

## This Week in Wall Street Reform | Mar. 19–Mar. 25, 2016

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### CONSUMER FINANCE & THE CFPB

#### [Moyers: Clinton needs to call for these two top Democrats to resign — for her campaign’s sake](#)

**Bill Moyers and Michael Winship, Raw Story, 3/22/16**

[I]f Secretary Clinton really wants us to believe she’s no creature of the corporate and Wall Street money machine — despite more than \$44 million in contributions from the financial industry since 2000 and her \$675,000 in speaking fees from Goldman Sachs, not to mention several million more paid by other business interests for an hour or two of her time — she should pick up the gauntlet herself and publicly call for the departure of these two, although they are among her nearest and dearest. And we don’t mean Bill and Chelsea.

No, she should come right out and ask for the resignations of Chicago Mayor Rahm Emanuel and Democratic National Committee Chair — and Florida congresswoman — Debbie Wasserman Schultz. In one masterstroke, she could separate herself from two of the most prominent of all corporate Democratic elitists.... But here’s just about the worst of it. Rep. Wasserman Schultz — the people’s representative, right? — has aligned herself with corporate interests out to weaken the Consumer Financial Protection Bureau’s effort to create national standards for the payday-lending industry, a business that in particular targets the poor....

According to the nonpartisan **Americans for Financial Reform**, this tail-chasing cycle of “turned” loans to pay off previous loans makes up about 76 percent of the payday loan business. The Pew Charitable Trust found that in Wasserman Schultz’s home state, the average payday loan customer takes out nine such loans a year, which usually has them mired in debt for about half a year.

#### [Payday loan issue divides U.S. Senate candidates Murphy and Grayson](#)

**Alex Leary, Tampa Bay Times, 3/23/16**

Rep. Debbie Wasserman Schultz is facing intense criticism, including TV ads, for supporting a bill consumer advocates say weakens regulations on payday lenders.

But less noticed is support from other Florida Democrats, including U.S. Senate candidate Patrick Murphy, who like Wasserman Schultz has received significant contributions from the industry.... "I would hope Rep. Murphy and others who have been involved just pause and tune out those industry talking points and take a hard look at what’s happening in Florida," Gynnie Robnett, payday campaign director at **Americans for Financial Reform**, said in an interview Wednesday. "It's time to admit Florida is not a model for the nation and we shouldn't be bending over backward to accommodate this unscrupulous behavior."

#### [Why Elizabeth Warren Is Fighting Florida's Payday Lending Model](#)

**Ned Resnikoff, International Business Times, 3/24/16**

A [new report](#) from the nonprofit Center for Responsible Lending (CLR) suggests that the Florida regulatory model makes it easier for so-called payday lenders to profit off the backs of low-income consumers, accruing millions in interest payments each year while their borrowers sink deeper underwater. Using data collected by the state, CLR found that the vast majority of borrowers — more than 80 percent of those who receive new loans each year — are already trying to get out from under seven or more payday loans.

Meanwhile, Florida payday lenders have hoovered up more than \$2.5 billion in customer fees since 2005, according to the report. African-American and Latino communities in Florida were found to shoulder a disproportionate share of the cost, even when researchers controlled for income. "Even when comparing communities with similar income levels, areas where there are more minorities still have higher concentrations of payday lending stores," said CRL research analyst Delvin Davis on a Thursday conference call with reporters.

### [CFPB Should Tread Cautiously on Payday Loans](#)

**William M. Isaac, American Banker, 3/23/16**

### [CFPB Faces No-Win Scenario on Payday Lending](#)

**Kate Berry, American Banker, 3/21/16**

If the agency goes too far in restricting short-term, small-dollar loans, there will be a huge backlash from payday lenders and on Capitol Hill, from both Republicans and Democrats. But if the agency fails to stop the most abusive practices, consumer groups will view the first national standards on payday loans as a failure.

A chief concern is what will replace payday lenders if federal regulations force many to shut down... If the CFPB sticks to an [outline](#) of its proposal released a year ago, as many as 60% or more of storefront payday lenders could shut down, said Dennis Shaul, chief executive of the Washington-based Community Financial Services Association of America, a leading trade association for short-term lenders.

