement over indirect auto lenders (excluding community banks and credit unions). The CFPB also has statutory authority for rulemaking, examination, and enforcement over dealers to the extent they do not routinely sell their loans. But for auto dealers that are making loans and routinely selling them, the CFPB has no authority (they are still subject to enforcement actions by state attorneys general and the FTC).

The CFPB's undertaken a bunch of enforcement actions against indirect auto lenders—not dealers—for discriminatory lending. The problem, it seems, is that when auto dealers act as loan brokers they are compensated based on the terms of the loan through something called a "dealer reserve."

[Car Dealers Have Their Way With Congress](#)

David Dayen, The Intercept, 11/23

The biggest winner so far is not the industry you'd normally think of as the most powerful in Washington — not banking, pharmaceuticals, oil and gas, or telecommunications. Arguably the most successful group when it comes to building bipartisan coalitions to protect their profits and avoid federal scrutiny is auto dealers. Auto dealers are local leaders in their communities. In an increasingly homogenized nation with conglomerate banks and big-box retail stores, dealerships are often the most visible Main Street businesses in town, employing over 1 million Americans.

"They're in just about every congressional district," said Jim Lardner, spokesperson for **Americans for Financial Reform**. "They sponsor Little League teams. Their advertising dollars are crucial to local newspapers and broadcasters. When they talk, lawmakers don't just listen — they have a hard time hearing anybody else or looking at facts."

[Borrow $2,500 today, lose an $8,000 car tomorrow](#)

Jennifer Robison, Las Vegas Review-Journal, 11/28

Largely unregulated in Nevada and most other states, the $4.3 billion-a-year title loan industry drives thousands of consumers over the financial edge, even when they make their payments. In states with limits, lenders exploit legal loopholes to skirt consumer protections. The consequences are shared by all.

"It is an enormous cost to society that is basically transferred from the corporations exacting this money to you and me, because people at the bottom can't pay for it," said Nevada Sen. Tick Segerblom, D-Las Vegas. "They're stuck in a vicious trap. They try to get a job. They can't keep their car. They can't get to their job. All of these issues are tied into the lower rung of the economic ladder, and those are the people we want to become self-sufficient."

[Taking a bigger bite out of payday lending](#)

Dallas Morning News, 12/3

Payday lenders say they provide a service to people who need quick money. What they don't say is that paying 400 percent interest on loans that roll over and pile up debt at the speed of light is anything but a service. One year into its existence, the Community Loan Center of Dallas is showing success as an innovative employer-based alternative to payday lenders and their high-interest rate and fees. And now a hefty $1.5 million grant from JP Morgan Chase will assist the center in dramatically expanding help to borrowers who are unable to qualify for traditional loans. CLC and programs like it are important affordable options for small-dollar borrowers. Once in their clutches, payday lenders make it almost impossible for struggling borrowers to get back on their feet. Their business model depends on those borrowers being unable to repay loans in a timely fashion. That's bad news if you are living from paycheck to paycheck. The cycle of debt multiplies week to week, making a bad situation worse.

[What It Really Costs to Use Payday Loans for Holiday Shopping]

Christine DiGangi, Credit.com, 12/2

The Pew Charitable Trusts researchers found that only 14% of payday loan borrowers can afford to repay the balance when it comes due, generally about two weeks after it was first borrowed. To pay off the loan, 41% needed an infusion of cash, like pawning a personal possession, getting a tax refund or asking a friend or family for help — options that are generally available before the person takes out the payday loan.

The typical payday loan hardly resembles a quick fix. The average borrower is in debt for 212 days, according to the Center for Responsible Lending, bringing the cost of $325 loan to about $793 by the time the borrower pays it off.

[Cost of Christmas: Payday loan could push up your spend by 72%]

Andrew Hirst, Huddersfield Daily Examiner, 11/30

[Pension Advance Payments Were Loans, Regulators Say]

Evan Weinberger, Law360, 11/24

Two of the nation's top financial regulators on Friday said that a California federal judge should reject claims from pension advance firms that they are not lenders and not subject to the two agencies' jurisdiction to impose an injunction on the firms that would stop them from potentially abusing consumers.

The Consumer Financial Protection Bureau and the New York Department of Financial Services said in a brief filed in federal district court in Santa Ana, California, that Pension Funding LLC and Pension Income LLC are subject to the two agencies' oversight and were in violation of federal and New York law through the offering of pension advance products that came with hidden fees and interest charges that were not properly disclosed to consumers.

[New Financial Inclusion Initiatives Launched at Treasury USAID Forum]

U.S. Treasury Press Release, 12/1

Today, at the Financial Inclusion Forum hosted by the U.S. Department of the Treasury and the U.S. Agency for International Development (USAID), a group of financial institutions, businesses, and nonprofits announced specific initiatives that will accelerate progress on financial inclusion efforts in the United States and worldwide.

"At today's Financial Inclusion Forum, we will seek to identify strategies to better connect individuals and enterprises to safe and affordable financial products and services and discuss how to implement those strategies effectively," said Treasury Secretary Jacob J. Lew. "Together we have an opportunity to redouble our efforts and accelerate progress toward full financial inclusion on a global scale, and participants have responded to this call to action with 10 new initiatives to foster greater access."

[Consumer protection agency still drawing fire from right]

Steve Benen, MSNBC, 11/20

For the last few years, the Consumer Financial Production Bureau has quietly done important work on behalf of everyday consumers, cracking down on unfair business practices from banks, credit-card companies, mortgage lenders, and other financial institutions.

And Republicans are still outraged by the agency's very existence. In the last debate for the Republican presidential candidates, not only did Carly Fiorina condemn the CFPB by name for its fraud-detection services – I'm still not sure why that's a bad thing – but during a commercial break, lobbyists for a student-loan company, which is currently under investigation, launched a "truly bizarre attack ad" targeting the consumer watchdog.

[CFPB Director Cordray Responds to Complaint-Portal Story]

Richard Cordray, American Banker, 11/30

Since we opened our doors over four years ago, listening to consumers has been a priority for the Consumer Financial Protection Bureau. Every day, we hear directly from people who are struggling to correct an error on a credit report, deal with an abusive debt collector, or fix a problem with a student loan. We take these complaints very seriously and companies should too.

