Americans for Financial Reform

This Week in Wall Street Reform | July 7 – 13

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KAVANAUGH NOMINATION

How this Supreme Court pick could cement Trump's real economic legacy | Washington Post (Steven Pearlstein)
The Democratic outrage machine has it wrong. It's not Roe v. Wade that is most in danger of being overturned if Brett Kavanaugh makes it to the Supreme Court — I doubt either Kavanaugh or Chief Justice John G. Roberts Jr. is of a mind to wade into that political and legal minefield. What Democrats really ought to be worried about is Chevron v. Natural Resources Defense Council. In its 1984 Chevron decision, the Supreme Court declared that when a law passed by Congress is silent or ambiguous on an issue of how an agency should exercise its regulatory authority, the courts should defer to the reasonable judgment of the agency

In the years since, this "Chevron deference" has provided the legal basis for hundreds of regulations protecting consumers, workers and the environment promulgated under laws that, in many instances, could never have anticipated the economic, social and technological changes that would necessitate them decades later. But to the business community and legal and ideological conservatives, Chevron has come to be seen as a giant legal loophole that has led to the creation of a vast "administrative state" that has encroached on the power of Congress to make the laws and the judiciary to interpret them. And no two judges have been more closely associated with the campaign to pare back Chevron, or overturn it completely, than President Trump's first two Supreme Court nominees, Neil M. Gorsuch and Brett Kavanaugh.

Five possible reverberations for banks | American Banker
A Supreme Court that moves even further to the right with the appointment of Judge Brett Kavanaugh could make the policy horizon even brighter for the financial services industry…

Kavanaugh wrote a 110-page opinion in a case, PHH vs. CFPB, in which he found the agency's single-director structure was unconstitutional… Kavanaugh's decision on a three-judge panel was overruled in January by the full U.S. Court of Appeals for the D.C. Circuit, which affirmed the constitutionality of the agency.

Business groups and unions clash over Supreme Court nominee | Minneapolis Star-Tribune
In January, Kavanaugh dissented from a ruling by a federal appeals court that upheld the structure of the Consumer Financial Protection Bureau, which was established in 2010 to protect Americans against abusive financial products and services. Kavanaugh argued that the agency's director effectively wielded too much power, making its structure unconstitutional. The issue may eventually come before the Supreme Court, where Kavanaugh's view of the CFPB could prevail…

“A seat on the Supreme Court would let Kavanaugh and his allies expand attacks on the ability of government to regulate and enforce the rules on behalf of ordinary people," said Linda Jun, senior policy counsel at **Americans for Financial Reform**.

What Trump’s Supreme Court nominee Brett Kavanaugh could mean for consumer rights | MarketWatch
Kavanaugh has consistently ruled before in favor of corporations, said Linda Jun, senior policy counsel at **Americans for Financial Reform**, a nonprofit made up of civil rights and consumer groups that supports a “strong” CFPB. The Supreme Court nominee’s record is “disconcerting,” she added.

Trump asks business groups for help pushing Kavanaugh confirmation | Politico
The White House on Monday immediately played up Brett Kavanaugh’s pro-business, anti-regulation record and is asking industry trade groups for help pushing his confirmation through the Senate.

As President Donald Trump introduced the nominee during a Monday evening ceremony, the White House was touting Kavanaugh’s record battling “overregulation“ in a document sent to industry stakeholders.

With Republicans holding only a sliver of a majority in the Senate, deep-pocketed business groups could have enough influence, especially in an election year, to help swing votes in Kavanaugh’s favor. In early July, the White House asked industry leaders in Washington for input and several groups — including the National Federation of Independent Business and the National Association of Home Builders — declared a preference for Kavanaugh.

Brett Kavanaugh Has Shown Deep Skepticism of Regulatory State | Wall St. Journal
His dozen years on the U.S. Circuit Court of Appeals for the D.C. Circuit have been marked with dozens of votes to roll back rules and regulations. He has often concluded that agencies stretched their power too far and frequently found himself at odds with the Obama administration, including in dissents he wrote opposing net-neutrality rules and greenhouse-gas restrictions.

