This Week in Wall Street Reform | Dec. 3-9, 2016

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

THE PRESIDENT ELECT AND WALL STREET

Goldman Sachs No. 2 Seen as a Top Economic Adviser to Trump I NY Times
The longtime second-in-command at Goldman Sachs, Gary D. Cohn, will help guide President-elect Donald J. Trump's economic policy along with a former Goldman partner, Steven Mnuchin, who has been nominated for Treasury secretary.

Mr. Cohn, the Wall Street bank's president, is expected to be named director of Mr. Trump's National Economic Council, which oversees economic policy in the White House.

The position was established by President Bill Clinton and given to Goldman's co-chairman at the time, Robert E. Rubin. Mr. Rubin's fellow co-chairman, Stephen Friedman, later held the position under George W. Bush. At other times, the job has been in the hands of people trained as economists, which Mr. Cohn is not.

Goldman's Cohn in frame for Trump economic role I Financial Times
The prospect of Mr Cohn joining Mr Trump's administration prompted immediate criticism from opponents of the president-elect, who has vowed to "drain the swamp" in Washington. It "is further proof he doesn't plan on keeping his word with workers," said Karl Frisch, executive director of the non-profit group Allied Progress.

Marcus Stanley of **Americans for Financial Reform**, a group that wants tougher regulation of Wall Street, said that the NEC and Treasury would provide the core economic policy advice to the new administration and would have a tremendous voice in future regulatory appointments.

"Trump talked about the rigged system. It is a recipe for maintaining that rigged status quo," he said.

Trump just offered yet another Goldman veteran a spot in his administration I CNBC

Not that easy for Trump to cancel Obama's 'unconstitutional' actions | Washington Post
Repealing an existing regulation requires a rulemaking process of its own, subject to the Administrative Procedure Act — this can take months or years. The Supreme Court has held that a rule can't be rescinded simply to reduce regulation; there has to be "a reasoned basis for

the agency's action." At least some of the low-hanging fruit of the regulatory underbrush has been cleared by various presidents' efforts to deregulate. For instance, Obama has claimed that his "look-back" initiative aiming to "identify and reduce regulatory burdens" saved more than $13 billion by 2014.

A Trump SWAT Team for Regulation | Wall Street Journal (editorial)
If Donald Trump wants the deregulation effort to succeed—and it's essential to promoting faster growth—he and Chief of Staff Reince Priebus could take a lesson from the Reagan era and appoint a political SWAT team to direct it from the White House.

The Absurd, Illegal Logic of Trump's '2 for 1' Regulation Proposal | Inside Sources (Ken Kimmel)

How Would Dismantling Dodd-Frank Affect Banks and Consumers? I Podcast (with David Zaring and Michael Barr)

Which Dodd-Frank rules are on the chopping block next year? The Hill

GOP quickly laying groundwork for reg rollback I The Hill

WELLS FARGO CASE

Wells Fargo to spend millions on investigations I Activist Insight
Wells Fargo`s CEO, Timothy Sloan, said the company expects to spend tens of millions of dollars to get through investigations and other regulatory matters related to its sales practice scandal, according to the Wall Street Journal. At the Goldman Sachs financial-services conference Tuesday, the recently appointed CEO said the scandal could affect the California-based company`s retail banking results and specifically its fourth quarter numbers.

Sloane also admitted that there are parts of the bank`s culture that need to change, although said it has the right leadership team in place to do the job, the Journal reported.

Accusations of Fraud at Wells Fargo Spread to Sham Insurance Policies I NY Times
Wells Fargo has a partnership with Prudential to sell a low-cost life insurance policy to the bank's retail customers. After news of the Wells Fargo settlement in September, Prudential ordered an internal review of its dealings with the bank, to make sure nothing was amiss with the joint endeavor.

A lot was amiss. According to three former managers in Prudential's corporate investigation division, Wells Fargo employees appeared to have signed up bank customers for Prudential insurance without the customers' knowledge or permission. In some cases, they even arranged for monthly premium fees to be withdrawn from their customers' accounts.