The consumer complaint database has evolved and improved over time, and it was disappointing that a recent American Banker article, "Errors Abound in CFPB Complaint Portal," was itself riddled with inaccuracies about the database and how it works. Just two months ago, the CFPB's Inspector General published a comprehensive audit report, never mentioned in this story, which found only a "relatively small" number of complaints with inaccuracies. Likewise, the story cites only three purported "errors" out of hundreds of thousands of complaints handled. And since American Banker refused to provide documentation or tracking numbers to the Bureau, it is unclear whether any of these were at all significant.

CFPB Settles Credit Report Allegations With Company for $8 Million

Jeff Baler, Bloomberg BNA, 12/3

A credit reporting company accused of mishandling consumer information must improve the way it investigates disputes and pay an $8 million fine under a settlement with the Consumer Financial Protection Bureau (CFPB).
The agency took action against Clarity Services Inc., a Clearwater, Fla., company that compiles and sells credit reports to financial service providers, such as payday lenders. The firm, which the agency says focuses on the subprime market, was accused of violating the Fair Credit Reporting Act (FCRA).

The law requires that access to consumer reports be limited to those with a "permissible purpose." The CFPB said it found that Clarity violated the FCRA by illegally obtaining the consumer reports of tens of thousands of consumers — without a permissible purpose — from other credit reporting companies. The CFPB alleged Clarity used personal consumer information from the reports to help market its products.

DODD-FRANK (AND CONTINUED ATTACKS)

The G.O.P.'s Worst Budget Riders

NY Times Editorial Board, 12/2

Consumer protections are another target of several riders, many of which would weaken the Consumer Financial Protection Bureau. One rider would delay, if not derail, the bureau's progress in restoring the right of aggrieved customers to join together in class-action lawsuits against corporations rather than being forced into arbitration. One would prevent the Department of Labor from finalizing or enforcing a rule to ensure that financial advisers put a client's interests first when giving advice on retirement accounts. Others would roll back protections against reckless mortgage lending and other risky bank practices that were put in place after the financial crisis.

See **AFR Statement** and **list of riders backed by financial industry**.

How congressional Republicans are using fear of a government shutdown to help big banks

Mike Konczal, Vox, 12/3

An important way Dodd-Frank deals with financial risk is by determining that some firms pose a threat to the economy, and require extra regulations. These firms, designated systemically important financial institutions (or SIFI, in the lingo), are required to have higher capital requirements, be stress tested to make sure they can survive periods of crisis, and to put together plans to describe how they could be wound down in case of a failure. Right now any bank over $50 billion dollars in size automatically becomes a SIFI.

Richard Shelby, the Republican chair of the Senate Committee on Banking, Housing, and Urban Affairs, originally called for raising that threshold to $500 billion. But Republicans also want to weaken the ability to designate non-banks as SIFIs. As Marcus Stanley of **Americans for Financial Reform** told me, "The FSOC designation procedure is already lengthy and time-consuming and includes numerous procedural protections for firms under consideration. These bills are designed to make it essentially unworkable." This is an invitation to cronyism, as the most connected and well-heeled firms would be able to game the process.

Don't let Congress hurt consumers on the sly

State Rep. Joshua Boschee, Grand Forks Herald, 11/19

If lawmakers want to do something for small banks like those we have in North Dakota, they should do it in the open, not in a backroom. Sen. Sherrod Brown, D-Ohio, has proposed S1491, with support from Sen. Heidi Heitkamp, D-N.D., which focuses on regulatory changes benefiting community banks; but since big banks currently have a bigger voice, the bill is being ignored. Meaning North Dakota banks are being ignored.

Let clean highway and budget bills pass, and maybe we can see our highways, our banks and our Congress work the way they're supposed to once again.

[Tester should protect Montanans from Wall Street schemes]

State Senator Tom Facey, Billings Gazette, 12/3

Over the next few weeks, the U.S. Congress will be wrestling with a pair of must-pass government spending bills. In Washington, must-pass spells the danger of backroom deals to jam unpopular measures through in the form of spending-bill amendments known as riders, under the threat of a government shutdown.

That's how the big banks, in the final weeks of 2014, repealed an important provision of the Dodd-Frank reform law and hold onto their ability to make high-risk bets with federally guaranteed funds. This year, Wall Street is threatening to use the same back-door process to roll back more rules that rein in big bank misconduct and safeguard consumers against abusive financial products.

Unfortunately, Sen. Jon Tester may be part of an effort to negotiate a compromise with some of Wall Street's staunchest allies.

[An opportunity for Sen. Warner to protect consumers]

Sandra Cook, The Hill, 11/23

Last year the big banks used this technique to repeal a key piece of the Dodd-Frank financial reform law and preserve their ability to engage in high-risk bets with the benefits of deposit insurance and other taxpayer subsidies. This year they have bigger aspirations: they're working on riders that would roll back still more of the reforms adopted after the 2008 financial crisis, and undermine the new Consumer Financial Protection Bureau, the first and only financial oversight agency with a mandate to put the interests of consumers ahead of the power and profits of banks. Unfortunately, their chances of success were bolstered recently by news that a group of senators on the Senate Banking committee, including Virginia's Mark Warner (D), have been trying to craft a "bipartisan" compromise with the committee's leaders who are working to undermine consumer rights.

[Don't Risk Economy by Rolling Back Wall Street Reforms]

Jacob Lew, Bloomberg, 11/25

Unfortunately, rather than focusing on the needs of American families, some in Congress are attempting to use this funding process to roll back crucial provisions of the reforms to the financial system we put in place after the financial crisis of 2008. The Obama administration strongly opposes this misguided effort to undermine critical elements of financial reform…

Preserving these achievements is of paramount importance, and as I have previously indicated, I would recommend the president veto legislation passed by Congress that would leave the American people more vulnerable to another financial crisis.

[Dodd Frank Has Become an End of Year Political Football—Again]

Rana Foroohar, Time, 12/1

Here we go again. It's the end of the year, and that means it's time to monkey with marquee financial legislation. Or at least try to. You may recall the last-minute rider that was pushed into the federal spending bill at the end 2014. The bit of legislation in question took up just 85 lines of the 1,600-page spending bill. The problem was that about 70 of those lines seemed to be written by financial industry lobbyists eager to overturn legislation that would have forced banks some of their riskiest and most profitable activities—default swaps, commodities, and derivatives—to new entities outside parent firms guaranteed by taxpayer money.