Kavanaugh the Antidote to Corporate America's Worries About Trump | Government Executive
For all the uncertainty about Brett Kavanaugh’s views on abortion, the real key to his legal—and political—impact on the Supreme Court could eventually be his demonstrated resistance to the federal regulation of business. Kavanaugh’s repeated votes as an appellate-court judge to overturn federal regulatory actions point toward a Court even more adamantly tilted than it is today against environmental, consumer-protection, and financial-reform rules.

That shift could trigger interlocked political consequences that unfold for years. From one direction, it could help the GOP answer one of the most delicate questions of the Donald Trump era: how to maintain the allegiance of business amid widespread unease among many corporate leaders about the key pillars of Trump’s racially divisive economic nationalism. But in the process, a Court consistently resistant to constraints on corporate power may also intensify the populist backlash against business that’s already visible among Democrats, with the rising influence of Senator Bernie Sanders and like-minded allies.

Brett Kavanaugh's track record | Politico
Financial regulations: Kavanaugh delivered a huge victory to conservatives in October 2016 when he wrote an opinion declaring the structure of the Consumer Financial Protection

Bureau — a powerful banking industry watchdog first envisioned by Elizabeth Warren — to be unconstitutional. Writing for a three-judge panel, Kavanaugh said the 2010 Dodd-Frank law had wrongly placed "enormous executive power" in the CFPB's single director, which Republicans and the banking industry want to replace with a multi-member commission. Supporters of the CFPB accused Kavanaugh of acting as a partisan activist, and the constitutionality of the CFPB's structure was later upheld.

Kavanaugh Dissent Shows Skepticism For Deference To SEC | Law 360
U.S. Supreme Court nominee D.C. Circuit Judge Brett Kavanaugh has earned a reputation for being skeptical of "overreaching" federal agencies, a point of view that could significantly influence how the high court defers to the U.S. Securities and Exchange Commission going forward, legal experts said Tuesday.

What Judge Kavanaugh could mean for the CFPB as a SCOTUS justice | Ballard Spahr LLP (Alan S. Kaplinsky)

If Confirmed, Kavanaugh Would Tilt Supreme Court Against Public Protections | Center for Progressive Reform (Matt Shudtz)

Who is Brett Kavanaugh? | People for the American Way (Bettina Ramon)

Brett Kavanaugh is out of step with how most Americans believe government regulation should work | Washington Post (Helaine Olen)
But as Democrats look for ways to hinder Kavanaugh's confirmation, they might want to consider what happens when voters are asked about specific rules. In that case, a majority of us apparently think regulation is a very good thing indeed: A survey conducted last year by **Americans for Financial Reform** and the Center for Responsible Lending found more than 90 percent of voters said regulation of financial services and products was important or very important. In 2012, 60 percent said the sector needed more oversight, not less. Gallup recently found nearly 2/3 of those surveyed thought more regulation was needed to protect the environment, with a majority claiming that taking care of the environment should be prioritized over economic growth. More than four out of five Americans support keeping the net-neutrality regulations done away with by the Trump administration appointee to chairman the Federal Communications Commission, Ajit Pai. That includes 75 percent of the Republicans surveyed by the University of Maryland's Program for Public Consultation.

Supreme Court shuffle: 5 possible reverberations for banks | American Banker

THE TRUMP ADMINISTRATION, CONGRESS & WALL STREET

Big banks, feeling unloved in Trump's Washington, shake up lobbying | Politico
JPMorgan Chase, Bank of America and Wells Fargo are among the megabanks seeking to rejuvenate their image — still tarred by the financial crisis and a series of scandals — by rebranding and expanding their trade groups. Their efforts to assert themselves have sometimes been jarring.

Before two of the financial industry's most prominent trade associations recently merged, one of the groups abruptly booted out insurers and asset managers to focus only on bank issues. A group representing finance CEOs did the same. Another Wall Street-centric association commissioned an internal review as banks balked at the dues they were paying compared to other firms with competing interests. Banks are hardly suffering. They will reap huge gains from the tax-reform law signed by Trump in December and they stand to benefit from significant deregulatory moves to come from the Federal Reserve and other agencies.