Wells Fargo Likely Faces Regulatory Downgrade, Harming Its Prospects I Wall St. Journal

Wells Fargo & Co. is likely to receive a regulatory downgrade that could hamper its business activity and growth, according to people familiar with the matter. The Office of the Comptroller of the Currency is considering a downgrade of Wells Fargo on a community-lending scorecard, these people said. A decision on Wells Fargo's potential downgrade was expected by the bank as early as Thursday afternoon but was delayed by the OCC for unknown reasons, a person familiar with the matter said. The bank may have more clarity on an official decision in the next week, this person added. The expected downgrade would likely be a result of Wells Fargo's sales-tactics scandal. The OCC may take advantage of a longstanding rule that if a bank engages in unfair and deceptive practices, then a regulator can lower the bank's rating for purposes of the Community Reinvestment Act. News of a possible OCC downgrade of Wells Fargo was previously reported by Reuters.

CONSUMER FINANCE AND THE CFPB

Wells Fargo's actions should persuade lawmakers to curb forced arbitration I LA Times (editorial)
When they open an account at Wells Fargo, consumers may miss the fine print stating that any disputes with the bank have to be resolved through arbitration. Not that Wells Fargo gives them a choice: If they want to open a savings account, they had to agree (with limited exceptions) not to take the bank to court.

But what consumers couldn't have anticipated is that Wells Fargo would use this agreement to insulate itself against class-action lawsuits when the bank fraudulently created entirely new accounts in their name without their knowledge or consent… And astoundingly, the courts have sided with the bank, ruling that even the question of whether a dispute must be arbitrated had to be resolved by an arbitrator.

Wells Fargo victims deserve day in court I Modesto Bee (Editorial)
Sen. Sherrod Brown, D-Ohio, and Rep. Brad Sherman, a Los Angeles-area Democrat on the House Financial Services Committee, this month introduced legislation invalidating the arbitration clauses in the Wells Fargo customers' contracts. A similar bill was introduced this week at the state level by state Sen. Bill Dodd, D-Napa

Though it will be a heavy lift, given gathering corporate might, this imbalance must be leveled. And it's clear the bank won't do that on its own. At a financial conference this week, Wells Fargo's new chief executive, Tim Sloan, publicly called for a rollback in the financial regulations set up to protect consumers. An incredible bit of gall.

Risking more noise, Wells Fargo seeks a quiet end to its scandal I Chicago Tribune
Wells Fargo & Co.'s attempt to force aggrieved customers into closed-door arbitration over its fake-accounts scandal is drawing a legislative backlash in its home state of California and risks subjecting the bank to another round as a public punching bag. Following pledges at Capitol Hill hearings and in advertisements that it would rebuild customer trust, the San Francisco-based lender moved to avoid facing many claims in open court. Even as Donald Trump's surprise

election may ease pressure from Washington, the arbitration issue injects new life into the scandal and could further tarnish the firm's reputation.

Wells Fargo Playing Its 'Get Out Of Jail Free' Card Over Fake Accounts | Consumerist
Wells — just like most major banks, telecom and cable companies, online retailers, and electronics manufacturers — includes a forced arbitration clause in its consumer contracts. These clauses do two things: First, they prevent the customer from bringing a lawsuit through the legal system. Instead, any dispute can be shunted off into private arbitration. Second, and more importantly, they prohibit similarly wronged customers from joining their complaints into a single class action — even through arbitration. Thus, rather than having a handful of named plaintiffs representing an entire class of harmed individuals, each wronged customer must go through arbitration on their own.

Wells Fargo blocks the courthouse door | Des Moines Register (Editorial)
A new bill in Congress would allow Wells Fargo customers to have their day in court, and the Consumer Financial Protection Bureau is considering rules that would prohibit financial institutions from forcing customers into arbitration. But those proposals are not expected to go anywhere in a Republican Congress and are also likely to face opposition from the newly elected president. Wells Fargo should waive the arbitration requirement — not because it has to, or even because it makes sense from a long-term customer-relations standpoint. It should waive the requirement because it's the right thing to do.

Bill Bolsters Legal Efforts of Wells Fargo Fraud Victims I TechNewsWorld
Sen. Sherrod Brown, D-Ohio, the ranking member of the Senate Committee on Banking, Housing and Urban Affairs, and Rep. Brad Sherman, D-Calif., a member of the House Financial Services Committee, introduced the *Justice for Victims of Fraud Act of 2016* in their respective chambers.

Among the Senate bill's cosponsors are Sens. Patrick Leahy, Elizabeth Warren, Patty Murray, Richard Durbin, Jack Reed, Al Franken and Jeff Merkley...

"It takes a lot of corporate chutzpah to stick people with accounts they didn't ask for and then tell them they can't sue because of an arbitration clause in some other account," [said] Jim Lardner, communications director of **Americans for Financial Reform**.

