

# AMERICANS FOR FINANCIAL REFORM

## THIS WEEK IN WALL STREET REFORM | JAN. 24 – 30, 2015

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### LATEST CONGRESSIONAL BATTLES OVER FINANCIAL REGULATION

#### [GOP Wants to Wreck Government, Not Govern](#)

Rena Steinzor and James Goodwin, *The Hill*, 1/23/15

It was revealing when House Republicans made a top priority of the Regulatory Accountability Act, a bill designed to make it nearly impossible for the Environmental Protection Agency (EPA), the Consumer Protection Financial Board (CFPB), and other agencies to carry out their statutory missions of safeguarding the public. The bill is a massive overreach, and it only exacerbates concerns about whether the GOP is ready for prime time.

#### [An Uncertain Future for Dodd-Frank](#)

Editorial, *NY Times*, 1/24/15

Going forward, even the Consumer Financial Protection Bureau, the biggest success of the Dodd-Frank law, is threatened by Republicans who want to change the agency's financing and leadership structure to make it less independent. The question is whether President Obama and Democrats in Congress will repel the efforts of opponents to strip away reforms before they even have a chance to take root.

#### [Senate Democrats Join GOP Attack on Financial and Environmental Regulation](#)

Zach Carter, *Huffington Post*, 1/26/15

Four Senate Democrats are working with Republicans to help the U.S. Chamber of Commerce and other GOP-affiliated lobbying groups undermine financial and environmental regulations. 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.).

[The] 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.

## **JPMorgan CEO Dimon Says Overlapping Regulators Assault Banks**

Hugh Son, Bloomberg, 1/14/15

## **House GOP Doubles Down on Anti-Reg Agenda**

Tim Devaney and Lydia Wheeler, The Hill, 1/29/15

In a note to Republicans sent Thursday, House Majority Leader Kevin McCarthy (R-Calif.) rallied lawmakers around a key piece of legislation that would "unshackle small businesses" from excessive regulation.

## **Republicans Introduce Bill to Rein in Regulators**

Tim Devaney, The Hill, 1/22/15

## **Senate GOP Building Momentum for Regulatory Reform**

Tim Devaney, The Hill, 1/23/15

**The Anti-Regulatory Crowd's Small Business Rhetoric Is a Scam** James Goodwin, Center for Progressive Reform Blog, January 22, 2015

## **CONSUMER FINANCE & CFPB**

### **Surge in Loans Linked to Cars Draws Regulatory Scrutiny**

Jessica Silver-Greenberg & Michael Corkery, NY Times, 1/30/15

It is a tempting offer: Convert that beaten-up car in the driveway into hard cash with a simple loan. But car title loans, which allow owners to borrow money against their cars, are having devastating financial consequences for a growing number of Americans who don't realize how much they truly cost. As the loans proliferate, regulators are beginning to crack down on them.

The Federal Trade Commission is taking aim at two car title lenders on suspicions that they misled borrowers by failing to accurately disclose the terms and costs of the loans, according to several people briefed on the action who were not authorized to speak about it publicly. On Friday, the agency is expected to announce that it has reached a settlement with the two lenders, First American Title Lending and Finance Select, which are based in Georgia. The agreement will require the companies to overhaul how they advertise and promote their loans, the people said.

### **Richard Cordray, Tim Pawlenty Bury the Hatchet**

Alan Zibel, Wall St. Journal, 1/28/15

CFPB Director Richard Cordray made a lunchtime appearance in Washington with Tim Pawlenty, the former Minnesota governor and former Republican presidential candidate who now heads the Financial Services Roundtable, which represents 100 of the biggest U.S. financial firms. The pair announced a joint plan to encourage financial education in schools and in the workplace.