### [Springfield Faith Leaders Protest Against Payday Loan Industry](#)

**Nick Thompson, Ozarks First, 3/22/16**

A group of Springfield pastors and faith leaders protested against the payday lending industry Tuesday. The Faith Voices of Southwest Missouri group is pushing politicians for solutions and is trying to come up with its own solutions for people in the community struggling financially...

The faith voices group told the personal story Tuesday of Jennifer Trogdon. Trogdon took out a \$475 loan with 449% interest for an emergency car repair, and ended up paying back \$3,000 in interest as she continued to roll over the loan.

### [Just Released! "Drowning in Debt" Report about Health Harms of Payday Lending in MN](#)

**Press Release, ISAIAM-Minnesota**

### [Are Payday Loans Legitimate? Lawmakers and Consumers Have Different Opinions](#)

**Jocelyn Baird, NextAdvisor, 3/22/16**

### [Are Payday Loans Hurting Minorities?](#)

**Andrew Galbreath, INQUISITR, 3/26/16**

### [Religious Groups Call on DNC Chair to Denounce Pro-Payday Loan Bill](#)

**Ashlee Kieler, Consumerist, 3/17/16**

### [Baylor University Students: We Need To Close The Payday Lending Pit of Despair](#)

**Stop the Debt Trap Blog, 3/21/16**

### [Consumer Financial Protection Bureau issues advisory and report for financial institutions on preventing elder financial abuse](#)

**CU Insight, 3/23/16**

The Consumer Financial Protection Bureau (CFPB) today issued an advisory and a report with recommendations for banks and credit unions on how to prevent, recognize, report, and respond to financial exploitation of older Americans. Financial exploitation, the illegal or improper use of a person's funds, property or assets, is the most common form of elder abuse and costs seniors billions of dollars per year.

"This action gives financial institutions best practices and tools to protect older consumers from financial abuse," said CFPB Director Richard Cordray. "When seniors fall prey to a scam by a stranger or to theft by a family member, they may

be too embarrassed or too frail to report it. Banks and credit unions are uniquely positioned to look out for older Americans and take action to protect them.”

### [Rep. Keith Ellison supports the Consumer Financial Protection Bureau. So why is his name being used in an attack ad against it?](#)

**Sam Brodey, MinnPost, 3/21/16**

Rep. Keith Ellison is not happy. In fact, he’s “incensed.” The source of the Minneapolis Democrat’s pique? A new political attack ad has cropped up on D.C. airwaves in recent months, and it uses a quote from Ellison to attack an institution the congressman actually supports: The Consumer Financial Protection Bureau (CFPB).

The ad quotes Ellison as saying, “The CFPB does need to clean up its act ...” That quote comes from a 2014 House Financial Services Committee hearing on alleged discrimination at the agency, which is a main focus of the attack ad. After that ellipsis, though, Ellison would add an important qualification: “It so happens that the CFPB does need to clean up its act,” he says, “as every other federal agency does, proving that even a stopped clock can be right twice a day.” Ellison thinks the ads are bogus — especially for the implication that he has some major problem with the bureau — and he’d like to let the people behind the ads know as much.

### [Montana high court sides with Butte consumer in debt-fraud case](#)

**Ed Kemmick, KPAX.com (Missoula), 3/22/16**

The Montana Supreme Court has cleared a path to trial for a Butte woman who says she was defrauded by a company that promised to help reduce her debts. Billings attorney Cliff Edwards, one of the lawyers for Susan Ossello, said the 5-2 decision issued last week by the state high court is “a great big deal” and a clear victory for Montana consumers... Chief Justice Mike McGrath, writing for the majority, said Butte-Silver Bow District Judge Kurt Krueger was correct in ruling that the arbitration clause in Global’s contract with Ossello “was unconscionable and therefore unenforceable.”