In an attempt to strengthen their influence, the banks this month are launching the Bank Policy Institute, a union of two existing trade groups that have long represented large lenders in Washington — the Financial Services Roundtable and the Clearing House Association. The group has recruited a top Trump economic adviser, Shahira Knight, to serve as executive vice president and head of public affairs.

Bankers poised to pour money, ads into contested races | Politico
Republicans and Democrats facing competitive midterm races this year are getting an early burst of support from bankers, who are riding high off the passage of a sweeping financial deregulation bill. The American Bankers Association, which has spent months overhauling its political operations, for the first time is running television ads in support of incumbent lawmakers from both parties who have backed industry-friendly policies. Another group organized as a super PAC, Friends of Traditional Banking, is calling on its 22,000 members — mostly from red states — to give to the campaign of Sen. Jon Tester (D-Mont.) — the first time it has backed a Democrat.

Top Republican Says GOP Must Move on From Dismantling Dodd-Frank | Bloomberg
A top Republican lawmaker wants the GOP to move on from its nearly decade-long obsession with killing the Dodd-Frank Act.

U.S. Representative Patrick Patrick McHenry, a member of House Republican leadership and the GOP front-runner to become the next chairman of the Financial Services Committee, said his party should instead focus on legislation that will help prevent the next economic crisis and addresses all the ways that technology is rapidly reshaping banking. Such policies might draw bipartisan support, unlike efforts to gut Obama-era financial regulations.

“We need to get out of this Dodd-Frank morass we’ve been in," McHenry said in an interview Wednesday at his office in the U.S. Capitol. “The next crisis will look different from the previous crisis, so we need to be forward-looking when it comes to legislating."

CONSUMER FINANCE AND THE CFPB

U.S. consumer watchdog fines debt collector, drops customer payouts | Reuters
The settlement, announced on Friday, is at least the second in which Mulvaney, who was appointed head of the bureau in November, has dropped consumer payouts from cases under his review.

The CFPB said in a statement it had fined Kansas-based National Credit Adjustors (NCA) and Bradley Hochstein $500,000 and $300,000, respectively, for wrongly hounding borrowers over debt they owed to payday lenders. But Mulvaney, who is also White House budget chief, decided not to seek $60 million in restitution and debt forgiveness that his predecessor, Richard Cordray, had wanted, said the three people, who are familiar with the settlement discussions.

Consumer bureau deputy chief to resign, ceding legal challenge to Trump | The Hill
Leandra English, deputy director of the Consumer Financial Protection Bureau (CFPB), said Friday that she will resign from the agency and end her legal bid to claim control of the regulator.

English said in a statement that she will leave the CFPB “early next week,” citing President Trump’s nomination of a permanent director for the bureau. She will also end her lawsuit against Trump and acting CFPB Director Mick Mulvaney, whom the president appointed to lead the bureau in November, said her attorney, Deepak Gupta.

Leandra English Resigns, Quietly Ending Another CFPB Chapter | Inside ARM
Reacting to the news that Leandra English would be dropping her efforts to temporarily lead the Bureau, Linda Jun, Senior Policy Counsel at **Americans for Financial Reform**, said:

"By taking on the acting director role, Leandra English courageously stood up for the independence of the Consumer Financial Protection Bureau at a particularly difficult and challenging time. Now that the president has engaged in the process of nominating a director for Senate consideration, something he should have done long ago, the time is right to thank Ms.English for her service to consumers and to the law. The public interest community will focus on ensuring that the next director is a champion of consumers in the face of Wall Street and predatory lenders."

And so begins a new chapter of the BCFP, in which Mick Mulvaney is the uncontested temporary leader.

Mulvaney appoints top aide as consumer bureau acting No. 2 | The Hill
The CFPB announced Monday that Mulvaney had appointed Brian Johnson to be the agency’s acting deputy director. Johnson had previously served as the CFPB’s principal policy director. He had been hired by Mulvaney last year to rein in and rebrand the controversial regulator.