### **CFPB Critic Teams With Agency on Financial Literacy**

Kevin Cirilli, The Hill, 1/26/15

**FDIC: Examiners Must Give Banks Written Notice on Risky Accounts** Alan Zibel, Wall St. Journal, 1/28/15

## **"Financial Literacy" Is a Distraction From What We Really Need: Actual Consumer Protection**

Helaine Olen, Slate, 1/29/15

## **Financial Groups Want Same Data Security Standards for Retailers**

Lydia Wheeler, The Hill, January 23, 2015

## **Stricter Federal Laws Needed to Rein in Unscrupulous Payday Lenders**

Mark Sullivan, Kennebec (Maine) Sentinel Journal, 1/29/15

## **Banks Conspicuously Scarce in Supercharged Online Loan Field**

Penny Crosman, American Banker, January 29, 2015

The two largest U.S. platforms in this budding industry, Lending Club and Prosper, facilitated a combined \$2.4 billion in loans in 2013, nearly triple the 2012 figure. Some investors are expecting explosive growth in the sector to continue over the next decade.

Banks do in some cases act as investors in marketplace loans and refer customers to the marketplace lenders. But no bank has emulated fully the model pioneered by Lending Club and Prosper — making loans online and selling them to investors.

## **Payday Stores Put Barriers Between Clients and Repayment**

Sheryl Harris, Cleveland Plain-Dealer, 1/30/15

## **Faith Leaders Are Secret Weapon in Fight Against Payday Lending**

Deborah Sutton, Washington Times, 1/23/15

## **Religious Groups Seeking to Put Limits on Payday Lending in Minnesota**

Doug Grow, Minn Post, 1/28/15

## **Imprisoned by Payday**

Coke Bond, Fort Worth Weekly, 1/28/15

## **Payday Loans Need More Regulation**

Decatur (Ill.) Herald & Review, 1/28/15

## **Protesters Gather Outside Quik Cash to Protest Payday Loans**

Steven Benna, Columbia (Mo.) Daily Tribune, 1/28/15

## **Community Groups Fight For More Protections From Payday Loan Predators**

Miya Pontes, OurFuture.Org, 1/28/15

In an effort to control the damage being done to individuals and communities by payday lenders, community activists rallied outside payday lending storefronts in 10 states Tuesday to increase awareness of the lack of protection many states offer individuals against purveyors of short-term, high-interest loans. [National People's Action](#) (NPA) helped coordinate the protests along with several other organizations.

There were 11 actions across Idaho, Michigan, Colorado, Iowa, Missouri, Kansas, Maine, Minnesota, Illinois and Nevada calling out the toxic effect payday lenders have on communities. Members wore hazmat suits and taped off payday loan stores as part of a grassroots movement

that an NPA statement said was in support of the Consumer Financial Protection Bureau (CFPB) providing “stronger protections against devastating loans.”

### **Protesters Speak Out Against the Payday Loan Industry**

**Allen Fennewald, Columbia Missourian, 1/28/15**

### **New Banking Protections for College Students**

**Tim Devaney, The Hill, 1/26/15**

College students would be protected from dubious credit card, debit card and checking account offers under new recommendations from the Obama administration’s top consumer watchdog. The Consumer Financial Protection Bureau (CFPB) is considering new guidelines to help colleges in selecting banks to partner with and offer financial services to their students.

## **DERIVATIVES, COMMODITIES & THE CFTC**

### **Warren, Cummings Ask Wall Street for Answers on Dodd-Frank Rollback**

**Victoria McGrane, Wall St Journal, 1/29/15**

Elizabeth Warren and her allies are keeping up the pressure on the contentious Dodd-Frank rollback that made its way into a must-pass \$1.1 trillion spending bill at the end of last year.

Ms. Warren (D., Mass.) and Rep. Elijah Cummings (D., Maryland) sent letters to four top Wall Street banks Thursday asking for details about how the firms will alter their derivatives trading operations in the wake of the change. Mr. Cummings is the top Democrat on the House Committee on Oversight and Government reform and Ms. Warren a member of the Senate Banking Committee.

The letters are a clear indication that liberal Democrats plan to continue hammering big banks over the change – which all but eliminated a provision forcing banks to “push-out” risky swaps activities into affiliates that aren’t eligible for federal backstops...