It was an attack on one of the key provisions in Dodd-Frank aimed at ending the "too big to fail" problem. (Or at least the part of it involving the socialization of risk and the privatization of profits.) Now it seems that using the budget bill to water down Dodd-Frank is becoming business as usual. Republicans are pushing a number of potential reform rollbacks as part of the usual end-of-year, closed-door haggling over spending packages

[Not-So-Secret Santas in Congress Using Spending Bill to Roll Back Health, Safety, Wallet Protections]

Ed Mierzwinski, U.S. PIRG, 11/30

With spending authorization for the federal government set to end on December 11, Congressional leaders are working with powerful special interests on their not-so-Secret-Santa lists to use spending bills as vehicles to gut health, safety and wallet protections popular with the general public but not with Wall Street or the U.S. Chamber of Commerce. They know they cannot win a fair fight. That's why they're loading up the must-pass funding bills with so-called "riders," which are unrelated policies that couldn't get passed on their own.

As Jim Lardner of our **Americans for Financial Reform** (AFR) coalition explains, the financial riders would also roll back the safety and soundness reforms enacted as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act. That AFR blog goes on to explain that the American public -- on a broadly bi-partisan basis -- is on our side.

[Financial Rollbacks Would Leave Coal in Consumers' Stockings]

Joe Valenti and Sarah Edelman, Center for American Progress, 12/2

Prior to 2008, lenders peddled high-cost, toxic mortgage loans that consumers could not afford to repay. These predatory loans eventually failed, triggering the housing and financial crises. In 2010, Congress included mortgage protections in the Dodd-Frank Wall Street Reform and Consumer Protection Act in order to prevent such risky lending. Ever since, industry lobbyists have been trying to weaken these critical protections, often framing rollbacks as measures intended to help small banks—even though regulators already provide enormous flexibility to small banks and even though most proposed rollbacks would simply make mortgages riskier.

Congress may also attempt to weaken protections against financial instability. In 2010, Dodd-Frank gave the Financial Stability Oversight Council, or FSOC, and the Federal Reserve the authority to establish prudential and supervisory standards for large nonbank financial companies. Congress extended this authority with the failures of Bear Stearns, Lehman Brothers, and American International Group Inc., or AIG, in mind. But some members of Congress have proposed making it more difficult for regulators to take preventative measures.

[The GOP's insidious Christmas list: How congressional Republicans are planning to screw the country this holiday season]

David Dayen, Salon, 12/1

[Don't Let Wall Street Get Away With Dodd-Frank Reform Rollbacks]

Dennis Kelleher, Moyers & Company, 11/30

[The Refugee Distraction]

Jim Newell, Slate, 11/30

Congressional Republican leaders will tuck all sorts of goodies, via "riders," into a trillion-dollar appropriations package required to keep the government funded through the remainder of the fiscal year. Some—OK, most—of these riders are intended to serve GOP elites' interests, specifically the many projected riders pertaining to financial, environmental, and campaign finance deregulation. Others, like those attempting to "defund" Planned Parenthood or to block the resettlement of Iraqi and Syrian refugees, will address the GOP base's favorite shiny objects du jour.

Democrats will have to tacitly accept some while throwing their full weight into blocking others. Playing so much defense comes with opportunity costs: homing all of your caucus' energy into killing one measure glides the path for something equally or more noxious to skirt through undetected. Corporate lobbyists—who love omnibus spending packages—rely on such tactics. They fancy nothing more than an extended public pissing match over issues like grants for women's health care centers or whether all refugees are terrorists to redirect public energy away from the garbage they're trying to sneak through the legislative pipeline on behalf of their garbage clients.

[U.S. Chamber of Commerce's Attacks on Wall Street Reform Are Based on Policies Harmful to Small Businesses and Consumers, Report Shows]

Public Citizen, 12/3

The U.S. Chamber of Commerce's sweeping attacks against Wall Street reform are based on policies unsupported by evidence, harmful to small business and consumers, and largely beneficial to Wall Street, according to an analysis by Public Citizen's U.S. Chamber Watch. The analysis is contained in the first of three reports on the Chamber's attempt to undermine policies that benefit Main Street. Titled "Undermining Dodd-Frank," the report provides an overview of the Chamber's assault on reforms initiated after the 2008 economic collapse, which was fueled by reckless Wall Street practices.

"After crashing the economy and then receiving trillions of dollars in taxpayer bailouts, the megabanks aren't welcome in Washington," said Bartlett Naylor, financial policy advocate for Public Citizen. "So they lobby through proxies such as the Chamber, which erroneously claims to represent the corner grocery store and other small businesses."

[Don't Let Big Banks Sabotage Reg Relief for Small Banks]

Michael Barr, American Banker, 12/4

They'll tell you they're trying to help community banks. But what they've really got on their minds is helping big financial institutions and undermining consumer protection. How, exactly? First, one provision would block the Federal Reserve from "stress testing" a bank for safety and soundness unless it is over $500 billion in size. This is not community banking relief. Fed stress testing already does not apply to more than 95% of banks, including the more than 6,000 banks in communities all across the country with under $10 billion in assets, the category commonly described as community banks.

A second provision would stymie the Financial Stability Oversight Council, or FSOC, in its ability to make sure that shadow banks like Lehman Brothers and American International Group cannot escape oversight and strong capital rules simply by changing their corporate form. A key lesson of the financial crisis was that such firms could expose the United States to enormous risk. Dodd-Frank gave FSOC the job of making sure such firms were subject to stringent oversight by the Fed. Now, some in Congress want to tie the FSOC's hands with onerous and unnecessary procedural hurdles. These hurdles are designed to weaken oversight of the largest shadow banks.

[Democrats cast doubt on bank deal with Shelby]

Zachary Warmbrodt, Politico, 12/3

[Hensarling pushing for financial regulatory changes in omnibus]

Colin Wilhelm, Politico, 12/3

[The Highway Bill Is Turning Into A Vehicle For Bank Favors]

Zach Carter, Huffington Post, 12/1

ENFORCEMENT

[DOJ Settles with Bank over Alleged Discriminatory Lending]

Brian Honea, DSNews, 12/1

The Justice Department recently announced a settlement agreement to resolve allegations that a Lowell, Massachusetts-based bank practiced discriminatory lending based on race and national origin.

The Justice Department filed a complaint and proposed consent order on Monday to alleviate the allegations against Sage Bank. The Department's complaint, which originated from a referral by the Federal Deposit Insurance Corp., says that from January 2011 through May 2014, Sage Bank originated mortgage loans to about 550 African-American and Hispanic borrowers. These loans not only provided the bank with higher revenue, but also caused African-Americans to spend about $2,500 more for their loan, while Hispanics paid about $1,400 more, the released stated.