### [Federal agency probes Westgate Resorts selling tactics](#)

**Paul Brinkmann, Orlando Sentinel, 3/18/16**

### [Consumer Protection and Choice Act: Friend or Foe?](#)

**Charlene Crowell, Eurweb, 3/15/16**

### [Advocates Crowd Congressional Semi-Annual Review of CFPB](#)

**Stop the Debt Trap (Storify), 3/21/16**

### [Arguments for arbitration](#)

**Shana Ting Lipton, CDR, 3/23/16**

### [Unintended Consequences of Arbitration Provisions](#)

**David M. Walsh, National Law Review, 3/18/16**

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

### [Technological change is coming to financial regulation](#)

**David LeDuc and Hudson Hollister, The Hill, 3/24/16**

The SEC is not the only financial agency whose reporting regime has been stuck in the twentieth century. In 2014, a commissioner of the Commodity Futures Trading Commission criticized his own agency for failing to set a standard format for swaps data reporting under the Dodd-Frank law. Financial transactions were reported inconsistently, so the CFTC’s massive swaps database was not searchable as a whole. Because the financial agencies have not adopted standard data fields and formats, financial information in the United States is opaque to investors - that is, unless they invest in tedious manual review and expensive translation platforms.

### [Peter Seccia, Goldman Sachs’ head of North American derivatives sales, has retired](#)

**Sarah Butcher, efinancial careers, 3/23/16**

## THE ELECTION AND WALL STREET

### [What Donald Trump Doesn't Understand About 'the Deal' On Money](#)

**By Adam Davidson, NY Times Magazine, 3/17/16**

It's easy to dismiss Trump as a loutish ignoramus who simply doesn't understand how modern economies function. But I've come to see him as a canny spokesman for a different sort of economy, one that often goes by the technical name 'rent seeking...' in recent weeks, hearing Trump talk, I've realized that his economic worldview is entirely coherent. It makes sense.

He is not just a rent-seeker himself; his whole worldview is based on a rent-seeking vision of the economy, in which there's a fixed amount of wealth that can only be redistributed, never grow. It is a world-view that makes perfect sense for the son of a New York real estate tycoon who grew up to be one, too.

### [Ted Cruz just named Phil Gramm his economic advisor. Here's Gramm's economic legacy](#)

**Michael Hiltzik, Los Angeles Times, 3/21/16**

## EXECUTIVE PAY

### [Washington Still Can't Stop Wall Street's Risk-Taking Bonus Culture](#)

**Jesse Hamilton, Bloomberg, 3/23/16**

Congress sent a message to financial regulators in 2010: no more pay that encourages Wall Street to take extra-large risks. Since 2011, the average bonus at New York securities firms has climbed 31 percent.

The debate over reining in financial-industry compensation has now dragged on two years longer than it took Michelangelo to paint the Sistine Chapel. Big-bank lobbyists have even stopped talking about it. The work on implementing the rule, part of the Dodd-Frank Act, is shouldered by six government agencies with sometimes competing agendas. It stalled over a key concept: how to identify which employees expose a firm to enough danger that their pay ought to be capped.

"They've been dragging their feet for six years while we're continuing to see pay levels go up," said Sarah Anderson at the Institute for Policy Studies, a Washington-based advocacy group. "I think they want people to have the impression that, 'Oh, Dodd-Frank passed and that's done now.'"

### [Wall Street Faces New Rules on Pay](#)

**Donna Borak, Wall St. Journal, 3/23/16**

Wall Street bonuses are about to get locked up for even longer. As part of a hard-fought update of crisis-era compensation rules expected in April, regulators plan to require banks to hold back much of an executive's bonus beyond the three years already adopted by many firms, people familiar with the matter said.

The new holding period has yet to be determined, though it likely will be shorter than the European standard of a decade, one person familiar with the matter said. Also unclear is the portion that will be deferred. The original draft of the rules five years ago said it should be as much as 50%.

Whatever the final numbers, the rules will put further restrictions on payouts that already are under pressure as some big trading businesses dry up.

## HEDGE FUNDS AND PRIVATE EQUITY FUNDS

### [Is It Time to Close the Carried Interest Loophole? Advocates Say 'Yes'](#)

**Christine Stuart, Connecticut News, 3/21/16**

Advocates for the poor and disabled told the Finance, Revenue, and Bonding Committee on Friday that they've found a way to raise \$535 million a year in revenue by closing a federal tax loophole.