The lawmakers sent the inquiries to the chief executives of Bank of American Corp., J.P. Morgan Chase & Co., Citigroup Inc. and Goldman Sachs Group Inc. – which, they note in the letters, collectively account for 93% of all derivatives contracts held by U.S. commercial banks. Lawmakers asked the banks to detail the total value of swaps the firm would have pushed out under Dodd-Frank if Congress had not changed the law in December, among other questions.

## **HOUSING AND MORTGAGES**

### **A Shattered Foundation**

**Michael Fletcher, Washington Post, 1/24/15**

African Americans for decades flocked to Prince George’s County to be part of a phenomenon that has been rare in American history: a community that grew more upscale as it became more black.

The county became a national symbol of the American Dream with a black twist. Families moved into expansive new homes, with rolling lawns, nearby golf courses and, most of all, neighbors who looked like them. In the early 2000s, home prices soared — some well beyond \$1 million — allowing many African Americans to build the kind of wealth their elders could only imagine.

But today, the nation’s highest-income majority-black county stands out for a different reason — its residents have lost far more wealth than families in neighboring, majority-white suburbs. And while

every one of these surrounding counties is enjoying a strong rebound in housing prices and their economies, Prince George's is lagging far behind, and local economists say a full recovery appears unlikely anytime soon.

The same reversal of fortune is playing out across the country as black families who worked painstakingly to climb into the middle class are seeing their financial foundation for future generations collapse.

### **[Rent to Own: Wall Street's Latest Housing Trick](#)**

Jesse Eisinger, ProPublica, 1/28/15

### **[CFPB Offers Changes to Mortgage Rules for Smaller Lenders](#)**

Vicki Needham, The Hill, 1/29/15

The Consumer Financial Protection Bureau (CFPB) suggested expanding the definition of rural area and increasing the number of loans an institution can make before falling out of the designated small-lender category under year-old ability-to-repay rules.

The agency said the proposal would boost the number of financial institutions able to offer certain types of mortgages in rural and underserved areas while giving them extra time to comply with the qualified mortgage rules.

"Responsible lending by community banks and credit unions did not cause the financial crisis, and our mortgage rules reflect the fact that small institutions play a vital role in many communities," said CFPB Director Richard Cordray in a statement.

### **[White House Defends Affordable Housing Funds](#)**

Kevin Cirilli, The Hill, January 26, 2015

### **[Watt Backs Mortgage Principal Reduction Plan That Would Rile GOP](#)**

Ben Weyl, CQ Roll Call, January 27, 2015

## **INVESTOR RIGHTS AND THE SEC**

### **[White House Readies Attack on 'Perverse Incentives' in Fiduciary Proposal](#)**

Andrew Remo, NAPA Net, 1/21/15

Still hoping that the latest iteration of the fiduciary rule proposal would preserve a broad seller's exemption for the small retirement plan market or allow retirement plan advisors to continue to offer rollover advice to participants?

Better think again, based on a recently leaked White House memo that purports to lay out the "evidence" that "perverse incentives" in the current regulatory environment governing retirement plan professionals "cost savers billions of dollars a year."

The memo, written by two key members of President Obama's Council of Economic Advisors, including the former chief economist of the Department of Labor, also concludes that "consumer protections for investment advice in the retail and small plan markets are inadequate." Echoing the sentiments of a recent advocacy campaign by several union and consumer protection groups, the memo squarely blames rollover advice and the active management of retirement assets as the primary source of these costs to investors, and lays the groundwork for what looks to be an aggressive campaign to push a

fiduciary proposal that has already seen two previous versions, one of which was pulled back by the DOL following harsh bipartisan criticism.

### **[In Push for Change, Finra Is Opposed by the Wall St. Firms It Regulates](#)**

**Susan Antilla, NY Times, 1/26/15**

## **POLITICAL INFLUENCE OF WALL STREET AND REVOLVING DOOR**

### **[Absent Strict Reforms, New York Times Columnist Sees Financial Crisis in Future](#)**

**Jan Sjostrom, Palm Beach Daily News, 1/28/15**

In [Gretchen Morgenson's] view, legislators dropped the ball when they failed to enact strict reforms in 2010. Worse yet, the reforms they did pass are being rolled back and important elements are being delayed, she said. That's because the same tycoons who refused to accept blame for the 2008-09 crisis "headed straight to Washington with dollars in hand to ensure that nobody would threaten their me-first business practices," she said.

