



This Week in Wall Street Reform | July 30 – Aug 5, 2016

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CONSUMER FINANCE & THE CFPB

[Why it's so Hard to Regulate Payday Lenders](#) | The New Yorker (Astra Taylor)

Georgia's experience... shows that even the most robust and well-considered regulations of the payday-loan business don't always have the desired effects. In 2004, the state passed a law that effectively banned payday lending, by instituting an interest cap and setting stiff fines and criminal penalties for those who flout it. While the ban has had a positive impact—it has been estimated that state residents have [saved](#) more than three hundred and fifty million dollars thanks to its passage—it has not extinguished the industry. As happened centuries ago, short-term lenders simply adapted, promoting alternative financial products to sidestep regulation. The result was that Georgians who might once have taken out payday loans (disproportionately, single mothers and minorities) now tend to hold auto-title loans or installment loans instead.

[Alabama's lending movement will win](#) | Selma Times Journal

[Defending the Consumer Financial Protection Bureau](#) | Portland Press Herald (Michelle Singletary)

Access to credit is an important economic driver in our economy. But that availability has become an albatross for a lot of people. People want a credit card so bad that they don't care if some of their legal rights are restrained. And they find themselves in such a financial bind that they use loans that sink them further into debt.

That's why the Consumer Financial Protection Bureau has to ignore many of its challengers whose intentions are biased in favor of doing business as usual.

[Dems Push for Strong CFPB Arbitration Rules Credit](#) | Credit Union Times

More than 30 senators, including Democratic Vice Presidential Nominee Sen. Tim Kaine (D-Va.) and former Democratic presidential candidate Sen. Bernie Sanders (I-Vt.), signed a letter this week to CFPB Director Richard Cordray.

On the House side, more than 60 House Democrats this week sent their own letter.

[Arbitration rule change offers needed payday relief](#) | **San Antonio Express News (editorial)**

Fortunately, relief is in the works for future payday borrowers who would rather go before a judge than an arbitrator. A federal rule change that is going through the vetting process would take effect next year and make it easier for consumers to have their day in court. The [Consumer Financial Protection Bureau](#) regulation would restrict the use of arbitration clauses in consumer financial contracts that are used to block class-action lawsuits.

[Court Blocks Class Action Suit Against Payday Lender](#) | **Texas Observer**

[Dems urge protections for consumers' right to sue](#) | **The Hill**

See [AFR](#) statement calling on Senators to support CFPB arbitration rule. Also see [Senate](#) letter in support of CFPB action on arbitration

[Consumers Want Action On Illegal Debt Collection](#) | **Seattle Medium (Charlene Crowell)**

A recent national consumer poll that was jointly commissioned by CRL and **Americans for Financial Reform** found broad and bipartisan concerns regarding debt collectors that sue without evidence. Overall 84 percent of respondents expressed concerns about a million consumers being sued each year without evidence to prove their cases in court. When partisan preferences were factored into responses, 9 out of 10 Independents and Democrats were concerned, as were 78 percent of Republicans.

[A closer look at marketplace lending](#) | **Federal Trade Commission**

[New rules aim to protect widowed homeowners from foreclosure](#) | **LA Times**

Consumer groups praised the new rules, but expressed concern that they lack a strong enforcement mechanism. "We have had positive rules before," said Kevin Stein of the California Reinvestment Coalition. "It's a question whether the rules are followed."

Stein said servicers have routinely flouted existing requirements for borrowers, but added companies have performed better in California. He attributed that to the California Homeowner Bill of Rights, which gives borrowers the right to sue to stop a foreclosure or for economic damages after one occurs if servicers don't follow state requirements.

[CFPB will update Know Before You Owe rule](#) | **HousingWire**

[PHH Corp. v. CFPB: Six Issues to Watch](#) | **Bloomberg**

Brian S. Marshall, policy counsel for **Americans for Financial Reform**, a broad-based coalition of more than 200 consumer, community and advocacy groups, said Aug. 3 that it's better if the court doesn't bypass the constitutional claim. "It would be helpful for the court to lay to rest some of the constitutional questions because these issues continue to be raised as a matter of course in litigation against the CFPB," Marshall told Bloomberg BNA.

