AMERICANS FOR FINANCIAL REFORM

THIS WEEK IN WALL STREET REFORM | JAN 31 – FEB 6, 2015

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THE ASSAULT ON FINANCIAL REGULATION

House GOP Rams Through 2 New Deregulation Bills
Zach Carter, Huffington Post, 2/5/15
"Both of these bills are part of an attack on the entire regulatory state," said Marcus Stanley, policy director at **Americans for Financial Reform**. "They're designed to make it impossible for agencies to function."

No Republicans voted against the bill. Nine conservative Democrats -- Reps. Brad Ashford (D-Neb.), Jim Costa (D-Calif), Henry Cuellar (D-Texas), John Delaney (D-Md.), Gwen Graham (D-Fla.), Collin Peterson (D-Minn.), Loretta Sanchez (D-Calif.), Kurt Schrader (D-Ore.) and Kyrsten Sinema (D-Ariz.) -- voted in favor.

House Approves Bill to Curb Regulation, Despite Veto Threat
Charles S. Clarke, Government Executive, 2/5/15
The bill's passage was blasted by **Americans for Financial Reform**, a coalition of consumer, labor and civil rights nonprofits, which called it "the latest effort to cripple regulators' ability to protect the public interest by loading them down with new paperwork requirements and enabling even more industry lawsuits." Attacking an amendment to the bill to reduce the controversial consumer bureau's budget authority by $36 million, the coalition said the bill "would tilt the playing field even further in favor of financial sector companies and lobbyists. It would be a gift to Wall Street and would invite a resurgence of the reckless practices that caused such enormous economic damage just six years ago."

Because of the Republican takeover the Senate, the bill's chances for reaching the president's desk are far higher than in past congresses.

Wall Street Reform Groups Blast House Reg Bills
Peter Schroeder, The Hill, 2/4/15
The House is preparing to consider two bills, HR 50 and HR 527, that Republicans argue will provide some much-needed regulatory relief for small businesses, while ensuring that regulators take into consideration the impact of their rules as they write them.

But backers of tough Wall Street rules see the legislation as opening new doors for industry to take regulators to court, or requiring watchdogs to jump through even more hoops to write rules. "These bills, in slightly different and overlapping ways, basically put another thumb on the scale," said Lisa

Donner, executive director of **Americans for Financial Reform**. "But I would say it's a lot heavier than a thumb. It's another fist on the scale."

House Bill Would Cap CFPB Budget

Peter Schroeder, The Hill, 2/4/15

The legislation, passed with nearly exclusive Republican support, was originally aimed at placing new limits on agencies writing regulations, requiring them to conduct more analysis on their impact and subjecting them to additional legal review.

But a late amendment from the bill's primary sponsor, Rep. Virginia Foxx (R-N.C.), would also place new limits on the funding for the CFPB. Foxx's amendment, added to the bill at the House Rules Committee before it reached the House floor, would cap CFPB funding at $550 million — $36 million less than the Congressional Budget Office estimated the CFPB would spend in fiscal 2016.

US House Passes Bill That Limits 2016 Consumer Bureau Budget

Reuters, 2/4/15

Senate Democrats Join GOP Attack On Financial and Environmental Regulation

Zach Carter, Huffington Post, 1/26/15

A new bill would significantly change the way government agencies write rules, weighing regulators down with new costs and opening the door to a swarm of legal challenges from corporate interests. Although the legislation would apply to all independent federal regulatory agencies, bank watchdogs have found it particularly alarming in light of Wall Street's ongoing success in overruling new financial standards in court.

"This would create dozens of new requirements that are nearly impossible to carry out," said Marcus Stanley, policy director at **Americans for Financial Reform**, an advocacy organization.

The attack on regulatory work is tucked into a new bill introduced by Sens. Jerry Moran (R-Kan.), Roy Blunt (R-Mo.), Mark Warner (D-Va.), Amy Klobuchar (D-Minn.), Tim Kaine (D-Va.) and Chris Coons (D-Del.). Described as a way to assist startup companies, the legislation would require regulators to engage in new and elaborate cost-benefit analysis work on top of the other economic-impact assessments they already perform. Critics argue that in addition to tying up regulators with new red tape, the process would be heavily slanted against new rules. The long-term benefits of regulations are often difficult to quantify, while the costs are relatively simple.

Are Banks Easing Away from Regulation?