[Tax Deductions Blunt Impact of Large Corporate Settlements, Report Says]

Liz Moyer, NY Times, 12/3

EXECUTIVE PAY

Few hours, soaring pay for corporate board members

Sacha Pfeiffer and Todd Wallack, Boston Globe, 12/2

Michael Heffernan earned $1 million from Ocata Therapeutics Inc. in Marlborough last year, including stock and stock options. William D. Young received $1.7 million in compensation from Vertex Pharmaceuticals Inc. of Boston. And Phillip A. Sharp hauled in $1.9 million from Cambridge-based Alnylam Pharmaceuticals Inc. But the men are not chief executives or vice presidents. They're not even full-time employees.

They're corporate board members, receiving premium paychecks in exchange for, typically, attending a meeting every few weeks. The Boston Globe calculated the men earned more per board meeting than the average Major League Baseball player received per game. Like pay for chief executives, compensation has skyrocketed for board members at publicly traded companies across Massachusetts and the United States over the past 15 years, even as wages have stalled for most American workers.

FEDERAL RESERVE

New Fed Rule Limits Emergency Lending Power

Peter Eavis, NY Times, 11/30

In the lead-up to the financial crisis of 2008, the Federal Reserve had the ability to make huge emergency loans to almost any entity it chose, a power it used to help save Wall Street firms from possible collapse. Now, seven years later, the Fed, under the direction of Congress, has adopted a new rule that would place restrictions on its extraordinary financial powers. The restrictions, which stem from the Dodd-Frank Act of 2010, aim to ensure that the Fed's emergency loans are not used to shore up insolvent firms.

Consumer advocates said they were pleased with some of the measures that the Fed included. "This rule contains a lot of commitments to be tougher," said Marcus Stanley, policy director at **Americans for Financial Reform**, a group that has lobbied for tougher financial regulation. But they said the Fed had taken steps to protect its latitude to act. "The rule still has very extensive Federal Reserve discretion in it," Mr. Stanley said.

Fed's new bailout curbs fail to appease critics on Left and Right

Joseph Lawler, Washington Examiner, 11/30

Congressional critics of the Federal Reserve's bailout powers are not satisfied by the central bank's effort Monday to tighten its own rules on when it can rescue banks, saying the Fed has not gone far enough to rule out future bailouts… Marcus Stanley, policy director for the nonprofit group **Americans for Financial Reform**, identified the Warren-Vitter measure as one of several improvements in the rule.

But overall, Stanley said, the new rule falls short of what is needed to prevent banks from receiving bailouts in the future by allowing the Fed the discretion to extend emergency loans. He noted that the Fed would retain discretion to identify when a firm is insolvent and therefore ineligible for a loan, and to set the interest rate on loans to ensure that companies that do benefit from the Fed's lending pay a penalty.

"They really have not pre-committed in a really firm way to a more concrete limitation," he said.

Fed Moves to Bar Bailouts of Failing Firms

Associated Press, 11/30

See AFR statement, **"A Stronger Emergency Lending Rule from the Fed"**

Fed Official Expects Test for Big Banks to Be Stricter

Peter Eavis, NY Times, 11/23

Every year, the largest banks have to undergo a theoretical test to assess how they might fare in a period of extreme stress in the markets and the economy. Now, that test may become substantially tougher. A senior official at the Federal Reserve, the bank regulator that administers the so-called stress tests, said on Monday that the Fed was discussing changes to the test that could make it harder for banks to pass. The stress tests estimate losses during a period of turbulence and then subtract those losses from a bank's capital, the financial buffer that a bank has to maintain to insulate itself from shocks and losses. A bank effectively fails the tests if its capital falls below a minimum level after the theoretical losses.

HEDGE FUNDS AND PRIVATE EQUITY FUNDS

Congress Is About To Gut A Depression-Era Law to Help Wall Street

Zach Carter, Huffington Post, 12/4

The item is being discussed as a potential policy rider for a spending bill to avert a government shutdown, according to sources familiar with the talks. The change would allow investors who own a majority of a troubled company's debt to implement a new payment plan without input from a federal bankruptcy judge. As a result, big-ticket bondholders could extract punishing financial concessions from other investors -- including pension funds -- without government supervision.

"This is about screwing pension funds to help private equity firms," said one Democratic aide.

The Trust Indenture Act, passed in 1939, bars such out-of-court strong-arming by major investment firms. But lawmakers are considering changing the law in light of two recent cases.

Private Equity's Paper Tigers

Roger Lowenstein, Fortune, 12/4

What has really happened in private equity over those decades is that investors, net of fees, did about 25% better than the S&P up through the 2005 "vintage" year (denoting funds that first drew capital in 2005). But PE performance in the 2006 through 2010 vintages, tracked through mid-2014, has been running on par with the S&P.

That's a stunning finding. It means that since 2006, this touted "alternative asset class nonpareil" has actually been mediocre. The conclusion comes from a soon-to-be-published paper, "How Do Private Equity Investments Perform Compared to Public Equity?" by Robert S. Harris, Tim Jenkinson, and Steven N. Kaplan. Kaplan, who is at the University of Chicago's Booth School of Business, is probably the foremost private equity scholar in the galaxy. (Harris is with the Darden School of Business at the University of Virginia, and Jenkinson is at Saïd Business School at Oxford.)

Private Equity Market Is Expected to Attract $629 Billion in 2015

Liz Moyer, NY Times, 11/30,

Private equity funds took in $364 billion in the first three quarters of the year, and fund-raising is on pace to reach $468 billion by year-end, the highest annual amount for traditional funds since 2008, according to data from the investment advisory firm Triago.

Notable is the amount of money raised in a separate category — what Triago calls "shadow capital," or side deals that investors strike with funds to co-invest or directly invest in deals. So far this year $121 billion of investor funds have been committed to co-investments, direct investments and separate accounts, and the activity is on pace to hit $161 billion by the end of the year.

Adding investments in traditional funds and shadow capital together, the private equity market will attract a record $629 billion this year, Triago says.

[As public pensions shift from hedge funds, hedge funds look to Main Street]

Eileen Appelbaum, The Hill, 11/30

Hedge fund results have trailed the Standard & Poor's 500 since 2009, continuing a trend that led Bloomberg Business to run a story with the headline "Hedge Funds Are for Suckers."

A study of the experience of 11 pension funds that invested in hedge funds tells a similar story. Net return rates on hedge fund investments lagged behind the overall performance of the pension fund three-quarters of the time, costing retirees billions of dollars in lost investment returns. Yet hedge fund managers still collected billions of dollars in fees from the pension funds.

