AFR in the News

Media Coverage from May 2018

Federal Reserve Proposes Changes To Volcker Rule | National Public Radio, 5/31/18

CHRIS ARNOLD: Wayne Abernathy is with the American Bankers Association… [H]e says the big banks also are buried in paperwork, having to prove that all the trading they do is on the right side of the law. He says the proposed changes relax some of the requirements for the big banks, too.

WAYNE ABERNATHY: That means you don't have to show paperwork with every single trade that you're doing…

ARNOLD: Instead, he says, banks would come up with their own systems to make sure that they're square with the Volcker Rule with regulators signing off on their plans. But that sounds too much like banks policing themselves to Marcus Stanley. He's with the watchdog group **Americans for Financial Reform**. He worries that the changes let banks off the hook too much.

MARCUS STANLEY: This is moving the Volcker Rule much more toward a we'll-take-your- word-for-it kind of rule.

ARNOLD: Stanley says that nobody's had time to fully evaluate all the proposed revisions. But he says these are not just minor tweaks.

STANLEY: This is major surgery on the rule. And most of the surgery here is designed to let banks do more, to give banks more scope for Wall Street trading.

Banks would be freer to trade for profit under Fed proposal | Virginian Pilot, 5/31/18

The use of depositors' money by banks to make high-risk trading bets for their own profit is known as proprietary trading. For years, it was a huge money-making activity for Wall Street mega-banks like Goldman Sachs, JPMorgan Chase and Morgan Stanley. Proprietary trading allowed big banks to tap depositors' money in federally insured bank accounts — essentially borrowing against that money and using it for investments.

Under the Volcker Rule, banks have been limited to trading mainly on behalf of their clients rather than for themselves. But they have pushed back against the rule, and the Trump administration has been sympathetic.

Financial industry groups welcomed the proposal Wednesday, while consumer and investor advocates expressed alarm.

The proposal "is an attempt to unravel fundamental elements of the response to the 2008 financial crisis, when banks financed their gambling with taxpayer-insured deposits," Marcus Stanley, policy director at **Americans for Financial Reform**, said in a statement. "If implemented, these proposals could turn the Volcker Rule into a dead letter."

[Congress to roll back post-crisis rules as banks post record profits](#) | Washington Post, 5/22/18

Banks reported $56 billion in profits during the first quarter of 2018, up 27.7 percent compared to the same period last year, according to the Federal Deposit Insurance Corporation. Even without the corporate tax cuts President Trump and congressional Republicans passed last year, the banks would have still reported a 12 percent jump in quarterly profits to $49.4 billion…

But FDIC Chairman Martin J. Gruenberg warned in a statement that some banks have responded to the more competitive environment by taking on more risks. "While the performance of the banking industry has been positive, the current economic expansion is now the second longest on record," Gruenberg said. "It is important to remain vigilant to underlying risks in the latter stage of this economic cycle."

The industry's jump in profits is due in part to last year's corporate tax cut and to rising interest rates, both of which have made it easier for banks to make a profit. The Trump administration has also taken several steps to ease the industry's regulatory burdens, which has also bolstered their bottom lines, industry analysts say.

The House on Tuesday is expected to vote through a broad relaxation of regulations put in place after the global financial crisis. The bill, which has already passed the Senate with bipartisan support, would subject fewer financial institutions to regulators' toughest rules…

"When lawmakers vote for banking deregulation even though banks are raking in record profits, it exposes what is really at work," said Lisa Donner, executive director of **Americans for Financial Reform**. "The bank lobby has flooded the political system with money, and is getting a return on its investment. The result is legislation that makes the financial system less safe and less fair, and puts consumers at greater risk of abuse."

Bill Aimed at Saving Community Banks Is Already Killing Them | The Intercept, 5/16/18

"We absolutely expect bank consolidation to accelerate," Wells Fargo's Mike Mayo told CNBC the day after the Senate passed the deregulation bill in March. The reason? Banks no longer face the prospect of stricter and more costly regulatory scrutiny as they grow. And regional banks in Virginia, Ohio, Mississippi, and Wisconsin have already taken note before the bill has even passed into law, announcing buyouts of smaller rivals...

In an email to The Intercept, Compass Point's Boltansky said that the impact on M&A may not be immediate. For example, the increase in the enhanced regulatory standards threshold is phased, raising only to $100 billion immediately, and then to $250 billion in 18 months. He added that bank M&A also carries political risk, since it usually leads to layoffs.

But any belief that the Crapo bill will protect small community banks runs into the persistent long-term trend of consolidation. "The number of banks have declined every year since 1984," said Marcus Stanley, policy director at **Americans for Financial Reform**. "It's a long-term structural problem that I don't think you're solving here."

Wall Street Comes to Alameda | East Bay Express, 5/23/18

County records and state filings connected to the letters addressed to residents reveal the new owner is one of world's largest corporate landlords, the Blackstone private equity firm… Wall Street's purchase of the island's largest apartment complex has residents concerned and has activated tenant advocates.