Business In Savannah, 1/30/15

Reg Relief Bill Faces Uncertain Path

Lydia Wheeler and Tim Devaney, The Hill, 2/5/15

CONSUMER FINANCE & CFPB

It's Time to Overhaul the Credit Reporting Industry
Odysseas Papadimitrou, Forbes, 2/5/15
[F]ewer than one in five people get a copy of their credit report each year. That's especially important considering that 1 in 5 people reportedly have an error on one of their credit reports!

Given this infamous record of poor performance, it should come as no surprise that 28,469 credit reporting complaints were levied with the Consumer Financial Protection Bureau (CFPB) in 2014. This prodigious number of grievances was 43% more than the combined number of complaints submitted about credit cards and student loans. People clearly weren't happy.

So, the question seems to be: Why has the credit reporting industry become so problematic, and how can we make the environment safer for consumers?

Consumer Financial Protection Bureau Orders Subprime Credit Card Company To Refund $2.7 Million
CUInsight.com, 2/4/15

Regulators Prepare Rules on Payday Loans to Shield Borrowers
Hope Yen, Poughkeepsie Journal, 2/3/15

Lawsky Pushes for Strict Payday Loan Rules
Alan Zibel, Wall St. Journal, 2/5/15

The Cost of Payday Lending
WFAA Radio (Dallas), 2/5/15

Lawmakers Once Again Reject Bill to Repair Paydaylending Glitch
Ted Carter, Mississippi Business Journal, 2/5/15

Poverty in the Ozarks: The PaydayLoan Factor
KOLR Radio (Ark.), 2/6/15

How Cleveland Payday-loan Pioneer Allan Jones Was Propelled to Fame and Fortune
Alex Green, Chattanooga Times Free Press, 2/5/15

See Consumer Union video on payday lending and Pew Charitable Trust report on Overdraft Frequency and Payday Borrowing

The End of Operation Choke Point, Sort Of
PYMNTS.com, 2/5/15

CFPB Names Four to Senior Leadership Positions
Ethan Ostroff & Ashley Taylor, Mondaq, 2/4/15
In addition to naming Anthony Alexis as assistant director of enforcement, the CFPB also

announced the hiring of Leandra English as deputy chief operating officer, Agnes Bundy Scanlan as the regional director of supervision examination, and Jeffrey Sumberg as chief human capital officer.

EXECUTIVE COMPENSATION

Chiefs Fight Shy of Staff Salary Comparison

Paul Hodgson, Financial Times, 2/4/15

In the US, the idea of publishing the chief executive/worker pay ratio has met with enormous opposition, especially when compared with another provision of the Dodd-Frank act, one that would allow boards to recoup any bonuses based on fraudulent accounts. Almost every company in the Fortune 100 has voluntarily introduced such a policy in advance of the SEC regulations.

HOUSING AND MORTGAGES

The Mortgage Professor: Why Do Some Borrowers Pay Higher Mortgage Interest Rates Than Others?

Jack Guttentag, Idaho Statesman, 2/5/15

Tough Choices for Servicers After Tenant Foreclosure Law Expires

Kate Berry, National Mortgage News, 2/5/15

Mortgage Relief Pitchmen Settle FTC Charges That They Deceived Consumers

Ashley Kieler, Consumerist, 2/5/15

INVESTOR RIGHTS AND THE SEC

How Wall Street Is Fighting to Rip Off Your Retirement Money

David Dayen, Fiscal Times, 2/6/15

Essentially, investment advisers prey upon their clients' lack of financial knowledge to reach into their accounts and skim off the top. This self-dealing is routine, as brokerage firms are often organized with the sole purpose of pushing clients into these products. "The situation we have now is a mess," said Marcus Stanley of the coalition **Americans for Financial Reform**.

The White House outlined the true cost to retirement account holders in a leaked memo, showing unusual strength against a Wall Street-led scam. Citing numerous academic studies, Jason Furman and Betsy Stevenson of the Council of Economic Advisers write that investors lose between $8 billion and $17 billion a year in their investment accounts, money siphoned directly into the pockets of advisers, because of excess fees and lower returns. IRA and 401(k) holders can expect to lose 5 percent to 10 percent of their returns over the life of the account, or 1-3 *years'* worth of retirement withdrawals.

Investment Rule will Test Democrats
Zachary Warmbrodt, PoliticoPro (paywalled), 2/5/15
The biggest regulatory overhaul to retirement investing in decades could lead to more tension between some progressive and centrist Democrats who have found themselves at odds recently over a series of proposals concerning the oversight of Wall Street and financial institutions.