[Data from new private equity accounting tool shows strength of high-return investment program]

CalPERS Press Release, 11/24

The California Public Employees' Retirement System (CalPERS) today announced that active funds in its private equity program have added $24.2 billion in realized net gains to the Fund from 1990 to June 30, 2015, based on data from its newly operational Private Equity Accounting and Reporting Solution (PEARS). During that same time period, PEARS data shows that CalPERS' external investment partners have realized $3.4 billion from profit sharing agreements with CalPERS.

[Another Humbling Year for Hedge Funds]

John Kimelman, Barron's, 12/3

In the introduction to Fortune magazine's latest annual "investor's guide," Senior Editor Matthew Heimer writes that three investment themes stand out for those contemplating the year ahead. The first theme on that list is that "overpaying doesn't pay." "In volatile times, alternative investment strategies are supposed to provide an edge that justifies their high fees," writes Heimer. "But hedge funds have underperformed stocks for 2015 so far." Indeed, the picture for hedge funds this year – both in aggregate and for many of the high-profile players – hasn't been a pretty one.

HIGH SPEED TRADING AND FINANCIAL TRANSACTION TAX

[The Sanders Corporate Tax Reform Plan]

Dave Johnson, Huffington Post, 12/3

In the recent post, "How the Clinton and Sanders Infrastructure Plans Measure Up," I mistakenly wrote that candidate Bernie Sanders does not yet have a corporate tax proposal:

"Clinton's infrastructure plan says only that it will be paid for through 'business tax reform.' It does not detail the nature of the reforms that would pay for this spending. Similarly, Sanders does not yet have a specific individual and corporate tax proposal, but he has proposed a financial transaction tax and says he will close loopholes."

Oops. It turns out that Sanders does have a detailed corporate tax plan to pay for his infrastructure plan. He introduced the plan as a Senate bill shortly before announcing his run for the Democratic nomination for President. It is called the Corporate Tax Dodging Prevention Act.

INVESTOR PROTECTION AND THE SEC

[Mary Jo White Explains the New SEC Rules]

Dennis Berman, Wall St. Journal, 11/24

MR. BERMAN: Let's get to Dodd-Frank first, almost five years since its passage. Is it in good shape?

MS. WHITE: We at the SEC are essentially finished with most of the mandated rule-makings. I don't think there's any question that collectively what we've done since Dodd-Frank has made the system a lot safer. In the SEC space, what we've done in the securitization area, what we've done with credit-ratings firms—those really hit at kind of the [heart of the] issues in the financial crisis. So, all of that has been reformed and bolstered, which is a very good thing.

MR. BERMAN: A new rule coming out in 2017 will require public companies to disclose the ratio of the compensation of their CEO to the median compensation of their employees. What will the effects of that be?

MS. WHITE: To say that it was a controversial rule-making is a gross understatement. There were very strong views on both sides of it. What our staff did—and I think did a very good job of—was really trying to carry out the statutory requirements of the mandate in the most workable, cost-effective way we can.

MORTGAGES & HOUSING

After subprime collapse, nonbank lenders again dominate riskier mortgages

James Rufus Koren, LA Times, 11/30

PennyMac, AmeriHome Mortgage and Stearns Lending have several things in common. All are among the nation's largest mortgage lenders — and none of them is a bank. They're part of a growing class of alternative lenders that now extend more than 4 in 10 home loans. All are headquartered in Southern California, the epicenter of the last decade's subprime lending industry. And all are run by former executives of Countrywide Financial, the once-giant mortgage lender that made tens of billions of dollars in risky loans that contributed to the 2008 financial crisis.

This time, the executives say, will be different. Unlike their subprime forebears, the firms maintain that they adhere to strict new lending standards to protect against mass defaults. Still, some observers worry as housing markets heat up across the country and in Southern California, where prices are up by a third since 2012.

Quicken Loans considers quitting FHA loans

Ben Lane, HousingWire, 12/2

The contentious legal battle between Quicken Loans and the Department of Justice over the DOJ's allegations that Quicken violated the False Claims Act by "knowingly" submitting hundreds of "improperly underwritten" loans insured by the Federal Housing Administration may just be enough to drive Quicken Loans out of FHA lending completely.

According to a report from Reuters, Quicken Loans, which is currently the largest FHA lender, is considering ending its participation in FHA lending entirely, citing the government's aggressive enforcement policies as the main reason for potentially dropping FHA lending.

Progress On Housing Segregation Could Be Victim of Bill To Keep The Government Open

Shiv Rawal, ThinkProgress, 12/1

This July, the Obama administration finalized the affirmatively furthering fair housing rule, which requires localities to assess their levels of segregation, concentrated poverty, and other disparities and outline goals and priorities to reverse segregation as a condition for receiving federal housing funds. Republicans in Congress are seeking to halt the rule in its tracks, which would eliminate a key tool for addressing the residential segregation that continues today.
The rule follows the Fair Housing Act of 1968, which was a landmark civil rights legislation that outlawed housing discrimination while going one critical step further by requiring the federal government to proactively work to integrate the country.

…The House approved an amendment from Rep. Paul Gosar (R-AR) to its Transportation, Housing and Urban Development appropriations bill that would prohibit using federal funds to implement the rule, and the Senate is considering a similar amendment offered by Sen. Mike Lee (R-UT) to its counterpart appropriations bill. Given the traction these amendments have gained, efforts to obstruct the fair housing rule may resurface as Congress finalizes its funding bill.

Do the GSEs Meet the Credit Needs of Underserved Communities of Color?

Michela Zonta, Center for American Progress, 12/1

The government-sponsored enterprises (GSEs) are required by Congress to promote access to mortgage credit in underserved markets by meeting explicit affordable housing goals. Although the GSEs have met these goals in the aggregate, previous research suggests that the GSEs' targeted purchases have not encouraged sufficient lending to the most underserved homebuyers. By comparing primary-market lending and GSE secondary-market purchases in the periods before and after the Housing and Economic Recovery Act of 2008, this study revisits the questions of whether the GSEs lead the market and serve all members of underserved markets equally or serve primarily the least underserved of the underserved, especially when it relates to communities of color, who tend to be concentrated in many of the geographically targeted areas.