A loophole in federal tax policy allows highly compensated hedge fund managers and private equity managers to pay a capital gains tax rate of 20 percent, instead of the marginal tax rate of 39.6 percent for ordinary income. Forcing these hedge funds to pay the 19.6 percent difference to the state could go a long way to closing the state's budget gap, according to advocates.

### [Democrats Push Bill in New York Senate to End Tax Break](#)

**Mike Vilensky, Wall St. Journal, 3/22/16**

Democrats in the New York state Legislature this year are seeking to close what they call the carried interest loophole, a tax break that benefits private-equity and hedge-fund managers. Sen. Jeff Klein, a Bronx Democrat, plans to introduce a bill Wednesday that would raise taxes on those who now pay the lower rate. Congressional Democrats have long tried to tackle the issue, which has received new attention in the 2016 presidential election...

Legislators in New York can't change the federal tax structure, but the new bill would add a state tax to part of a fund manager's profits that offsets the carried interest tax break. Fund managers "are selling a service," Mr. Klein said in an interview Tuesday, "and should be taxed at the same rate for the fruits of their labor" as any other worker.

### [Private equity industry moving toward more fee disclosure](#)

**Hazel Bradford, P&I Daily, 3/22/16**

### [Leon Cooperman and Omega Advisors Receive S.E.C. Notice](#)

**Alexandra Stevenson & Matthew Goldstein, NY Times, 3/21/16**

The longtime Wall Street trader Leon G. Cooperman is preparing for a showdown with regulators. Mr. Cooperman and his \$5.2 billion hedge fund Omega Advisors received a notice from the Securities and Exchange Commission on March 14 outlining the possibility that they could face enforcement action over trading violations, the hedge fund manager told investors on Monday...

### [Puerto Rico takes restructuring law to U.S. high court](#)

**Nick Brown, Reuters, 3/22/16**

Puerto Rico will ask the U.S. Supreme Court on Tuesday to validate a law that could let it cut billions of dollars from what it owes in debt at some public agencies, a key test in the island's efforts to weather a massive fiscal crisis. The U.S. territory, facing what its governor has called an unpayable \$70 billion debt and a 45 percent poverty rate, will argue its case against financial creditors, including Franklin Advisers and OppenheimerFunds, who want to keep contentious restructuring talks out of court.

As Puerto Rico leaders, creditors and U.S. lawmakers seek a debt solution in the U.S. Congress, the question before the Supreme Court is whether the island should be allowed to restructure debts under a court-supervised regime similar to Chapter 9 bankruptcy laws used by U.S. cities such as Detroit and Stockton, California.

## **HIGH SPEED TRADING AND FINANCIAL TRANSACTION TAX**

### [Is the Stock Market Still Rigged?](#)

**Taylor Tepper, Money, 3/22/16**

Brad Katsuyama and his budding stock exchange, IEX, were main fixtures in Michael Lewis's wildly successful book *Flash Boys*, which documented how certain high-frequency traders used their speed advantage to bid up the prices of stocks right before a slower investor pushed the button to buy.

Now, Katsuyama is hoping the Securities and Exchange Commission will soon allow IEX to become a public, registered exchange. (Its fate should be decided by June.) Not surprisingly, established players in the investing world oppose the move, and IEX's bid has resulted in hundreds of comments.

### [Wall Street's 'Flash Crash' Trader Will be Extradited to the U.S.](#)

**Reuters, 3/23/16**

## INVESTOR PROTECTION AND THE SEC

### [Should Fiduciary Advisers Swear Off Mandatory Arbitration?](#)

**Norb Vonnegut, Wall St. Journal, 3/8/16**

It's difficult to find national data on how prevalent mandatory-arbitration clauses are in registered investment advisers' contracts. But in 2013, the Massachusetts Securities Division surveyed RIAs in that state and reported that 46% used predispute arbitration clauses in their paperwork.