You Can't Sue Wells Fargo for Fraud—Unless This New Bill Goes Through I Money Magazine
In addition to the co-sponsors, about 14 consumer groups also endorsed the legislation, including the National Consumer Law Center, the Economic Policy Institute Center, the NAACP, and Americans for Financial Reform. "As demonstrated by Wells Fargo, forced arbitration 'ripoff clauses' give the financial industry an effective license to steal and keep misconduct out of the public eye," **Americans for Financial Reform** said in a statement. "The Justice for Victims of Fraud Act would restore consumers' right to hold banks accountable in court when fraudulent accounts are opened without the consumers' knowledge."

Wells Fargo’s actions should persuade lawmakers to curb forced arbitration I Los Angeles

Here's How Wells Fargo Proves It's Not a Wall Street Villain | American Banker

Trump vs. Cordray: The Battle Ahead I American Banker
A key question is whether Trump will attempt to fire Cordray soon after assuming the presidency next month even though there is a pending court appeal challenging his authority to do just that.

"We're dealing with a situation where there is a lot of legal uncertainty about how this administration will act, so how this will unfold is unpredictable," said Scott Nelson, an attorney with Public Citizen Litigation Group, who has argued several cases before the Supreme Court...

Many legal experts said there's sufficient legal wiggle room for Trump to fire Cordray, who has been a thorn in the side of congressional Republicans and the financial industry since he was confirmed for a five-year term on July 16, 2013. Up until recently, the prevailing analysis was that Cordray couldn't be removed until his term expired in 2018 unless he was fired "for cause."

CFPB rules protect all Americans from financial gouging I Orlando Sentinel (Alice Vickers)
Some members of Congress have questioned the need for the agency at all. However, looking back into the not-so-distant past, we can identify the circumstances that necessitated a consumer-protection agency in the first place, and why it is so important to maintain the agency as an independent regulator in the future.

In 2008, Florida — along with the rest of the country — was slammed when toxic, subprime mortgages started resetting upward, catapulting many unsuspecting homeowners into unaffordable mortgage payments. Payment defaults followed, and the subprime mortgage market collapsed. The economic tremors that followed decimated the broader financial and labor markets, ultimately leading to high unemployment and historic drains of family wealth. The Great Recession was here, and out of this crisis came the Dodd–Frank Wall Street Reform Act in 2010, providing desperately needed reforms to the financial regulatory system and empowering the creation of the CFPB as a single bureau for protecting consumers in the financial marketplace.

Panelists at Consumer Advocacy Conference Discuss Election Implications | Inside ARM
Last week the Consumer Federation of America (CFA) held its annual Financial Services Conference in Washington, D.C. It was attended by more than 150 consumer advocates, regulators, industry representatives, researchers, and journalists.

The opening session, *Election Implications for Financial Services*, was moderated by Rachel Weintraub, Legislative Director and General Counsel of CFA, and paired Lisa Donner, Executive Director of **Americans for Financial Reform** with J.W. Verret, Associate Professor at the Antonin Scalia Law School – and Senior Scholar of the Mercatus Center – at George Mason University.

Banks Ask Congress to Alter Consumer Bureau, Roll Back Protections I Consumerist
While virtually all federal agencies will soon see a change in leadership when President-elect Trump enters the White House, the future of the Consumer Financial Protection Bureau and its Director remain in question. In an effort to work around those legal concerns, the banking industry has called on Congress to legally change the structure of the CFPB, and to roll back a number of the CFPB's recent and pending regulations on banks and lenders.

The financial industry's biggest problem with the CFPB — aside from the fact that the Bureau exists in the first place — is its structure. Rather than have a three- to five-member commission running the agency, it has a single Director. But unlike most agencies with one chief decision-maker at the top, the CFPB Director can *not* be readily removed from office by the President. Instead, the White House must show cause for a CFPB Director to be fired before the end of his or her five-year term.

See **full letter** from Consumer Bankers Association, Independent Community Bankers of America, Credit Union National Association

CFPB issues rigorous new guidance to Financial Services Industry regarding sales incentives | Pepper Hamilton LLP

Step away from the pen, Mr. Cordray I Newnan (Ga.) Times-Herald (Brian Knight & Michael Wilt)

Trump's Plan to 'Impound' Remittances Is Bad for Business I American Banker

10 Consumer Groups File Brief in Case on CFPB Constitutionality I Inside ARM
On Wednesday, November 30th, a collection of ten consumer advocacy groups filed an amicus brief asking the U.S. Court of Appeals for the D.C. Circuit to review its decision en banc in PHH Corp. v. Consumer Financial Protection Bureau (United States Court of Appeals, D.C. Cir., Case No. 15-cv-01177)...