[Crapo Once Again Pleads For Dropping Of G-Fee Provision From Highway Bill]
Amanda Maher, ValueWalk, 11/23

POLITICAL INFLUENCE OF WALL STREET

[Clinton defends Wall Street ties, says she can't be bought]
Politico Staff, 12/01
Hillary Clinton is defending her business ties, saying she can't be bought, including by Wall Street.
The Democratic front-runner, in an interview with Charlie Rose, again brought up 9/11 when asked whether her image has taken a hit due to her ties to the financial sector. "And so, yes, do I know people? And did I, you know, help rebuild after 9/11? Yes, I did," Clinton said, according to a "CBS This Morning" interview transcript released on Tuesday.

[Yes, I Took Bank Money. And It Made Me a Better Regulator.]
Barney Frank, Politico, 12/3
Who's fit to serve in the government? There are any number of reasons to take a hard look at the motives, connections and interests of the people we choose to protect the public good. But I'm very troubled by an approach to this question gaining currency among my liberal friends… [T]he goal is to prevent anyone who seems even remotely tainted by the financial industry from gaining influence over public policy…

[Wall Street's Reprieve Expires]
Carter Dougherty, The Atlantic, 11/23
If the United States is nearing any kind of cultural consensus on the role of finance in American life, it's awfully hard to discern. For sheer political dissonance, consider these two recent events: Last week, Democratic presidential candidates jostled over who can be toughest on Wall Street, and earnestly discussed imposing a tax on the sort of financial speculation that benefits large financial firms like Goldman Sachs. And second, the Federal Reserve got a new senior official, Neel Kashkari, who helped design the 2008 bank bailout after having worked at—wait for it—Goldman Sachs.

Bernie Sanders would impose a 0.5 percent tax on stock sales and a smaller one on bond and derivative trades. And Hillary Clinton would slap an unspecified duty on high-frequency trading. Both proposals are descended from ideas advanced by Attac, the group founded in France in 1998 to advocate for taxing currency speculation.

RETIREMENT SECURITY & FIDUCIARY DUTY RULE

[Republicans See Opening to Block Investment Advice Rule]
Gabe Rubin, Morning Consult, 12/3
Republicans are in a position to score a win against the Labor Department by blocking its rule to tighten standards for people who give investment advice. As of now, the provision is part of a year-end spending bill, according to a Republican appropriator. But there are still a few refining rounds to go.

The investment advice rule is a top priority for the administration, but some Democrats aren't willing to fall on their swords to protect it. Hence the Republican opportunity.

"I'm not willing to shut down the government over it, not at all," said Rep. Lacy Clay (D-Mo,) in an interview.

[Securities industry squeezes Democrats]
Marianne Levine, Patrick Temple-West, and Isaac Arnsdorf, Politico, 12/4
A Labor Department proposal to tighten regulations on investment advice is inspiring a furious counterattack from the financial services industry — and some Democratic lawmakers are seeing their campaign contributions shrink in the crossfire. The industry's lobbying campaign has swayed several Democrats against the so-called fiduciary rule, including three House members who have voted to block the regulation and 12 senators who wrote to the department in August to air their concerns. Meanwhile, at least two key Democrats who support the rule are witnessing a dramatic decrease in

their support from the financial sector. “It’s been ugly,” said Rep. Stephen Lynch of Massachusetts, a rule supporter who sits on the House Financial Services Committee.

He has received $8,750 so far from the securities industry for the 2016 campaign cycle, way less than the $86,225 he received for 2014. “I don’t take positions based on campaign contributions," Lynch added. "But I can certainly understand if the financial services people are frustrated with the process. … And they have every right to support whom they like.” The panel’s top Democrat, Maxine Waters of California, has similarly seen industry donations to her campaign and leadership PAC drop to $2,000 so far, down from $88,000 at the end of the last cycle. Waters, through a spokeswoman, declined an interview.

See CFA statement: Alternatives to DOL Conflict Rule Fail to Ensure That Retirement Advice Serves Best Interests of Retirees.

See Save Our Retirement Coalition letter: Don’t Be Fooled: One More Comment Period Means No More Rule

Why did Sen. Tester flip his support on a key fiduciary rule?
Dan Brooks, Missoula Independent, 12/3
The fiduciary rule seeks to resolve this conflict by requiring fiduciaries to act in the best interests of their customers. It's kind of dry and hard to understand. Fortunately, Montana Democratic Sen. Jon Tester provided us with a useful illustration of how fiduciary responsibility works—or fails to work—when he joined Republicans in an attempt to block the fiduciary rule posed by the Department of Labor. Tester voted for Dodd-Frank when it passed in 2010.

The version of the bill for which he voted contained a provision that allowed the federal government to require financial advisors to prioritize their customers' financial success ahead of their own—to sell the investment that fits the client, not the one that yields the biggest fee. Now that Labor is ready to implement that rule, however, Tester is against it. He has also raised about $3 million in campaign contributions from the financial services industry over the course of his career. In what I can only describe as an exciting coincidence, $2.3 million of those contributions arrived in 2015. By staunchly opposing the fiduciary rule, Tester appears to have served his own financial interests at the expense of those of his clients, the voters of Montana.

Advisor Comp Grids Encourage Conflicted Advice, Consumer Advocates Say
ThinkAdvisor, 11/30

DOL's fiduciary exemption is not a workable option for advisers
Dale Brown, InvestmentNews, 12/1
Despite months of media attention and frequent discussion within our industry, many financial advisers are only beginning to grasp the implications of the Labor Department's effort to expand its definition of fiduciary under ERISA. The rule, as written, will deny millions of small and mid-sized investors access to quality, affordable retirement advice.

Much has been written about the DOL proposal's Best Interest Contract Exemption, or “BICE,” which in theory presents a path for advisers to recommend a limited slate of investment options to IRA investors outside of a fee-based compensation structure. In practice, the BICE is too complex and burdensome to provide a workable option for advisers who seek to continue serving clients on a commission basis, but the only current alternative — banning all product sales based on commissions, revenue sharing or other forms of compensation altogether — would be much worse.

Liar, Liar, Pants on Fire: Are FSI, SIFMA Lies About DOL Fidu Rules Backfiring?
Kathleen McBride, LinkedIn Blog, 12/2
Once more, InvestmentNews has carried an opinion column by Dale Brown, head of the Financial Services Institute. Instead of a thoughtful column on the coming changes via the DOL's proposed fiduciary rulemaking - intended to eliminate conflicts of interest that can reduce retirement nest eggs by a quarter, a third or half -- FSI's leader espouses falsehoods that he has helped spread -- and that have been proved wrong -- for more than five years. FSI and SIFMA, are two of the best funded, most active Wall St special interest lobbyists. They represent broker-dealers, insurance and mutual fund companies and banks.