Mulvaney said Johnson, the first person he hired to the bureau, has been an “indispensable advisor,” that “knows the Bureau like the back of his hand.”

Financial consumer agency's powerful investigative tool faces overhaul | S&P Global

Justice Department Announces Task Force to Deter Fraud, Avoid 'Piling On' | NY Times
The task force brings together the Justice Department and U.S. attorneys offices, the Federal Trade Commission (FTC), the Consumer Financial Protection Bureau (CFPB) and Securities and Exchange Commission (SEC), said Deputy Attorney General Rod Rosenstein, who made the announcement along with the heads of the three agencies. Rosenstein told reporters at a press conference the task force would focus on procurement and grant fraud, securities and commodities fraud, digital currency fraud, money laundering, healthcare fraud and tax fraud.

"The goal is to discourage 'piling on', and instead coordinate with local, state, federal and foreign authorities to achieve a joint result that imposes appropriate punishment without prolonging investigations," he said, noting a policy announced in May to encourage better cooperation among government agencies.

Trump Administration Says Task Force Will Fight Consumer Fraud | Wall St. Journal

Trump’s Corporation-Friendly Consumer Task Force | Public Citizen (Rick Claypool)
Mick Mulvaney, director of Trump’s Office of Management and Budget and acting head of the Consumer Financial Protection Bureau, said at the event, according to the Wall Street

Journal's Yuka Hayashi, "We absolutely intend to continue to protect consumers … It will give us a chance to prove that a lot of what you might have heard about us since I took over management of the bureau is not accurate."

Under Mulvaney's predecessor at the CFPB, Richard Cordray, the agency issued an average of two penalties per month. During Mulvaney's entire eight-month tenture, the agency has issued only three penalties…

Other Trump-appointed leaders of agencies that are supposed to protect consumers were also present:

- Chairman Jay Clayton of the Securities and Exchange Commission, who is seeking to reduce the awards his agency offers whistleblowers who expose fraud.

- Chairman Joe Simons of the Federal Trade Commission, whose agency's head of consumer protection is Andrew Smith, who "may be single most conflicted member of [Trump's] administration," according to the Los Angeles Times' David Lazarus. Smith's past work on behalf of more than 50 corporate clients includes AMG Capital Management, the predatory lender controlled by Scott Tucker, who was sentenced earlier this year to more than 16 years in prison… Smith's past clients also included a private equity company that invested in a "lead generation" outfit which paid $2.1 million to settle charges that it broke New York's usury law in hawking high-rate online loans with ads featuring television host Montel Williams.)

DOJ Inks Deals With Two Tribes In Payday Lending Case | Law 360
Two Native American tribes have agreed to pay a combined $3 million and have admitted that auto racer Scott Tucker used tribe-owned companies to try to avoid state laws as part of a massive, fraudulent payday lending scheme, according to a U.S. Department of Justice statement on Tuesday.

Geoffrey S. Berman, U.S. attorney for the Southern District of New York, said in the statement that corporations controlled by the Modoc Tribe of Oklahoma and the Santee Sioux Tribe of Nebraska had reached non-prosecution agreements with the federal government requiring them to forfeit $3 million made in Tucker's scheme.

Why are payday loans so popular with the military? | American Banker
At Javelin Strategy & Research's blog, we've found 44% of active duty military members received a payday loan last year, 68% obtained a tax refund loan, 53% used a non-bank check-cashing service and 57% used a pawn shop — those are all extraordinarily high use rates. For context, less than 10% of all consumers obtained each of those same alternative financial products and services last year.

Ohio Senate tightens rules on high-cost consumer lending | American Banker

N.Y. Regulator Challenges Bank-Fintech Partnership Model | Bloomberg BNA
The agency didn't detail which steps it may take to implement its recommendations that all lenders in New York should be subject to the state's interest rate caps. The rate cap is 16 percent for loans less than $250,000 made by nonbank lenders or New York-chartered banks. Loans above 25 percent could trigger criminal usury limits in the state…

However, it seems plausible the agency intends to investigate some bank-online lender partnerships, multiple sources said. "I'm sure they're looking very closely at bank partnerships," particularly those that try to use banks as a "fig leaf" to cover up usurious lending, Lauren Saunders, associate director at the National Consumer Law Center, told Bloomberg Law.