The consumer groups that are signatories to the brief are **Americans for Financial Reform**, California Reinvestment Coalition, The Center for Responsible Lending, Consumer Federation of America, The Leadership Conference on Civil and Human Rights, The National Community Reinvestment Coalition, The National Consumer Law Center, The National Council of La Raza, United States Public Interest Research Group Education Fund, and the Woodstock Institute.

Calif. Atty Lays Into CFPB, Cordray In High Court Appeal I Law 360

[South Dakota will be fine without payday lenders, says Governor](#) I Argus Leader
The statement came in response to the news that dozens of short-term lenders across the state plan to shutter following the implementation of a voter-approved cap on the industry's interest rates...

Daugaard last month said he voted for the initiative measure capping interest rates on payday lenders at 36 percent and against an industry-backed initiative that would have created a loophole for lenders.

[Bank Watchdogs Say They're Not Forcing Banks From Payday](#) I Wall St. Journal
Federal regulators in court filings Thursday pushed back against claims that they are forcing banks to cut off payday lenders.

The Federal Deposit Insurance Corp., the Office of the Comptroller of the Currency and the Federal Reserve disputed the payday-loan industry's assertion that regulators are forcing banks to shut down lenders' accounts and cutting off access to banking services, saying that the theory is based "on erroneous and unsupported speculation," according to a court filing.

See [letter to OCC](#) from Rep. Blaine Luetkemeyer.

[Adapting Regulation for the FinTech World](#) I RegBlog
The [CFPB] recently issued a final rule aimed at providing wide-ranging protections to pre-paid cardholders. These protections include requiring financial institutions to limit consumers' losses when their funds are lost or stolen, investigate and resolve errors in connection with pre-paid accounts, and provide consumers with free and accessible information about their accounts, among other protections. And although this new rule largely focuses on pre-paid cards—a rapidly growing form of payment—the CFPB also expanded the protections to cover electronic person-to-person payments, like those made via PayPal.

Expanding these existing consumer protections for financial activities, whether or not they flow through traditional banks, the CFPB implemented a tried-and-true regulatory regime that will foster innovation, competition, and the provision of new and better services to help people access their money in a faster and more secure manner. Even better, the CFPB issued the rule proactively, instead of waiting for a crisis to occur—the latter being too often the case in policymaking.

[U.S. Regulator Clears Way for Online Lenders to Have National Charter](#) I NY Times
Online credit companies and paperless lenders would be able to get federal charters to do business nationwide under a plan outlined on Friday by a U.S. banking regulator. The Office of the Comptroller of the Currency (OCC), the main regulator for federal banks, said it hoped offering a charter for "fintech" companies would spur banking sector innovation.

DERIVATIVES, COMMODITIES & THE CFTC

U.S. Derivatives Regulator to Move on From Dodd-Frank Under Trump I Wall St. Journal
J. Christopher Giancarlo, in line to head the Commodity Futures Trading Commission once Trump is inaugurated on Jan. 20, has said the agency should look beyond mandates from the 2010 Dodd-Frank Wall Street reform law to current trends in financial markets. He counts among those cyber threats, liquidity risk, market concentration and de-globalisation. As the sole Republican on the CFTC, Giancarlo will at least temporarily run the commission where he is currently the minority member. Even if Trump later nominates someone else for the permanent post, Giancarlo, who was previously an executive vice president at GFI Group, a wholesale brokerage that runs electronic trading platforms, will be influential in the coming months. This week, he forced the commission to delay limits on the positions that traders can hold on physical commodity futures and swaps. Redrawn position limit rules are likely to reappear in 2017, as are the following other agenda items.