At issue is an upcoming Labor Department proposal that would set a higher bar for brokerage firms that assist investors with their retirement accounts. Labor has spent years redrafting the rule after deciding in 2011 to withdraw a proposal that stirred up complaints from House and Senate Democrats as well as the investment industry.

Lobbyists are poised if necessary to challenge the still unreleased update and to encourage sympathetic lawmakers to push back on the administration, where top officials have argued that savers are losing billions of dollars a year because of out-of-date consumer protections.

Chamber Raises Concerns with DOL Fiduciary Redraft
ThinkAdvisor, 2/5/15

Even Snowden Would Have His Hands Full Cracking Wall Street's Arbitration Secrets
Susan Antilla, TheStreet, 2/5/15
It's no secret that aggrieved investors can wind up with a raw deal when they face off against stockbrokers in industry-run arbitration.

The hearings are held behind closed doors, the rules are written by an operation that's financed by Wall Street and the decisions of the arbitrators typically are issued with no explanation. Little surprise that many ugly details about the process stay private, too.

Now, a collection of consumer-friendly groups is pushing to get more of arbitration's secrets out in the open. The groups' demands matter, because every individual investor in America with a brokerage account is forced to forego court and agree instead to use a closed-door council endorsed by Wall Street.

STUDENT LOANS

$480 Million in For-Profit College Debts Are Actually Worth Less Than $8 Million
Alan Pyke, ThinkProgress, 2/4/15

For-Profit Schools Deserve Scrutiny
Editorial, Minnesota Daily, 2/5/15

Senators Introduce Bill Mandating Formation of For-Profit College Oversight Committee
Ashley Kieler, Consumerist, 2/5/15

[For-Profit College That Allegedly Conned Students Will Forgive $480 Million In Debts]
Alan Pyke, ThinkProgress, 2/4/15

[Straight Answers for Corinthian Students]
Student Loan Borrower Assistance, 2/4/15

SYSTEMIC RISK

[The Mission Regulators Forgot: Ending TBTF]
Cornelius Hurley, American Banker, 2/4/15
When it comes to financial reform, no one will accuse the Obama administration of going big. His appointees at the Federal Reserve and the Treasury Department understand this and fall in line with his timid, lead-from-behind strategy every day. And his halting approach to financial reform is embodied in the actions of the Financial Stability Oversight Council.

The singular bold stroke of the Dodd-Frank Act was the law's clear instruction to the FSOC to promote market discipline "by eliminating expectations on the part of shareholders, creditors, and counterparties of such companies that the Government will shield them from losses in the event of failure" (emphasis mine).

Did the council seize this clear mandate and run with it? Hardly. Instead it has acted as if the language does not even appear in the statute.

[High Risk Investment that Brought Down the U.S. Economy Returns, With a New Name]
Alan Pyke, ThinkProgress, 2/5/15
Goodbye, "collateralized debt obligations." Hello, "bespoke tranche opportunities." Banks including Goldman Sachs are marketing that newfangled product, according to Bloomberg, and total sales of "bespoke tranche opportunities" leaped from under $5 billion in 2013 to $20 billion last year.

[Asset Managers Could Face Newregulation to Prevent Runs: Fed's Tarullo]
Greg Robb, MarketWatch, 1/30/15

[US Regulators Change Way Big Financial Firms Chosen for Stricter Oversight]
Associated Press, 2/5/15

[Why Banks Should Support Elizabeth Warren]
Carl Packman, American Banker, 2/5/15
The Massachusetts senator has been a vocal supporter of community banks, advocating for more challenger banks based in the communities they serve. Smaller institutions, [she argues], have a far better understanding of what customers want, and their presence reduces the concentrated power of the so-called Big Four banks.In order to level the playing field, she has recommended a [two-tiered], simplified regulatory system that would relieve smaller institutions of unnecessary burdens.

Underlying these policies is Warren's understanding that a more competitive market for financial services works to the benefit of consumers. Back in 2010, she wrote an op-ed pointing out that while community banks take stands against pricing tricks, they often lose ground to larger competitors with less consumer-friendly practices.

In short, what Warren wants is to break up concentrated power in the financial industry and induce more competition and diversity in the marketplace. This works to the benefit of the financial services industry as a whole.

OTHER TOPICS

A Wilmington Bankscheme Defrauded $4.5M from PNC, Bank of America, CitiBank and Others

Lauren K. Ornesorge, Triangle Business Journal, 2/5/15