Let's be clear: if Mr. Brown's FSI members were already acting as fiduciaries - in the investor's best interest, DOL fiduciary rules update would not be necessary. By the way, the DOL's update simply closes loopholes that FSI members and their peers have been exploiting -- to loot retirement investors' accounts -- for decades. But while FSI claims that members want to act in the best interest of investors, the evidence proves that is not the case. In fact, many of FSI's and SFIMA's largest members have paid enormous fines and restitution for misleading retirement investors and cheating them.

STUDENT LOANS & FOR-PROFIT EDUCATION

Students of defunct for-profit to receive $28 million in loan forgiveness

Danielle Douglas-Gabriel, Washington Post, 12/3

Beginning this month, the Obama administration will forgive nearly $28 million in federal student loans for 1,312 former Corinthian Colleges students who say the defunct for-profit chain violated their rights. The move marks the first major step the Education Department has taken in resolving thousands of defense-to-repayment claims, a petition for the government to discharge federal loans on the grounds that a school used illegal or deceptive tactics in violation of state law to persuade students to borrow. Advocates say the department is still taking too long to approve claims, while some policymakers worry that the government is on a path to losing billions of dollars in taxpayer money.

Alexis Goldstein, senior policy analyst at **Americans for Financial Reform**, says the department has done a poor job of reaching out to Corinthian students who might be eligible for relief. “Many harmed students have not received any information about relief options,” she said. “Instead of this limited, one-time notification, the department should be pursuing a much more comprehensive, multi-pronged outreach strategy in order to ensure that all students victimized by Corinthian are aware of their legal right to pursue debt cancellation.”

Debt Relief for Some Former Corinthian Students

Inside Higher Ed, 12/4

The U.S. Department of Education announced Thursday that it has granted the requests for debt forgiveness made by more than 1,300 federal student loan borrowers who attended Heald College, a subsidiary of the now-defunct for-profit Corinthian Colleges chain. The debt relief, which totals $27.8 million, is the first time the Education Department has canceled a significant number of loans under a seldom-used provision of federal law that allows borrowers to seek loan forgiveness based on their college’s misconduct.

Meanwhile, student debt activists and other advocates criticized the department for moving too slowly on those claims and not providing broader debt relief. **Americans for Financial Reform** said in a statement that the group was “gravely concerned by the department’s unjustifiably narrow approach to debt cancellation, which if it continues unchanged may leave hundreds of thousands of students burdened with debts foisted on them by deceptive and abusive practices.”

See AFR statement, **Education Department Must Do More for Former Corinthian Students**

More Federal Loan Debt Forgiven for Corinthian Students

Jennifer Kerr, Associated Press, 12/3

Elizabeth Warren: Government Went Too Easy On Predatory For-Profit College Company

Casey Quinlan, ThinkProgress, 12/1

The government is going too easy on a controversial for-profit college company that’s been accused of misrepresenting its educational benefits, giving inaccurate information about accreditation, using dodgy recruitment practices, and misrepresenting graduates’ job placement rates, according to three U.S. senators.

This week, Sens. Elizabeth Warren (D-MA), Dick Durbin (D-IL), and Richard Blumenthal (D-CT) sent a letter to the U.S. Department of Education and U.S. Department of Justice, expressing concern over a recent settlement with the Education Management Corporation (EDMC) that they say resulted in a lost opportunity for frustrated students.

EDMC — which owns the Art institutes, Argosy University, South University, and Brown Mackie College — made a $102 million settlement with several attorneys general and a $95.5 million settlement with the U.S. Department of Justice last month. Although the $102 settlement with EDMC, announced by several attorneys general last month, does provide student debt relief to some students, there are certain parameters for which students qualify and the average amount of student loans forgiven for each student is $1,370. In addition, the $95 million settlement with EDMC allows the company to pay the settlement amount through 2022.

Democrats Slam Settlement with For-Profit College
Inside Higher Ed, 12/2

Do more to stop predatory for-profit schools
The Des Moines Register Editorial Board, 11/29
The SEC, the U.S. Consumer Financial Protection Bureau and various state attorneys general are all cracking down on for-profit colleges that churn out graduates who have little or no prospect of landing a job in their chosen field. The Iowa Attorney General's Office is suing Fort Dodge-based La' James International College for consumer fraud, alleging the cosmetology school has engaged in deceptive and unfair practices. For years, private schools have relied heavily on federal financial aid, targeting veterans and single mothers with their marketing campaigns, and then burdening them with massive debts while failing to provide the education that might enable them to secure jobs and repay their student loans.

The costs are staggering, and students aren't the only victims. Regulators estimate that for-profit colleges receive more than $30 billion every year in federal financial loans and grants for students. The Government Accountability Office says these for-profit colleges often charge considerably more for the same degrees offered by nonprofit schools, and yet the graduation rate at the for-profit colleges is about half that of other schools.

Strip Mall For-Profit College Owners Locked Up; Wall Street Owners Walk Away
David Halperin, Huffington Post, 11/25
On Tuesday, a federal jury in Miami convicted Alejandro Amor, the owner of shut-down FastTrain College, of theft and conspiracy. Amor gained notoriety when it was disclosed that FastTrain, a for-profit college, used strippers to recruit students, but the offense for which he now faces a long prison sentence was enrolling, and cashing federal financial aid checks for, some 1,300 students who were ineligible because they lacked a high school degree. Before FastTrain was shut down by an FBI raid in 2012, it received, over five years, about $35 million in federal taxpayer-funded Pell grants and student loans. Federal prosecutors have acted to seize Amor's house, yacht, private plane, and Jaguar…

But contrast the outcomes Amor and Perez face with the treatment of Pittsburgh-based Education Management Corporation (EDMC), for many years the second largest for-profit college company. EDMC, which operates the Art Institutes, Argosy University, Brown Mackie College, and South University, was getting as much as $1.8 billion a year from taxpayers. The U.S. Justice Department had joined a False Claims Act whistleblower lawsuit alleging that for over a decade EDMC had violated the federal law prohibiting for-profit colleges from paying sales commissions to their recruiters, resulting in ill-gotten gains from the government of some $11 billion.

Four tough things columnists should do before writing about universities
Daniel Drezner, Washington Post, 11/30
1) Define what you mean by "universities." Pearlstein opens up by talking about "universities in the United States" and citing all kinds of stuff involving poor graduation rates and rising student debt. But almost the entire rest of the essay implicitly talks about research universities, such as George Mason or Tufts. This distinction matters great deal, because many of higher education's negative financial externalities have nothing to do with research universities. Exploding levels of student debt and default, for example, have a lot to do with for-profit colleges...