ENFORCEMENT

Why have no CEOs been punished for the financial crisis? I The Hill (Michael Winston)
The world was brought to the brink by the American financial system. Thus far, no one has been held accountable. The Securities and Exchange Commission's (SEC) decades-long "sweep it under the carpet attitude" ignored industry whistleblowers like Harry Markopoulos who identified the Bernie Madoff Ponzi scheme. Markopoulos spent nine years trying to get the SEC to listen to him. Nine years is unacceptable. Millions of Americans believe we cannot effectively move forward as a nation without a criminal prosecution of at least one of the top executives involved in this debacle. The term "closure" seems barely adequate to cover events of such catastrophic dimensions as a global financial crisis, yet closure is exactly what is needed. People need to know that the game is not fully rigged, that the rule of law does still exist, and that even when committed by powerful people in the highest places, crimes of magnitude will not go unpunished.

EXECUTIVE COMPENSATION

U.S. Limits on Wall Street Bonuses Appear Doomed Ahead of Trump I Bloomberg
For years the White House has pushed U.S. regulators to finish writing tough new rules that would restrict bonuses for Wall Street executives, one of the most contentious parts of the Dodd-Frank banking reform law. The chances of that actually happening are becoming slimmer by the day.

Banking agency officials have privately conceded that finishing the sweeping changes to financial industry pay during Barack Obama's presidency will be close to impossible for two reasons: opposition from a Republican board member at the little-known regulator of credit unions; and a bureaucratic quirk that gives the lone Republican commissioner at the Securities and Exchange Commission the power to block the rules, according to three people with knowledge of the matter.

[Portland Adopts Surcharge on CEO Pay to Reduce Income Inequality](#) I NY Times (Gretchen Morgenson)
Moving to address income inequality on a local level, the City Council in Portland, Ore., voted on Wednesday to impose a surtax on companies whose chief executives earn more than 100 times the median pay of their rank-and-file workers.

The surcharge, which Portland officials said is the first in the nation linked to chief executives' pay, would be added to the city's business tax for those companies that exceed the pay threshold. Currently, roughly 550 companies that generate significant income on sales in Portland pay the business tax.

Under the new rule, companies must pay an additional 10 percent in taxes if their chief executives receive compensation greater than 100 times the median pay of all their employees. Companies with pay ratios greater than 250 times the median will face a 25 percent surcharge.

This City Just Came Up With a Novel Way to Fight Inequality I The Nation (Sarah Anderson)

INVESTOR PROTECTION AND RETIREMENT SECURITY

Donald Trump's Labor Pick Spells Potential Trouble for Retirement Rule I Wall St. Journal
"More government is not the solution to every problem; it's the problem to every solution," Mr. Puzder he said in an interview with Franchise Times last month. "You can't order businesses to be profitable, or place restrictions on them and expect them to grow."

Mr. Puzder's remarks, along with his close dealings with financial companies during his career, are enough to make some experts believe the new administration will kill or significantly weaken the investment-advice rule, which is set to take effect in April 2017.

"The likelihood of seeing a delay or [it] being altered is certainly increasing," said Alois Pirker, research director at Aite Group…

Among Mr. Trump's advisers, Anthony Scaramucci, who runs hedge fund SkyBridge Capital, is the only one known to have commented on the rule. At an October conference, he said the rule would be repealed, calling it possibly "the dumbest decision to come out of the U.S. government in the last 50 to 60 years," according to Investment News. Mr. Scaramucci also criticized the rule in a Wall Street Journal opinion piece last month.

Fiduciary Rule Harming Investors Via 'Orphaned' 401ks, says ICI's Blass I Think Advisor
David Blass, general counsel for the Investment Company Institute, told members of the Committee during its meeting at SEC headquarters in Washington that DOL's fiduciary rule "is going to be harmful to investors," and that evidence of such harm is already being shown in

"orphaned" 401(k) accounts. The rule “should be revised and harmonized” with an SEC rule, he said.

Marcus Stanley, policy director for **Americans for Financial Reform**, cautioned during his remarks before the committee that the SEC, under the incoming Trump administration, would likely place a “heavy emphasis on capital formation,” and warned that investor protection measures must go hand in hand with such a focus.

Stanley noted that the Department of Labor’s fiduciary rule, “which is now being implemented, is a dramatic step forward in investor rights,” stressing that the rule “must include” the best interest contract exemption and that it should be enforced.

He criticized the SEC’s enforcement of fiduciary duties for advisors as being “about disclosures,” which permits advisors to recommend products not in the clients’ best interest.

“We believe a disclosure-based standard falls short,” Stanley said, noting that “the DOL rule should serve as a model for the SEC.”

See **AFR testimony**.