From January 2013 to November 2014, Wall Street banks and their associates shelled out \$1.8 million a day to influence Washington lawmakers, according to a report from **Americans for Financial Reform**. In 2014, there were 2,091 registered lobbyists working for the finance, insurance and real estate industries in Washington, the report said.

### **[Nominate A Qualified Undersecretary of Domestic Finance Now](#)**

**Simon Johnson, Baseline Scenario, 1/25/15**

### **[Behind Sen. Elizabeth Warren's Treasury Takedown](#)**

**Ben White, Politico, January 26, 2015**

### **[Iowa Bankers: Dodd-Frank Could Use Some Work](#)**

**Matthew Patane, Des Moines Register, 1/29/15**

## **STUDENT LOANS**

### **[Activists Fight Merger of Two Companies Accused of Preying on Students](#)**

**Natalie Kitroeff, Bloomberg BusinessWeek, January 26, 2015**

On a biting day in December, 11 activists marched into the headquarters of Educational Credit Management Corp. in Oakdale, Minn., and asked to see David Hawn, the chief executive officer. ECMC, an agency that once quietly worked on behalf of the U.S. government to collect and service student loans, was catapulted into the public eye late last year when it announced it planned to buy Corinthian Colleges, a chain of for-profit schools with a history of questionable practices, for \$24 million.

## **SYSTEMIC RISK**

### **[Poll: Majority Wants to Break Up Big Banks](#)**

**Claes Bell, Bankrate, 1/21/15**

A poll released this week by the Progressive Change Institute showed 58 percent of Americans support breaking up "big banks like Citigroup, which played a big role in the financial crisis and recently demonstrated they still have too much power by lobbying for and winning the repeal of a major reform designed to stop Wall Street abuse and taxpayer bailouts."

## **Can We Finally Fix “Too Big to Fail”?**

Lev Breydo, RegBlog, 1/29/15

### **OTHER TOPICS**

## **How a Two-Tier Economy Is Reshaping the U.S. Marketplace**

Nick Timiraos & Kris Hudson, Wall St. Journal, 1/28/15

The emergence of a two-tiered U.S. economy, with wealthy households advancing while middle- and lower-income Americans struggle, is [reshaping markets](#) for everything from housing to clothing to groceries to beer.

“It’s a tale of two economies,” said Glenn Kelman, chief executive of Redfin, a real-estate brokerage in Seattle that operates in 25 states. “There is a high-end market that is absolutely booming. And then there’s everyone in the middle class. They don’t have much hope of wage growth.”

## **How Bernie Sanders, In New Role, Could Make Wall Streeters Very, Very Unhappy**

Ari Rabin Havt, American Prospect, 1/29/15

Democrats need to directly challenge Wall Street’s power, they assert, by boldly reframing the argument against the consolidation of financial institutions in terms of its cost to the national coffers. Though the term “ranking member” might not ordinarily have the barons of finance quaking in their custom-made oxfords, Sanders knows how to draw the media spotlight when advocating for a cause.

While normally the domain of the Senate Banking Committee, the oversight of Wall Street, Sanders and his staff believe, is a critical budgetary issue. Democrats need to directly challenge Wall Street’s power, they assert, by boldly reframing the argument against the consolidation of financial institutions in terms of its cost to the national coffers. Though the term “ranking member” might not ordinarily have the barons of finance quaking in their custom-made oxfords, Sanders knows how to draw the media spotlight when advocating for a cause.

## **Lloyd Blankfein: Regulation Is Like 'Background Noise'**

Elena Holodny, Business Insider, January 23, 2015

There have been significant push-backs against regulation across industries, but Goldman Sachs' CEO Lloyd Blankfein has taken a rather neutral stance in the debate. Regulation "is like background noise. It's like music. You ask me how much time do I spend with music, a lot of time, but I'm doing other things at the same time," Blankfein told Bloomberg's Stephanie Ruhle in an interview, adding that he wouldn't call regulation oppressive, per se.