Citizens Bank launches online-only division, offers enticing savings account yield | BankRate

DERIVATIVES, COMMODITIES & THE CFTC

How Regulators Averted a Debacle in Credit-Default Swaps | Wall St. Journal
The Commodity Futures Trading Commission took an interest last year when Blackstone's GSO Capital Partners LP disclosed it had taken out insurance on bonds issued by Hovnanian Enterprises Inc., wagering the home builder would default on its debts. Blackstone offered Hovnanian a low-cost loan and persuaded the builder to miss a small interest payment in exchange, which would trigger payouts on $333 million in Blackstone's credit-insurance contracts and yield the firm tens of millions of dollars, depending on market factors.

Flash Boys on the Farm? Arms Race Is Unleashed Over Crop Data | Bloomberg LP
[T]he U.S. Department of Agriculture may well be clearing the way for some Wall Street speed demons to trade on market-moving data before others. Abandoning decades of precedent, the agency has decided to only post its reports directly on the web, rather than also release them via accredited media. While that may seem like a democratic move, it actually could set the stage for a winner-takes-all arms race to grab the info first.

Stiglitz: Authorities will bring down 'hammer' on bitcoin | CNBC

INVESTOR PROTECTION, THE SEC, AND RETIREMENT SAVINGS

SEC, strapped for funds, can't police financial markets | The Hill (Kurt N. Schacht)
The most recent Securities & Exchange Commission (SEC) budget request (for fiscal 2019) is $1.6 billion. Is this a big number for our nation's primary overseer of markets and investor protection? Look at these comparisons.

The technology and communications budgets of just three Wall Street firms — Morgan Stanley, JPMorgan Chase and Citigroup — are $16 billion, or 10 times the budget of the SEC.

803 small broker-dealers push for legislation to ease audits | InvestmentNews
The legislation was scheduled for a vote by the committee Wednesday, but was pulled off the agenda because supporters sought more Democratic backing beyond Rep. Vicente Gonzalez, D-Texas, who is a co-author of the bill with Rep. French Hill, R-Ark…

Some of the concerns lawmakers have raised about the measure were highlighted in a letter to the committee Wednesday from the Consumer Federation of America and **Americans for Financial Reform**. The groups said the legislation is unnecessary because the PCAOB already has the authority to exempt small broker-dealers from using PCAOB-registered firms. They also expressed misgivings about the scope of the measure, which would include brokers with fewer than 150 employees, and the definition it uses for good standing.

House Panel Advances Bills Aimed at Helping Small Businesses | Roll Call

SEC Accuses Virginia Man of Participating in Fitbit Stock-Manipulation Scheme | Wall St. Journal
The top U.S. securities regulator said that a second person was involved in a 2016 scheme to file a fake takeover notice of Fitbit Inc. to manipulate its stock price. The Securities and Exchange Commission said Wednesday it filed civil charges against Mark E. Burns, a 30-year-old resident of Norfolk, Va. He couldn't immediately be reached for comment. The SEC said that Mr. Burns and his colleague Robert W. Murray bought call options on Fitbit FIT +0.91% stock and then filed a sham notice that a Shanghai-based company intended to launch a bid to takeover the fitness-tracker maker. The two then sold their options, generating quick profits, according to the SEC.

SEC Brings Insider-Trading Suit Against Former Heartland Payment CEO | Wall St. Journal
The Securities and Exchange Commission charged the former CEO of financial-technology company Heartland Payment Systems, Inc. with insider trading on Tuesday, saying in a complaint that he gave a romantic partner details about his company's planned sale to a larger rival before they became public. In a lawsuit filed in federal court in Connecticut, the SEC accused the former executive, Robert Carr, and his partner, Katherine Hanratty, of buying around $900,000 worth of Heartland stock in late 2015 based on confidential information that it was about to be acquired by payment processor Global Payments Inc.