Similar Mutual Funds–but Very Different Fees | Wall Street Journal
Are you paying more than you should be for your mutual funds? Could you purchase essentially identical alternatives for much less money?

The answer to both questions appears to be yes. Newly released academic research provides compelling evidence that many investors are, in fact, paying excessive and unnecessary costs to invest in high-fee funds when markedly lower-fee versions are available.

Senate Democrats control fate of DOL fiduciary rule | Investment News

The New Retirement-Advice Rule: Where Things Stand | Wall Street Journal

Rumors of DOL fiduciary rule's demise greatly exaggerated: panel | Investment News

BlackRock’s Shedlin Says Labor Dept. Fiduciary Rule Will Stick I Bloomberg

Outlook good for expanded accredited investor definition after House approval I Investment News

SEC Enforcement Division “Looking Closely” at Non-GAAP Violations I Wall St. Journal

SEC Urges LendingClub to Disclose More About Its Loans, Funding I Wall St. Journal

SEC Enforcement Chief to Step Down I Wall St. Journal

MORTGAGES AND HOUSING

Trump Chooses Ben Carson to Lead HUD | New York Times
With no experience in government or running a large bureaucracy, Mr. Carson, 65, publicly waffled over whether to join the administration. He will oversee an agency with a $47 billion budget, bringing to the job a philosophical opposition to government programs that encourage what he calls “dependency” and engage in “social engineering.” He has no expertise in housing policy, but he did spend part of his childhood in public housing, said a close friend, Armstrong Williams, and he was raised by a dauntless mother with a grammar-school education. In his autobiography he stressed that individual effort, not government programs, were the key to overcoming poverty. The Department of Housing and Urban Development oversees programs that provide vouchers and other rental assistance for five million low-income families, fights urban blight and helps struggling homeowners stave off foreclosures.

Reverse mortgage firms fined $799,000 over deceptive consumer ads I USA TODAY
Three reverse mortgage companies were collectively fined $790,000 for using deceptive advertising that claimed consumers could not lose their homes, a federal regulator said Wednesday.

American Advisors Group, Reverse Mortgage Solutions and Aegean Financial reached consent agreements with the Consumer Financial Protection Bureau after the regulator's investigation found they used ads whose scripts featured similarly misleading though reassuring claims:

- "Can I lose my home? "No you cannot lose your home."
- "I can show you how to use a government-insured program that allows you to save money, get cash and live payment-free as long as you live in your home."
- Consumers with reverse mortgages can "live in your home for the rest of your life" "stay in your home forever" and "never *ever* be forced from your home."

Separately, American Advisors Group touted the financial advantages of reverse mortgages in ads that featured Fred Thompson, a former *Law and Order* TV drama actor and former U.S. senator who characterized the product as a "safe, effective financial tool."

Why More Mass Deportations Would Be Bad News for the Housing Market I NY Times
Right around the time foreclosures were starting to pile up in the housing crash, on their way to affecting nearly one in five homeowning Hispanic households, the very same communities took a second blow.

The federal government’s Immigration and Customs Enforcement agency, in partnership with local law enforcement, was increasing deportations of undocumented immigrants: more than three million in all between 2005 and 2013. About 85 percent of them were working Latin American men.

New research now suggests that the deportations helped exacerbate foreclosures. Counties that collaborated with ICE in what became a large-scale deportation sweep experienced a surge in foreclosures of homes owned by Hispanics, according to a study by Jacob Rugh and Matthew Hall published Thursday in the journal Sociological Science. They argue that the roundups help explain why Hispanics faced the highest foreclosure rates during the housing crash — even among households with legal residents and American citizens.

Royce proposes next step in housing finance reform I PoliticoPro
Rep. Ed Royce has drafted a bill designed to be an intermediary measure on the way to broader housing finance reform.

The California Republican, a senior member of the House Financial Services Committee, is introducing the bill with Rep. Gwen Moore, a Democrat from Wisconsin.

The legislation would mandate that mortgage giants Fannie Mae and Freddie Mac, in government conservatorship since 2008, offload more credit risk to private investors. Royce is aiming to make them easier to wind down.

Overly tight credit killed 1.1 million mortgages in 2015 | Urban Institute

Reverse mortgage firms fined $799,000 over deceptive consumer ads | USA Today

Royce proposes next step in housing finance reform | Politico

STUDENT LOANS & FOR-PROFIT EDUCATION

For-profit college students make a last-ditch attempt at faster debt relief | The Washington Post
A coalition of people who say they were defrauded by Corinthian Colleges, ITT Technical Institutes, Art Institutes and other for-profit colleges are urging the Obama administration to cancel their debt before Donald Trump takes office.