Hmm. On what planet does mandatory arbitration put client interests first? There are no clear benefits. The case facts are yet to be determined. The only apparent winners are wealth-management firms reluctant to tempt fate through jury trials.

### [SEC Cracks Down on Vague Proxy Proposals](#)

**Andrew Ackerman, Wall St. Journal, 3/24/16**

The Securities and Exchange Commission this week released guidance cautioning companies against vague descriptions of measures appearing on corporate ballots, known as proxy cards, which shareholders use to vote on major company matters. The entreaty from SEC staff comes after complaints from investors that some companies have failed to clearly identify voting items presented ahead of companies' annual meetings.

### [The Forex Rigging Irony](#)

**ZeroHedge, 3/24/16**

While Forex banks, traders, and other institutions are being blamed for market rigging, the Swiss National Bank can publish reports about its own market rigging, but instead of being a scandal, it's economic data. That's because the vast majority don't understand how the Forex markets work. It's not insulting - it's a fact. Currently there are hundreds of pending litigation cases against a plethora of Forex banks, traders, and other institutions - but none against a central bank. Of course it would be ridiculous to sue a central bank for market rigging - because it's in their mandate to manipulate the market. Of course they don't call it manipulation, they call it 'market operations' and the Fed, sometimes known as 'market intervention' or 'stabilization efforts.' Anyhow, it seems strange that on the one hand, central banks manipulate their own currency via 'market operations' which mostly are done through commercial Forex banks, but it is the Forex banks that receive this printed money that are sued, not the central banks.

### [Exxon Mobil must allow climate change vote: SEC](#)

**Ernest Scheyder, Reuters, 3/23/15**

## MORTGAGES & HOUSING

### [Fannie, Freddie to Cut Mortgage Balances for Thousands of Homeowners](#)

**Joe Light, Wall St. Journal, 3/21/16**

Thousands of homeowners will be eligible to have their mortgage balances cut under a plan approved by the federal regulator of mortgage-finance companies Fannie Mae and Freddie Mac, according to people familiar with the matter. The plan approved by the Federal Housing Finance Agency marks the first time that Fannie and Freddie will reduce mortgage balances on a large scale for struggling homeowners since the housing crisis erupted. But it doesn't go as far as some housing advocates wanted.

Fewer than 50,000 "underwater" homeowners, who owe more than their homes are worth and are already behind in their mortgage payments, will likely be eligible, people familiar with the matter said.

### [Consumer Financial Protection Bureau rule broadens Qualified Mortgage coverage of lenders operating in rural and underserved areas](#)

**CU Insight, 3/22/16**

### [Freddie Mac Sells \\$1.4 Billion of Seriously Delinquent Loans](#)

**Press Release, Freddie Mac, 3/23/16**

# POLITICAL INFLUENCE OF WALL STREET & THE REVOLVING DOOR

## [Clinton on the “Revolving Door” with Wall Street](#)

**Ben White, Politico, 3/22/16**

WP’s Karen Tumulty: “In August, under pressure from liberal groups, Clinton announced her support for legislation, authored by Sen. Tammy Baldwin (D-Wis.), that aims to slow what Warren has described as a ‘revolving door’ between Wall Street and Washington. The measure would prevent financial industry executives from receiving accelerated payouts of restricted stock options and other forms of lump-sum payment if they leave those jobs to take posts in the federal government.

“However, the legislation has little chance of passing before the next president takes office, and Clinton has not said whether she would impose a similar restriction on those she would recruit for high posts in her administration, if she is elected. ‘Hillary Clinton strongly supports Senator Baldwin’s legislation, and is willing to explore other steps that might help end the revolving door between government and financial institutions,’ Clinton spokesman Brian Fallon said Monday.”

# RETIREMENT SECURITY & FIDUCIARY DUTY RULE

## [On eve of fiduciary rule, Financial Engines sees opportunity](#)

**Nick Thornton, BenefitsPro, 3/25/16**

The years of regulatory tussle and tens of millions spent in lobbying dollars have produced a consistent claim from opponents of the Department of Labor’s proposed fiduciary rule: Low income Americans and small-value retirement account holders [will be priced out](#) of the financial advisory market.

