Americans for Financial Reform

This Week in Wall Street Reform | Jan 28 - Feb 3, 2017

Please share this weekly compilation with friends and colleagues.
To subscribe, email info@ourfinancialsecurity.org, with “This Week” in the subject line

TRUMP ADMINISTRATION, CONGRESS & WALL STREET

Trump Begins Assault on Dodd-Frank Financial Regulations | NY Times
President Trump mounted an all-out assault on financial regulation on Friday, announcing an array of steps to tear down safeguards enacted to prevent a repeat of the 2008 financial crisis and turning to the Wall Street titans he had demonized during his campaign for advice…

A second directive he signed is expected to halt and possibly require an overhaul of an Obama-era Labor Department rule that requires brokers to act in a client’s best interest, rather than seek the highest profits for themselves, when providing retirement advice…

“The administration apparently plans to turn over financial regulation to Wall Street titan Goldman Sachs, and make it easier for them and other big banks like Wells Fargo to steal from their customers and destabilize the economy,” said Lisa Donner, executive director of **Americans for Financial Reform**, an advocacy group that supports Dodd-Frank. “That betrays the promises Trump made to stand up to Wall Street, and it will have dire consequences if he’s successful.”

Trump Signs Actions to Begin Scaling back Dodd-Frank | Wall St Journal
At the meeting, Mr. Trump also thanked Larry Fink, chief executive of BlackRock Inc., the world’s largest asset management firm, for doing a “great job for me.” “He managed a lot of my money,” Mr. Trump said, and then pointed to James Dimon, chief executive of J.P. Morgan Chase & Co., the largest U.S. bank by assets, as he discussed making changes to the Dodd-Frank law.

“There is nobody better to tell me about Dodd-Frank than Jamie,” the president said.

Trump orders Dodd-Frank review in effort to roll back financial regulation | The Guardian
“Donald Trump talked a big game about Wall Street during his campaign – but as president, we’re finding out whose side he’s really on,” said Senator Elizabeth Warren, one of Trump’s fiercest critics. “The Wall Street bankers and lobbyists whose greed and recklessness nearly destroyed this country may be toasting each other with champagne, but the American people have not forgotten the 2008 financial crisis – and they will not forget what happened today.”...

Lisa Donner, executive director of lobby group **Americans for Financial Reform**, said: “What they are trying to do is make it easier for big banks to steal from people.”

Donner said the move was “a stunning betrayal of what Trump promised on his campaign trail, and that was to protect us by standing up to Wall Street. That is what the people who voted for him supported." But Donner said dismantling Dodd Frank would not be easy. "This is a law that was passed by Congress and needs to be changed by Congress. It can't be done by fiat."

[Trump's plans to gut consumer protections denounced by consumer groups](#) | Consumer Affairs
Consumer groups are reacting with alarm to President Trump's pledge to tear down consumer protections built into the Dodd-Frank Act, passed in 2010 to prevent a re-enactment of the financial meltdown of 2008 and to head off rules that try to rein in stock brokers and investment advisors.

"Wall Street titan Goldman Sachs seems to be taking over financial regulation in the United States, trying to make it easier for them and other big banks like Wells Fargo to steal from their customers and destabilize the economy," said Lisa Donner, executive director of **Americans for Financial Reform** in a statement to ConsumerAffairs. "That is a betrayal of the promises Trump made to stand up to Wall Street. If they succeed it will have painful consequences."

[Trump Remembers Wall St., forgets 'Middle Man' Investor. Sad.](#) | The Street (Susan Antilla)
[T]rump's idea of securities regulation is to focus on creating jobs -- code for stripping away rules that protect the investing public. Trump's betrayal of his flock will kick in big-time if, as [expected](#), he manages to delay or get rid of a potent pro-investor Department of Labor rule that companies are set to begin implementing April 10.

[Trump Pledges to "do a big number' on Dodd-Frank](#) | CNN
Supporters of the law believe it has significantly reduced the odds of another Wall Street meltdown. Lisa Donner, executive director of a nonprofit coalition pushing for Wall Street accountability called **Americans for Financial Reform**, said in a statement that it would be "wrongheaded and a betrayal of Trump's campaign promises to reign in Wall Street abuses."

[The reality of Unraveling Dodd-Frank](#) | The Hill (Ian Katz)
President Trump recently reiterated his disdain for the Dodd-Frank Act, [calling](#) the financial reform law a disaster and telling small business owners that his administration will "do a big number" on it. The problem for Trump is that he can't do it through an [executive order](#). He can use the bully pulpit, but to amend the law he has to go through lawmakers. There's no quick fix.

It will be several months before the particulars of Dodd-Frank reform take shape. The alternative approach proposed by Financial Services Committee Chairman Jeb Hensarling (R-Texas) is being revised and must be approved by the House. Then it goes to the Senate, which will do its own number on the bill.