The group worries that the president-elect will end efforts to discharge the federal student loans of tens of thousands of former for-profit college students who have been fighting for debt relief for years. Trump's ties to for-profit real estate seminars, the subject of a $25 million fraud settlement, has them convinced that his rise to power puts their chances at loan forgiveness in jeopardy. His transition team did not respond to requests for comment.

Thousands of Virginians may be eligible for student loan forgiveness without knowing it | Washington Post

Virginians who attended defunct for-profit colleges eligible for loan forgiveness | Stars and Stripes

What Former Employees Say ITT Tech Did To Scam Its Students | NPR

McCain Slams Pentagon For Protecting Troops From For-Profit College Abuses | Huffington Post blog

Corinthian Colleges Files Show Big Fees to Google, BET, Lead Generators | Huffington Post blog

USA Funds will no longer operate nation's largest student loan guarantor business | **Politico**

CollegeAmerica fights allegations of fraud, nonprofit status | Wyoming Tribune Eagle

Feds pull student loan access for MN School of Business, Globe University | Minn. Public Radio

Education Department Blocks Aid for 2 For-Profits | Inside Higher Ed

Keep the pressure on for-profit schools to be accountable | Minneapolis Star Tribune (editorial)

See AFR statement.

Education Department places hefty conditions on University of Phoenix sale | The Washington Post

U.S. Battle With For-Profit Colleges Flares Over Sale of Giant School | Bloomberg

SYSTEMIC RISK

Fed Policy Maker Urges Continued Work to End 'Too Big to Fail' I NY Times
The United States "absolutely must complete" work on ending the too-big-to-fail bank problem that helped plunge the global economy into recession eight years ago, an influential Federal Reserve policy maker said on Saturday. In remarks that appeared to respond to President-elect Donald J. Trump, who has promised to roll back Wall Street regulations, the president of the Federal Reserve Bank of New York, William C. Dudley, said there had been much progress in making the financial system "less prone to panics." "Still," he said in prepared remarks, "there is more to do before we can say that we have ended 'too big to fail.' This is work that we absolutely must complete."

OTHER TOPICS

Economic growth in the United States: A tale of two countries I Washington Center for Equitable Growth (Thomas Piketty & others)

First, our data show that the bottom half of the income distribution in the United States has been completely shut off from economic growth since the 1970s. From 1980 to 2014, average national income per adult grew by 61 percent in the United States, yet the average pre-tax income of the bottom 50 percent of individual income earners stagnated at about $16,000 per adult after adjusting for inflation.5 In contrast, income skyrocketed at the top of the income distribution, rising 121 percent for the top 10 percent, 205 percent for the top 1 percent, and 636 percent for the top 0.001 percent…

It's a tale of two countries. For the 117 million U.S. adults in the bottom half of the income distribution, growth has been non-existent for a generation while at the top of the ladder it has been extraordinarily strong. And this stagnation of national income accruing at the bottom is not due to population aging. Quite the contrary: For the bottom half of the working-age population (adults below 65), income has actually fallen. In the bottom half of the distribution, only the income of the elderly is rising.6 From 1980 to 2014, for example, none of the growth in per-adult national income went to the bottom 50 percent, while 32 percent went to the middle class (defined as adults between the median and the 90th percentile), 68 percent to the top 10 percent, and 36 percent to the top 1 percent. An economy that fails to deliver growth for half of its people for an entire generation is bound to generate discontent with the status quo and a rejection of establishment politics.

Because the pre-tax incomes of the bottom 50 percent stagnated while average national income per adult grew, the share of national income earned by the bottom 50 percent collapsed from 20 percent in 1980 to 12.5 percent in 2014.

The Banks That Finance Private Prison Companies I In the Public Interest

As America's incarcerated and detained populations have boomed in recent years, the business of owning and operating prisons and jails has grown into a multibillion-dollar industry. A new report uncovers which Wall Street banks finance the industry's two leaders, CoreCivic (formerly "Corrections Corporation of America [CCA]") and GEO Group.

The report shows that six banks have played large roles in bankrolling CoreCivic and GEO Group: Wells Fargo, Bank of America, JPMorgan Chase, BNP Paribas, SunTrust, and U.S. Bancorp.