U.S. Regulator Shelves Reform on Voting in Board Fights | Reuters
The U.S. securities regulator has shelved a proposed Obama-era reform that would have given shareholders in companies more freedom to vote for their preferred candidates during contested board elections… SEC officials have said publicly in recent months that the proposed rule-change remains a priority, raising hopes among activist investors who have pushed for changes, including Pershing Square Capital Management's William Ackman, that the SEC will finalize and implement the rule soon.

However, several people familiar with the matter told Reuters the Commission's new boss Jay Clayton has in fact shelved the proposal, in what will be a disappointment for many investors who say the current system favors company management in board fights.

MORTGAGES AND HOUSING

Wall Street Is Raising More Cash Than Ever for Its Rental-Home Gambit | Wall St. Journal
Wall Street is betting that more well-off Americans will want to be renters. Financiers who loaded up on homes after the housing bust for pennies on the dollar are buying yet more—despite home prices in many markets being at all-time highs.

PRIVATE FUNDS

Wall Street managers have cost Americans more than $600 billion over the past decade | Yahoo Finance (Dion Rabouin)

“We find that some of the worst-performing plans are those that went into alternatives late in the last decade,” said Jean-Pierre Aubry, a research director at the Center for Retirement Research at Boston College who studied the impact of investing in alternatives on public pension funds.

Alternative funds invest in things like hedge funds, private equity, real estate or commodities, rather than traditional stocks and bonds. Because pensions are guaranteed, the underperformance has hit taxpayers in the form of budget cuts for schools, hospitals and libraries and decreased spending on infrastructure, health care and other public projects.

Aubry’s studies show that across the board, public pension fund managers have thrown increasingly more money at these complex and pricey alternative funds, despite the fact that they consistently underperform simple index funds available for a fraction of the fee cost.

Congress confronts Bain Capital, KKR over Toys R Us liquidation | Pitchbook

After creditors recently liquidated the company's US operations, 19 Democratic members of Congress, including former presidential candidate Bernie Sanders, sent Toys R Us' former private equity backers a letter demanding answers about their business practices and bashing the PE industry's business model, per The Wall Street Journal.

"Leveraged buyouts … often result in mass job loss, closure of profitable businesses and unnecessary financial burdens for local government," the letter read. "Such buyouts harm communities, while investment managers walk away with significant gains."

Bain Capital, KKR and Vornado Realty Trust took Toys R Us private for $6.6 billion in 2005, loading the company with a reported $5 billion in debt. The business ultimately filed for Chapter 11 bankruptcy in September, despite a reported $150 million in annual operating profit (not factoring in the debt payments). Creditors eventually took control, opting to shut down all US stores while some 33,000 workers lost their jobs and were denied $75 million in combined severance.

REGULATION IN GENERAL

Robo-calls are getting worse. And some big businesses soon could start calling you even more. | Washington Post

The task of regulating these robo-calls rests in the hands of the Federal Communications Commission, which is studying the matter in response to a recent court decision that struck down the agency’s last set of protections. The FCC declined to comment for this report. But businesses led by the U.S. Chamber of Commerce have warned that potentially onerous new federal rules on whom they can contact and how they contact them would prevent companies from providing useful information to consumers while opening the door to a raft of new lawsuits.

Justice Department appeals AT&T-Time Warner merger | The Hill

The Justice Department on Thursday filed to appeal a federal judge's decision to approve the $85 billion AT&T-Time Warner merger. In a massive blow to prosecutors, Judge Richard Leon of the U.S. District Court for the District of Columbia said last month that the merger could move forward without any conditions attached. The two companies closed the deal days later. The Justice Department sued to block the deal in November 2017, alleging that the combination would allow AT&T, the largest pay-TV provider in the country, to use Time Warner's stable of popular entertainment offerings to suppress competitors.