See [AFR](#) Statement in support of CFPB action on bank sales quotas.

DODD-FRANK (AND CONTINUED ATTACKS)

[Poll Shows Voters Want More Financial Regulation](#) | **The Skanner (Charlene Crowell)**

When voters were recently asked their thoughts about CFPB, 3 out of 4 said that financial accountability and tough regulations are still needed. The poll, jointly commissioned by the Center for Responsible Lending (CRL) and **Americans for Financial Reform (AFR)**, posed a series of question to 1,000 likely voters. Since 2012, this annual national telephone poll has been performed by Lake Research Partners.

[State Banking Groups Urge Senators to Pass Reg Relief](#) | **American Banker**

[Crapo: Too much regulation big threat](#) | **Bonner County Daily Bee**

THE ELECTION AND WALL STREET

[Why the Government Is Getting Fed Up With Wall St. Again](#) | **Politico (Zachary Warmbrodt)**

Democrats and Republicans agreed on almost nothing at their conventions except this: Both party platforms signaled support for resurrecting a version of the Depression-era Glass-Steagall law, a move designed to show they are willing to break up the big banks. In fact, such a law is unlikely to be enacted by either a President Hillary Clinton or a President Donald Trump. But major Wall Street firms still have reason to be concerned that the feds are getting fed up with them. And in the end the banks could get broken up anyway, even if the next president does nothing about it and there is no new Glass-Steagall act...

The bottom line is that regulators are not optimistic about how the U.S. economy would fare, even now, if one of these giant firms went through bankruptcy. And that is an option that the government and the banks will be expected to entertain under laws enacted after the unpopular 2008 bailouts. To satisfy the government, the banks must simplify their still mind-bogglingly complex businesses and do a better job of showing that they can tap liquid assets that can be turned into cash during a crisis.

“It requires the will to do so,” the FDIC’s Gruenberg told Politico. “These are not necessarily easy things to do. They require hard decisions by the firms.”

Gruenberg has an important ally in this: the Federal Reserve. Under Janet Yellen, the Fed—which once took a more lenient view of the banks—is also adopting a tougher, less tolerant tone against Wall Street.

[What Republicans and Democrats Have in Common on Wall Street Regulation -- and Where They Differ](#) | **The Street (Deena Zaidi)**

[Trump Vows to Deregulate by at Least 85 Percent](#) | **Bloomberg**

See [Republican national platform](#) and [Democratic platform drafts](#).

ENFORCEMENT

[IRS Announces Fines Paid to FINRA Are Not Deductible](#) | Morgan Lewis

FEDERAL RESERVE

[Federal Reserve Fines Goldman Sachs \\$36 Million in Document Leak](#) | NY Times (Ben Protess)

[Berkshire Said to Draw Fed Scrutiny Over Wells Fargo Investment](#) | Bloomberg

HEDGE FUNDS AND PRIVATE EQUITY FUNDS

[Americans for Financial Reform Calls Out Private Equity Broker-Dealer Abuses as Latest Example of SEC's Weak, Selective Enforcement](#) | Naked Capitalism (Yves Smith)

It's gratifying to see that more and more organizations are recognizing the need to make private equity adhere to long-established regulations, their own disclosures, and widely-accepted norms in investment management, such as acting as a fiduciary. The latest example, a letter by **Americans for Financial Reform**, urging the SEC to take action on long-standing broker-dealer abuses by private equity firm. This document, which we've embedded at the end of this post, points out that even though the investors in private equity are typically major institutional investors like public pension funds, these monies are being deployed on behalf of large numbers of individuals of modest means, so this is clearly a matter of public interest.

See [AFR](#) letter to the SEC on Private Equity transaction fees

INVESTOR PROTECTION AND THE SEC

[Regulators Ask Big Banks to Give More Details About Trading Activity](#) | Wall Street Journal

Regulators are asking big banks to provide investors with more-detailed disclosures about their trading businesses, a push that could peel back the curtain on a huge and volatile source of Wall Street revenue, according to people familiar with the matter.