And as the Atlantic's Gillian White noted: The amount of debt owed by those attending for-profit colleges has grown from $39 billion in 2000 to $229 billion in 2014 — which is more attributable to increases in the rate of borrowing at those schools than to increases in enrollment.

John McCain, Senate leaders spar over U. of Phoenix, for-profit schools
Bill Theobald, The Arizona Republic, 11/28
The flurry of letters, news releases, newspaper commentaries and tweets continued last week when McCain and Republican Sens. Lamar Alexander of Tennessee, chairman of the Health, Education, Labor and Pensions Committee; Ron Johnson of Wisconsin, chairman of the Homeland Security and Governmental Affairs Committee; and Johnny Isakson of Georgia, chairman of the Senate Veterans' Affairs Committee, wrote to Education Secretary Arne Duncan. Jeff Flake, Arizona's other GOP senator, also signed the letter.

The legislators demanded information about an interagency task force they said was working behind the scenes to "unfairly target" the University of Phoenix and other for-profit schools.

Florida lawmakers consider bills to protect for-profit college students
Michael Vasquez, Miami Herald, 11/30
After a year of repeated for-profit college scandals — including the recent closure of Dade Medical College — Florida lawmakers are poised to consider new, tougher rules governing the schools. The change follows several years in which lawmakers loosened standards and opened up more public money to for-profits. For the moment, the buzz is about greater consumer protections at the schools, which rely heavily on taxpayer money but receive little government oversight. For-profit colleges enroll nearly one in five Florida college students — close to 300,000 students in total.

Groups Urge Appellate Court to Protect Students, Uphold Department of Education 'Gainful Employment' Rule
Public Citizen Press Release, 11/24
A U.S. Department of Education rule designed to protect students from poor-performing career training programs, most of which are at for-profit colleges, should be upheld, 28 groups told the U.S. Court of Appeals for the District of Columbia Circuit in an amicus brief filed today. The groups advocate for students and college access, civil rights, veterans, educators and consumers, and are represented by Public Citizen, along with the Leadership Conference for Civil and Human Rights and the NAACP Legal Defense & Educational Fund.

The Association of Private Sector Colleges and Universities (APSCU), the largest trade association of for-profit colleges, is appealing a federal district court ruling that upheld the "gainful employment" rule, as the government and 28 groups had urged. APSCU also is lobbying Congress to block the regulation by including a "rider" in the spending bills under negotiation. The U.S. House and Senate education appropriations bills include such a rider, but more than 50 organizations have written to Congress opposing its inclusion in the final omnibus spending bill.

Fiat Chrysler Offers Free Tuition to Dealer Employees and Families
Jeff Bennett, Wall St. Journal, 11/22
Fiat Chrysler Automobiles NV is offering free tuition at a for-profit college to about 700,000 dealer employees and family members in a push to stem turnover in the showroom and service bays. The benefit is rare for the auto industry. Compensation for salespeople, service technicians and others at stores selling new automobiles is typically handled by the dealership owners, while auto makers cover pay and benefits for white-collar employees and factory workers.

These Maps Show How Student Debt Is Reinforcing Economic Inequality
Casey Quinlan, ThinkProgress, 12/2

State of Illinois sues for-profit colleges, alleges deception
Daniel Brown, Chicago Sun Times, 11/25

The Sketchy World of For-Profit Colleges
Kristin Wong, Gawker, 12/2

Lawmakers Drop Change to Finance Law That Would Help EDMC
Inside Higher Ed, 12/2

OTHER TOPICS

[At Wells Fargo, How Far Did Bank's Sales Culture Go?]

Emily Glazer, Wall St. Journal, 11/30

Wells Fargo & Co. has long been the envy of Wall Street for its ability to get customers to load up on multiple products and services. Now, the bank's prowess at cross-selling is drawing the wrong kind of attention. The Office of the Comptroller of the Currency and the San Francisco Federal Reserve are each probing the bank's sales culture, people familiar with the matter said. The regulators want to know if the bank has pushed its employees too hard to meet sales quotas and not done enough to prevent questionable behavior, the people said.

[New York Proposes New Banking Rules to Stanch Flow of Illicit Financing]

Ben Protess, NY Times, 11/30

As authorities around the globe grapple with the threat of terrorism, Gov. Andrew M. Cuomo is preparing to impose new regulations on New York State banks to prevent illicit money from flowing through Wall Street and into the hands of militants and criminals. Mr. Cuomo, a Democrat, plans to propose rules this week that would clarify and expand the responsibility of New York State banks to thwart money laundering and the financing of terrorist groups, according to Cuomo administration officials.

[How Hillary Clinton can shake the one charge that sticks to her]

Harold Meyerson, Washington Post, 12/2

One line of attack that is substantial, and that she's had the most trouble dispelling, is her closeness to Wall Street...So is there anything Clinton can do to rid herself of the Wall Street albatross? Of course there is. She should say that if elected president, she'd subject the Wall Streeters to a higher tax rate than anyone else. We already have a separate tax rate for some of the wealthiest bankers. Under the tax code's "carried interest" provision, hedge fund managers are taxed at a lower rate than Americans with identical incomes who make their money in a different line of work.

That has it exactly backward. It's plainly in the nation's interest to shrink the scope and sway of the financial sector, and the most effective way to do that is to tax the incomes of its highest earners at Eisenhower-era levels (when the highest marginal rate was 91 percent). It's no mere coincidence that it was during this time that the share of income going to the working and middle classes soared, that U.S. companies funded their expansions out of their own earnings rather than the equity markets and that, freed from the pressure of investors demanding a bigger cut for themselves, those companies offered their employees decent pay and job stability and invested more in employee training and long-term research.

[Campaign Finance Riders Face Fight in Year-End Spending Bill]

Kate Ackley, Roll Call, 12/1

Progressive and political money groups say they will intensify their lobbying in the coming days to prevent four campaign finance measures from hitching a ride on a year-end spending deal. With a deadline to reach agreement on government-wide funding less than two weeks away, the effort will be no easy pitch. Senate Majority Leader Mitch McConnell, R-Ky., authored one of the measures, which would relax limits on coordination between political parties and candidates.

[How Academics Can Improve Regulatory Inspections]

Katie Cramer, RegBlog, 11/24