[How Banks and Republicans Plan to Kill Financial Reform Under Trump](#) | Slate (Jarred Bennett)
Critics of altering Dodd-Frank believe the signs point to a regrettable return to a pre-recession era when large banks operated without significant regulatory oversight, said Marcus Stanley, policy director at **Americans for Financial Reform**, a coalition of civil rights, consumer, and business groups that formed after the 2008 crisis. "We had experience with Wall Street self-regulation prior to the financial crisis, and it did not work out well," Stanley said. "When you let industry determine its own rules, it's going to create more risks. The downside of those risks is going to be pushed to taxpayers and working families."

Cohn's Vision for a Regulatory Rethink | Wall St Journal
President Donald Trump's senior economic adviser laid out his vision for a broad re-evaluation of the way big American financial firms are regulated, saying they are overcapitalized, over-regulated and restrained from providing credit to consumers and businesses.

Gary Cohn, director of the White House National Economic Council and former president of Goldman Sachs Group, Inc., said in an interview with The Wall Street Journal Thursday that the administration would review some of the main mechanisms that have shaped how megabanks and large non-banks have been governed since the financial crisis.

Trump order targeting business rules leaves key regulations untouched | Reuters
[T]he move does not cover independent agencies that crafted many of the rules required by the 2010 Dodd-Frank Wall Street reform law, including the Securities and Exchange Commission and the Commodity Futures Trading Commission, the White House said.

Dodd-Frank Watered Down as Trump Signs Executive Orders | NBC News
A cornerstone of Dodd-Frank was the creation of the Consumer Financial Protection Bureau, which took oversight of credit cards, mortgages and a host of other financial products and services Americans use on a regular basis.

"The agency does work in a very broad area," said Lisa Donner, executive director of **Americans for Financial Reform**. Donner said changing the CFPB's structure means that payday lending, forced arbitration, and debt collection-abuse protections could be rolled back. "It would be ending the kind of enforcement approach that has put $11.8 billion back in consumers' pockets," she said

CEO's face uneasy test of doing business under Trump | Bloomberg
Trump's Friday signing of an executive order barring the citizens of seven Muslim-majority countries from entering the U.S., on the heels of his war of words with Mexico over trade, alarmed executives from big employers including General Electric Co., Google Inc. and Goldman Sachs Group Inc. …

Wall Street stayed out of the fray initially. Late Sunday, Goldman Sachs CEO Lloyd Blankfein told employees that "this is not a policy we support," criticizing an administration stocked with the firm's alumni, including Steven Mnuchin, Trump's pick to head the Treasury. It creates "potential for disruption to the firm" and staff, whom Goldman will seek to assist, he said in a companywide voicemail. JPMorgan also said it was working to help affected employees.

Trump is Breaking Promise to be Tough on Wall Street | Huffington Post (Ben Walsh)

Trump Takes Aim at Dodd-Frank, Investor Protections Rule in Executive Action | NPR

Here's what's at stake as Trump moves to unravel Dodd-Frank | LA Times

Trump's 'forgotten men and women' aren't who you thought | Washington Post
The Trump administration is going to let financial advisers go back to ripping you off. "We think it is a bad rule," National Economic Council Director and former Goldman Sachs president Gary Cohn explained, because it's "like only putting healthy food on the menu" due to the fact that "unhealthy food tastes good but you still shouldn't eat it because you might die younger." So, to extend that analogy, your retirement advisor is now free to tell you to eat the financial equivalent

of junk food that might give you a heart attack, but will definitely give him a bigger bonus. Problem solved?

Well, only if you think the problem was that Wall Street couldn't do business the way it did before it crashed the economy. Which, to be honest, seems like a pretty good description of the Trump administration's thinking. It's not just that they want to let your broker give you whatever advice is best for their own bottom line. It's that they want to let bankers do whatever they think is best for their own bonuses…

Beyond that, Cohn said they'd look at getting rid of the rules that big banks have to plan for how they'd go through bankruptcy without a bailout, try to replace the head of the Consumer Financial Protection Bureau with someone who'd presumably be less aggressive going after predatory lending, and potentially free up non-banks like AIG, which, you might remember, played a starring role in the 2008 crisis, from the tougher oversight and capital requirements put in place in recent years.

Warren on financial rules rollback: 'We're finding out whose side he's really on' | CNBC

Cohn: Can do 'Quite a Bit' on Dodd-Frank without Congress | Bloomberg (video)

Who benefits from a Dodd-Frank Regulation Reboot? | Bloomberg (video)

Trump's Ridiculous Deregulation Gimmick | U.S. News (Pat Garofalo)
Per the text and Trump's own pronouncement on Monday, the goal of the order is to require that any new regulation implemented by the government be offset by the elimination of two other regulations. "So if there's a new regulation, they have to knock out two," Trump said...