Communications between Securities and Exchange Commission officials and executives from some of the largest U.S. banks have been informal and preliminary, the people said. But the SEC may send comment letters to the biggest trading firms— [J.P. Morgan Chase & Co.](#), [Bank of America Corp.](#), [Citigroup Inc.](#), [Goldman Sachs Group Inc.](#) and [Morgan Stanley](#)—in the coming months, asking them to give investors more details in the future, some of the people said.

That could include requests to break out revenue from individual products such as bonds, stocks, commodities and other, more-exotic instruments. Currently, trading revenues are

lumped together, making it difficult for investors to figure out what is driving a particular firm's results.

[Finra launches exam sweep of business development companies](#) | Investment News

MORTGAGES AND HOUSING

[FHFA drops language question](#) | Scotsman Guide

Following heavy opposition from the mortgage industry, the regulator of Fannie Mae and Freddie Mac has backed out of its plan to include a language-preference question on the standard forms used to apply for the nation's most popular home loan types.

In late March, a coalition of more than 120 consumer advocacy groups, led by the National Housing Resource Center, the Leadership Conference and **Americans for Financial Reform**, urged the FHFA to include the question as a first-step to addressing the problem of serving borrowers whose first language isn't English. The groups argued that the rare update to the forms also provided an opportunity to insert a useful data tracking tool.

[Has CRA Reform Missed Its Moment?](#) | American Banker (John Heltman)

In a political season teeming with tension around income inequality, racial economic disparities and animus toward the banking industry, reforming the Community Reinvestment Act seems like it should be a cornerstone of the debate. Yet the law has been almost entirely absent from the discussion.

[The New Thorn in the Sides of Big Banks](#) | Wall Street Journal

[U.S. Appeals Ruling That Throws Out Crisis-Era Bank of America Case](#) | Wall Street Journal

STUDENT LOANS & FOR-PROFIT EDUCATION

[Obama's Last Chance To Protect Students And Taxpayers From Predatory Colleges](#) | Huffington Post (David Halperin)

The proposed rule should be strengthened to better protect students and taxpayers, and I endorse the collective [comments of our coalition](#) of student, veterans, civil rights, consumer, education policy, and educator organizations, as well as specific comments from The Institute for College Access and Success, The Century Foundation, Public Citizen, Margaret Reiter, and others, as well as petitions from [CREDO Action](#) and [Americans for Financial Reform](#) that collectively have garnered tens of thousands of signatures.

[Obama protects college students, taxpayers](#) | DesMoines Register (editorial)

[Elected Officials Weigh In on Borrower Defense](#) | Inside Higher Ed

[Strapped for students, nonprofit colleges use for-profit recruiting tactics](#) | PBS

[Here's why forgiving student debt isn't so simple](#) | Marketwatch (Jillian Berman)

See [AFR](#) and [members](#) Letter to the Department of Education on for-profit student debt.

[For-Profit Colleges Say Students Are Being Defrauded \(By Someone Else\)](#) | Huffington Post (David Halperin)

[Student Loan Defaults: Follow The Money?](#) | Huffington Post (Charles Kolb)

SYSTEMIC RISK

[US \\$18bn credit card debt spree sparks fears](#) | Financial Times

[This Boring Service Is Suddenly a Big Concern for Treasurys](#) | Wall Street Journal

[FDIC Targets Banks' Relationships with Third-Party Lenders](#) | American Banker

[Ghost of Glass-Steagall Returns to Haunt Bankers](#) | Wall Street Journal (Aaron Back)

TRADE

[Why Voters Don't Buy It When Economists Say Global Trade Is Good](#) | NY Times (Greg Mankiw)

[House lawmakers urge Obama to forgo lame-duck TPP vote](#) | The Hill

OTHER TOPICS

[Brown, jilted by Clinton for VP, to wield new clout on banking panel](#) | Politico Pro

[Big Banks Make a Pitch for Hearts and Minds](#) | NY Times (Michael Corkery)