Christopher Jones calls that argument a red herring. The chief investment officer of Financial Engines, which advises on more than \$110 billion in 401(k) managed account assets and has relationships with 670 plan sponsors, says the Sunnyvale, California-based firm proves as much... “We think the DOL is taking a big step forward,” said Jones, who has been with Financial Engines since its founding in 1996. He expects the rule’s affects to be “profound” and “long-lasting.”

## [DOL, SEC fiduciary rules may diverge, Mary Jo White tells lawmakers](#)

**Mark Schoeff Jr. P&I Daily, 3/22/16**

Securities and Exchange Commission Chairwoman Mary Jo White told lawmakers Tuesday that if the agency proposes a rule to raise investment advice standards, it may not mesh perfectly with a separate Labor Department rule that will soon be finalized.

Republican lawmakers at a House Appropriations subcommittee hearing on the SEC budget expressed concerns about the DOL fiduciary rule and how it would operate with a similar SEC rule, if the agency acts on the authority provided by the Dodd-Frank Wall Street Reform and Consumer Protection Act to promulgate such a regulation. Rep. Mark Amodei, R-Nev., asserted that there would be confusion, as financial advisers try to comply with one rule from DOL and one from the SEC. “You try to make them land identically, if you can,” Ms. White said. “But they’re separate agencies (with) separate statutory mandates.”

## [The April Fiduciary Fight—What to Watch](#)

**Jacob M. Schlesinger, WSJ Pro, 3/22/16**

Financial advisers [are watching most closely the exemptions and carve-outs](#) allowed for practices they consider standard operating procedure that they don’t feel conflicts with the broad goals of the policy. The original version, they say, would effectively, and unfairly, force them to curb such practices.

One such question, for example, is how the department draws the distinction between investment “advice,” which has to meet the new standard, and “education,” which doesn’t. Firms also hope for more time than the original draft’s eight-month implementation period, which they say is unrealistically short.

[U.S. Aims to Complete New Rule on Retirement Investment Advice in Early April](#)

Andrew Ackerman, Wall St. Journal, 3/22/16

[Are DOL Fiduciary Foes Protecting the Little Guy? Financial Engines CIO Cries Foul](#)

Think Advisor, 3/23/16

[Think Divorce Is Miserable? Try Being Divorced and Retired.](#)

Helaine Olen, Slate, 3/18/16

## STUDENT LOANS & FOR-PROFIT EDUCATION

[Corinthian students may have a clearer path towards debt relief](#)

Danielle Douglas-Gabriel, Washington Post, 3/25/16

The pace of relief for wronged Corinthian students...remains far too slow, and its scope frustratingly narrow," said Alexis Goldstein, senior policy analyst at the progressive **Americans for Financial Reform**. She pointed out that only students who took out loans after July 2010 are eligible for debt cancellation, which excludes borrowers with old bank-based federal student loans.

[Education Dept to Give Debt Relief to More Corinthian Students](#)

David Halperin, Huffington Post, 3/25/16

**Americans for Financial Reform** issued a statement this morning charging that "the pace of relief for wronged Corinthian students through borrower defense to repayment remains far too slow, and its scope frustratingly narrow. Only students who incurred debt after July 1, 2010 - the time period covered in the Department's past enforcement actions - have been deemed eligible for cancellation. This leaves out far too many wronged borrowers, including all former students with FFEL loans.... [W]e continue to believe that requiring ... individual applications are both unjust and unnecessary...."

[Former Corinthian College Students to Have Easier Time Getting Student Loan Discharges](#)

Ashlee Keiler, The Consumerist, 3/25/16

According to the Department of Education, under the law, students may be eligible for loan forgiveness of any federal Direct Loans taken out to attend a school if that school committed fraud by doing something or failing to do something, or otherwise violated applicable state law related to the loans or the educational services paid for.