California is front line in fight over tech regs | The Hill

SEC Probes Why Facebook Didn't Warn Sooner on Privacy Lapse | Wall St. Journal

Trump signs order giving agency heads more power to appoint regulatory judges | The Hill
The order allows agency heads to directly hire Administrative Law Judges, the officials who rule on legal issues related to government regulations. Previously, appointments had to go through the Office of Personnel Management, but the Supreme Court ruled earlier this year that the judges should be considered "inferior officers" rather than regular employees, which will allow agency heads that are political appointees to make hires. There are about 2,000 of the judges employed throughout the government, primarily in the Social Security Administration, according to a Politico report. The order will also make it easier for the Trump administration to fire the judges, and follows the president's May directives that made it easier to fire federal employees.

STUDENT LOANS AND FOR-PROFIT SCHOOLS

CFPB says Education Department is stonewalling its lawsuit against student-loan giant Navient | Los Angeles Times
The [CFPB] is accusing the Education Department of impeding a lawsuit that could potentially bring financial relief to millions of student loan borrowers. The Consumer Financial Protection Bureau is suing Navient Solutions, alleging one of the nation's largest student loan servicers violated consumer protection laws and in some cases caused students to pay back too much on their student loans. But in court filings, the CFPB says the Education Department is refusing to authorize Navient to turn over documents. Without that authorization the federal government, as well as several state attorneys general suing Navient, could find it difficult to show what type of damage the company's alleged misbehavior caused to borrowers.

As feds pull back, states step in to regulate for-profit colleges and universities | The Hechinger Report

Is U.S. higher education headed for 'Wild West' tumult? | Hechinger Report Everyone in America should be concerned about recent news that the U.S. Department of Education has quietly but steadily deprioritized investigations into fraud and abuse by a number of for-profit institutions. This doesn't just impact current and future students — it affects every tax-paying citizen in our country.

Some for-profit universities prey on this confusion, and use expensive marketing strategies to camouflage their lack of credibility with the promise of being a faster, more modern approach to higher education than the traditional university. In doing so, they specifically target vulnerable populations, such as military families and those who are the first in their families to attend college.

Former execs of defunct for-profit college ITT settle fraud charges | Washington Post
Former top executives at ITT Educational Services, the parent company of defunct ITT Technical Institute, have settled fraud cases with the Securities and Exchange Commission, avoiding a trial slated to begin Monday.

A judgment order entered Friday puts to rest civil fraud charges filed in 2015 against former ITT chief executive Kevin Modany and former chief financial officer Daniel Fitzpatrick for allegedly deceiving investors about high rates of late payments and defaults on student loans backed by the company.

Neither Modany nor Fitzpatrick admitted or denied wrongdoing, but they agreed to pay penalties of $200,000 and $100,000, respectively. Both are barred from serving as officers and directors of public companies for five years. The agreement arrives nearly a year after SEC commissioners rejected an earlier settlement with the executives.

Trump Administration Backs Off Reshuffling of Student Debt Collection | Inside Higher Ed
The Department of Education planned this month to begin reshaping the role of private debt collection firms in handling student loans by pulling defaulted borrower accounts from a handful of large private contractors.

Lawmakers who control the department’s budget had other ideas. After a recent Senate spending package warned the department against dropping the debt collectors, the plan is on hold. And it’s not clear how those companies will figure into the Trump administration’s proposed overhaul of student loan servicing.

GI Bill Scheme Defrauded 2,500 Student Veterans | Inside Higher Ed

SYSTEMIC RISK

Why Killing Dodd-Frank Could Lead to the Next Crash | Rolling Stone (Matt Taibbi)
In recent years… lobbyists began to complain that the restrictions were hurting small regional banks. Currently, the rules apply to any bank with more than $50 billion in assets. The new bill raises that to $100 billion immediately, then, potentially, to $250 billion. If the carve-out goes to $250 billion in assets, roughly 99 percent of banks will be exempted from the Dodd-Frank safety provisions. So, yes, it helps out your local bank. And basically all the other banks too.

Still, Republicans and Democrats alike successfully pitched the bill as helping small business – what Elizabeth Warren described as using community banks as a “human shield.”