Blackstone controls over $450 billion in assets. After the financial crisis a decade ago, mega-landlords like Blackstone bought up large swaths of foreclosed single-family homes and turned them into rentals. A January 2018 report by ACCE Institute, **Americans for Financial Reform**, and Public Advocates, "Wall Street Landlords Turns American Dream into American Nightmare," details the rent increases, surge in evictions, and poor conditions maintained by Wall Street landlords in the single-family rental market. Many of these Wall Street landlords bundled their rentals together and securitized them into "single-family rental bonds." Last May, the Securities and Exchange Commission announced it was investigating whether such bonds used overvalued property assessments.

Over the past year, Blackstone has bought multifamily properties in Seattle, Denver, and in the states of Texas, Illinois, and Florida, expanding the global investment firm's 100,000-unit real estate portfolio.

Student debt hurts the economy. Why is Trump making it worse? | NBC Think (Alexis Goldstein), 5/10/18

The administration just randomly ended a successful program that protected student loan recipients from predatory companies.

The student debt burden in America is a slow-moving crisis for millennials and Gen Z, as they continue to mortgage their futures to obtain an increasingly necessary college degree. It's clear that the current system is completely unsustainable: Just last week, outstanding student debt in America surpassed $1.5 trillion. Over 8 million borrowers are in default on their student loans, and one in four borrowers are having trouble repaying.

But instead of helping, the Trump Administration just made things even harder for America's student loan borrowers. On Wednesday, Mick Mulvaney, the White House official installed at the Consumer Financial Protection Bureau (CFPB), quietly shut down the Office for Students and Young Borrowers, which was designed to protect student loan borrowers from predatory actors. Closing this office now is like shuttering the fire department in the middle of a fire.

Problems in the student loan industry are serious and systemic: Illegal activity by Navient meant borrowers had years added to their repayment; Citigroup deceived borrowers about tax benefits; and National Collegiate Student Loan Trusts sued consumers for debt the company couldn't prove was owed or was too old for the company to go to court to collect.

Most failures in the student lending market, though, come down to two problems: A rogue industry consistently stomping on borrower rights, and a failure of public policy to address larger issues like the sheer volume of debt, bad incentives in how the government pays loan servicers and a lack of transparent, enforceable standards to ensure that those servicers are helping, not hurting borrowers. And the CFPB's Office for Students was the only place in the government tackling both these problems at once — or, really, at all, when one considers that Secretary DeVos is rolling back consumer protections and delaying rules meant to protect students from fraud.

Will capital plan cost big banks $400M or $121B? | American Banker, 5/14/18

The Federal Reserve's proposal to modify a key capital rule is generating a fierce debate among regulators about how much capital would be unleashed by the plan. And the range of estimates is uncommonly wide...

Marcus Stanley, policy director for **Americans for Financial Reform**, said that the proposal would essentially encourage banks to find assets that have the highest returns while also having the lowest risk weights, which could create artificially high concentrations in certain asset classes. And if risk weights are wrong, the consequences would be dire.

"The reason the leverage ratio exists is because regulators blew it on their risk-based capital ratios in a huge way before the crisis," Stanley said. "The regulators are basically saying, 'Trust us on our risk-based capital ratios, we've got it right.'"

House Votes to Dismantle Bias Rule in Auto Lending | New York Times, 5/8/18

Consumer advocates warned that doing away with antidiscrimination protections would drive up fees for those seeking auto loans and said that other consumer protections could soon be targeted.

"Companies will put millions of people into more expensive car loans simply because of the color of their skin," said Rion Dennis, an advocate of financial overhaul at **Americans for Financial Reform**. "By using the Congressional Review Act to wipe out straightforward regulatory guidance, the congressional majority has also opened the door to challenging longstanding efforts to protect workers, consumers, civil rights, the environment and the economy."

The Center for Responsible Lending analyzed loan level data in 2011 and found that black and Latino consumers were receiving higher numbers of interest rate markups on their car loans than white consumers.

Mick Mulvaney takes aim at consumer bureau's student protection unit | Washington Post, 5/9/18

Some of the most significant student lending cases brought by the federal government in recent years derived from the student office at the CFPB…

But now there is no telling whether any of that work will continue. Folding the student office into the financial education arm of the bureau could mean that staffers will be solely tasked with financial literacy…

Alexis Goldstein, senior policy analyst at **Americans for Financial Reform**, called the consolidation a slap in the face to America's student borrowers at a time when they need government allies more than ever. "America is facing an ongoing student debt crisis, with outstanding student debt surpassing $1.5 trillion and over 8 million borrowers in default on their student loans. Closing the office for students is like shuttering the fire department in the middle of a three-alarm fire," Goldstein said in a written statement.

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