While the rules are fairly straightforward, actually proving the hardship is difficult and often unclear. Education Department officials have said in the past that the agency failed to draft rules after the law was passed in the early 1990s. Until last year, only five applications have been submitted to the Department, and just three were granted. That means when students submit their claims, it's unclear what proof is needed to demonstrate a school committed fraud. Earlier this year, the Dept. [began taking steps](#) to clarify the process by drafting new rules.

[New lawsuit alleges a collapsed college targeted homeless students and those with low self-esteem](#)

Abby Jackson, Business Insider, 3/21/16

Corinthian Colleges was previously the second largest for-profit college chain in the US before it collapsed last year, under intense pressure stemming from legal issues from state and federal agencies. Now, ProPublica has shed light into some of the most questionable practices of the former college, analyzing documents filed by California's attorney general as part of a lawsuit against the school.

The documents show that the school actively recruited homeless students and helped them take out federal student loans that they were unable to pay back.

[Five Reasons For-Profit Owners Want to Claim Nonprofit Status](#)

The Century Foundation, 3/22/16

While corporations classified as nonprofits must be organized and operated exclusively for purposes—determined by the federal government—to benefit the public good (e.g. educational, charitable, religious), for-profits are in business to make money for their shareholders. Among policy wonks, this distinction is known as the nondistribution constraint: those who run nonprofits are constrained in the use of organizational funds, with the law prohibiting them from



distributing the money among themselves; in contrast, those who run for-profits are there for exactly that purpose, continuing to maintain close ties with those who stand to reap the financial rewards of organizational decisions. In doing so, these schools are avoiding the internal mechanisms that have traditionally steered nonprofits toward what's best for students and the public interest rather than private gain...

While for-profit owners benefit from the ability to use the company's money for any purpose they choose—including taking it for themselves—nonprofits are granted benefits, such as tax exemption, because they have agreed to always reinvest available funding toward pursuing the organization's educational or charitable goal. However, as reported in *The Covert For-Profit*, the boundary between nonprofit and for-profit is not well-policed. Colleges and universities are claiming that they are nonprofits without embracing the nondistribution constraint.

### [The Obama Education Profit Seekers](#)

**Editorial, Wall St. Journal, 3/25/16**

Take Jim Shelton, the deputy secretary of education in 2013 and 2014. Last summer he became “chief impact officer” at 2U, a publicly traded company that caters to public and nonprofit colleges and universities. The company provides software and services that allow schools to offer degree programs over the Internet, and its customers include the likes of Northwestern and Syracuse.

Higher education needs innovation and competition, and for all we know 2U's courses are splendid. But it's especially notable that Mr. Shelton has joined 2U because its for-profit online business model allows it to circumvent the onerous regulation that the Department of Education promoted to punish for-profit schools during Mr. Shelton's tenure.

### [Understanding financial responsibility scores for private colleges](#)

**Robert Kelchen, Brookings, 3/23/16**

### [Fired, Then Rehired](#)

**Michael Stratford, Inside Higher Ed, 3/23/16**

### [Corinthian Colleges must pay nearly \\$1.2 billion for false advertising and lending practices](#)

**Matt Hamilton, Los Angeles Times, 3/23/16**

### [\\$31 Million Court Win for a For-Profit College](#)

**Ashley Smith, Inside Higher Ed, 3/25/16**

## **SYSTEMIC RISK**

### [M&A Bankers Saying No to More Junk](#)

**Matt Wirz, Liz Hoffman, and Emily Glazer, Wall St. Journal, 3/21/16**

Banks are increasingly turning down companies seeking financing to pay for debt-laden takeovers after the recent market rout left them saddled with debt from earlier deals. Credit Suisse Group AG, Jefferies Group LLC and Wells Fargo & Co. are among the firms turning down new requests for financing—typically from low-rated companies—as they retreat from the lucrative but risky business of backing debt-heavy buyouts, people familiar with the matter say.

Banks guarantee the funding in these deals, hoping to then offload all or most of it to bond and loan investors. They promise to provide the money themselves if they can't find others to buy the debt. But as markets swooned in the months since the summer, investors have lost their appetite for the riskiest securities, making them harder to sell.