Streak of zero bank failures can only last so long | American Banker
The greatest threat to financial institutions might be interest rate risk. During the savings-and-loan crisis, more than 1,000 institutions failed after issuing long-term, fixed-rate loans at yields below their funding costs.

Banks are at risk of finding themselves in a similar position as the Federal Reserve raises rates, albeit it at a slower pace. There is the chance that some management teams could be caught flatfooted.

Middle-Market Public Policy Roundup | Middle Market Growth
As we have previously reported, the five federal agencies responsible for enforcing the Volcker Rule have started the rulemaking process to ease Volcker Rule restrictions by way of a “Notice of Proposed Rulemaking.” The proposed rulemaking is now finally expected to be published in the Federal Register on July 17, after which there will be a 60-day comment period.

However, on July 10, four organizations—Better Markets, **Americans for Financial Reform**, Public Citizen and Center for American Progress—submitted a letter to the five Volcker regulatory agencies requesting that the comment period be extended for 90 additional days in order to provide “meaningful public input.”

Traders find a receptive ear among regulators for relaxing rules | Financial Times

TAXATION

U.S. Treasury Issues Final Regulations on Inversion Transactions | Wall St. Journal
The Treasury Department on Wednesday released the final version of regulations designed to limit U.S. companies’ ability to engage in so-called inversion transactions that put their tax addresses abroad. The regulations complete work started under the Obama administration and implement a proposed rule that led Pfizer Inc. and Allergan PLC to scuttle a proposed merger in 2016. In the final regulations, Treasury officials denied that they were targeting any particular transaction. In an inversion, a U.S. company takes a foreign address, typically through a merger with a smaller firm. The combined company could then lower its tax rates through internal borrowing and can more easily move non-U.S. profits around the world and back to shareholders while avoiding U.S. taxes. The 2017 tax law reduced the U.S. corporate tax rate, limiting the benefit that companies can get by moving profits from the U.S. to foreign countries through inversions and other maneuvers. But in some cases, corporations can still gain advantages by having a foreign address.

OTHER TOPICS

FTC Democrat hires tech critic who wrote paper describing Amazon as monopoly | The Hill
Federal Trade Commission (FTC) Democratic Commissioner Rohit Chopra is adding a prominent critic of the technology industry to his staff who has suggested that Amazon should be broken up or regulated like a public utility.

Chopra announced on Monday that he is hiring Lina Khan as a legal fellow in his office. Khan previously worked at Open Markets, a Washington, D.C. think tank known for its critical positions on the size and power of companies like Amazon and Google.

Midterms will show voters are tired of taking back seat to Wall Street | The Hill (Heather Booth)
Donald Trump came to power in part because so many ordinary Americans felt that they weren’t benefiting from an economy that for 30 years has mainly benefited the top 1 percent.

Now he is channeling resentment to focus it on immigrants and the poor while he works to free his friends on Wall Street from the rules. But the November elections give ordinary people the ability to strike back.

I was the founding executive director of **Americans for Financial Reform** (AFR), now a coalition of over 200 organizations that coordinated the campaign to rein in the Wall Street abuses. We fought in the streets, in the halls of Congress, in the press and on Wall Street...

For six years now, AFR has taken the public temperature on financial regulation. The public wants more, not less, and it's true across parties, geography, race and income. A recent poll by the **Take On Wall Street campaign** found rock-solid support across those same constituencies for fighting racial discrimination in lending.

Likely voters were outraged to learn that Wall Street was the biggest recipient of the tax bill's largesse and that Congress passed bills enabling discrimination in auto and home lending.

This poll shows what we would have every reason to expect. The public is tired of Wall Street getting the elevator and the rest of us getting the shaft. Other surveys show similar results. Even Trump knew enough to rage at Wall Street and "the hedge fund guys" as a candidate — but only as a candidate.

LA will require disclosures about bank sales incentives | American Banker
The new requirements are intended to protect consumers and bank workers from the kind of aggressive sales tactics that led to the phony-accounts scandal at Wells Fargo. They will only apply to banks that either do business with the city already or are seeking to do so.