### [Credit Suisse CEO Blindsided as Bank Added to Risky Positions](#)

**Donal Griffin and Richard Partington, Bloomberg Business, 3/23/16**

Credit Suisse Group AG Chief Executive Officer Tidjane Thiam said the firm's traders had ramped up holdings of distressed debt and other illiquid positions without many senior leaders' knowledge, helping lead to a first-quarter loss in the markets business.

“This wasn’t clear to me, it wasn’t clear to my CFO and to many people inside the bank” when the firm laid out a strategy in October, Thiam, 53, said Wednesday in a Bloomberg Television interview. “There needs to be a cultural change because it’s completely unacceptable,” adding that there had been “consequences” for some employees.

### [Rogue Trading and Gun Disclosure](#)

**Matt Levine, BloombergView, 3/23/16**

### [Coalition of Unions, Consumer Groups Press Regulators on Bank ‘Living Wills’](#)

**Ryan Tracy, Wall St. Journal, 3/22/16**

A coalition of unions and consumer groups sent a letter to U.S. banking regulators pressing for a tough evaluation of big banks’ so-called living wills, adding to pressure on policy makers as they weigh the firms’ bankruptcy plans.

The Federal Reserve and the Federal Deposit Insurance Corp. are expected in the coming weeks to decide whether 12 of the nation’s largest banks have “credible” plans for going through bankruptcy without taxpayer support. Firms without credible plans could eventually face sanctions, such as higher capital requirements and forced divestitures.

Tuesday’s letter to the Fed and FDIC from **Americans for Financial Reform**, a coalition that advocates for big bank breakups and other strict Wall Street regulations, is the latest evidence that the agencies could face some backlash if their verdict is favorable to the industry. The coalition includes large unions and public interest groups with powerful pull in Washington, especially among Democrats. The coalition asks that regulators, if they decline to find banks’ plans not credible, provide the public with a detailed explanation of improvements banks have made in the living wills since the firms failed to pass regulatory muster in 2014.

### [House Panel Subpoenas Treasury Over FSO](#)

**Zachary Warmbrodt, PoliticoPro (paywalled), 3/23/16**

House Financial Services Committee Republicans issued subpoenas yesterday to four Treasury Department officials asking them to appear for depositions as the panel investigates the Financial Stability Oversight Council and the administration’s preparations for hitting the debt ceiling. The committee is asking Patrick Pinschmidt, a Treasury deputy assistant secretary, to provide information related to the process FSO uses to designate companies as ‘systemically important.’ The Treasury said it has offered thousands of documents and to meet with the lawmakers.

### [Citi Breakup Chatter: What You Need to Know](#)

**Kristin Broughton, American Banker, 3/21/16**

## **OTHER TOPICS**

### [Senators Show Bipartisan Support For Evidence-Based Regulation](#)

**Susan E. Dudley, Forbes, 3/24/16**

### [Report: Agencies skirt rule reporting requirements](#)

**Lydia Wheeler, The Hill, 3/24/16**

Federal agencies are skirting their legal reporting requirements, according to a new report from the conservative American Action Forum (AAF), which found that 955 rules weren’t sent to the Government Accountability Office in 2014 and roughly 1,069 weren’t reported in 2015. Under the Congressional Review Act, federal agencies are required to submit a report to Congress and the Government Accountability Office (GAO) with a copy of the rule, a statement about whether the rule carries an economic impact of \$100 million or more and the rule’s effective date.

### [Preemption for Fintechs? There's a Bill Coming](#)

**Ian McKendry, American Banker, 3/18/16**

Top House Republicans plan to release legislation in the coming weeks that will focus on removing regulatory barriers to financial technology... One of the bills could include giving federal preemption for technology companies so that they do not need to struggle with state-by-state licensing requirements.

"We have a national marketplace when it comes to lending ... and when you have a national marketplace you have to have a national law and regulatory structure that keeps with that," said McHenry, the vice chairman of the House Financial Services Committee.

[BofA Merrill Paying \\$14 Million Apology To The Millennial Trainees It Treated Like Old School Trainees](#)

**Thornton Mcenery, Dealbreaker, 3/23/16**