It isn't hard to see how Trump's catchphrase would play out in the real world, for the worse. Say an industrial cleaner or pesticide turns out to be harmful to humans in ways that weren't understood before. Should regulators really have to go digging for two unrelated regulations to eliminate before they can do something about it?

What Trump's two for one regulation means for financial institutions | American Banker
Although Trump prefaced the order by calling the Dodd-Frank Act a "disaster" and pledging "to be doing a big number" on the law, it does not appear to immediately impact the banking and credit union regulators. A White House spokesperson reportedly clarified that Monday's order would not apply to independent agencies, and the way it was written would directly capture only those agencies that report to the Office of Management and Budget, which does not include the financial institution regulators.

At the same time, however, that doesn't mean the order — or another like it — won't be levied against the independent agencies in the future. And some said the banking regulators might voluntarily attempt to agree with this order, much as they did for one issued calling for a hiring freeze.

Former Officials Deride Trump's 'mindless' 2-for-1 deregulation plan | LA Times

CRA resolutions declare open season on Americans | Huffington Post (Lisa Gilbert)
It's may be a dream come true for corporate criminals, but it's an absolute nightmare for the rest of us. Republicans in Congress need to understand that if they do the bidding of their big

corporate donors and vote to repeal key protections under the CRA, they will inflict significant pain on their own constituents - and likely anger voters who came to the ballot box this year on a wave of populist rhetoric aimed at reining in out-of-control corporate interests like Wall Street.

If key regulatory protections are repealed, payday lenders, debt collectors and credit card companies will be allowed to scam and rip off the voters who put these members of Congress (and Trump) in office. Polluters will get away with dumping dangerous chemicals in their backyards and poisoning the wells near their homes. Voters everywhere will pay more out of pocket for home appliances, trucks and electricity bills. In short, wiping out public protections will allow big banks on Wall Street, big polluters and their well-paid lobbyists on K Street to abuse, exploit and discriminate against regular Americans with impunity.

Hensarling signals bank-rulers rewrite will be partisan affair | Politico
The toolkit Hensarling is envisioning to make the GOP's plans a reality? He described a "belt-and-suspenders approach." He said he was encouraging the administration to do "everything they can through executive order." He said Trump's regulatory appointees would play a role.

Hensarling said Republicans in Congress would use the budget reconciliation process in which they can rely on their Senate majority to override objections from Democrats. "There's a lot that can be done without having to get 60 votes in the Senate, and I think we're going to work on those matters first," Hensarling said.

If you want to kill jobs recovery, repeal Dodd-Frank | Washington Post (Jared Bernstein)
The bad news is that the Trump administration is threatening to blow up the job market recovery by rolling back financial market oversight. It's repeal-without-replace all over again, invoking the feared economic shampoo cycle: bubble, bust, repeat.

NOMINATIONS

Legal Complaint Adds Detail to Fraud Allegations Against Mnuchin | Wall St Journal
New allegations surfaced against Treasury Secretary nominee Steven Mnuchin Friday in a lawsuit against him and others who invested in the nearly defunct movie studio Relativity Media. Mr. Mnuchin, who was also at one point co-chairman of Relativity, is alleged to have hidden evidence of fraud against the plaintiffs, who lent the studio $73.6 million to market its movies. The civil complaint also claims that Mr. Mnuchin arranged for Relativity to pay back a $50 million loan to OneWest Bank, which he led as CEO, just one day after he quit his co-chairman post at the studio in May of 2015, knowing it was on the brink of insolvency. Some of the $50 million was allegedly money that the plaintiffs, RKA Film Financing LLC, loaned for movie advertising but was instead used for general corporate purposes

Trump Treasury pick Mnuchin sued in revived film fraud case | LA Times

Mnuchin Faces Fraud to Relativity Media | Variety

Senate Rs approve Price & Mnuchin after changing rules to stymie boycott | LA Times
The move came after Democrats prevented confirmation votes for both men Tuesday, charging that Price and Mnuchin misled the committee. That move infuriated Senate Finance Committee Chairman Orrin Hatch (R-Utah), who called the tactic "pathetic" and Democrats "idiots."

Committee rules require at least one member from each party to be present for a meeting. But the committee's Republicans changed the rules Wednesday to allow for confirmation votes, Hatch said.

Mnuchin's past actions make him a risky selection | The Hill (Sarah Edelman, Paulina Gonzalez, Jim Lardner)
OneWest was at least as bad as the rest of a very bad bunch. Government records, legal cases, and homeowner testimonies show OneWest foreclosed on tens of thousands of homeowners.

The documents show it was engaged in dual-tracking — offering loan modifications while pursuing foreclosure at the same time — and that they robo-signed documents — signing off on multiple foreclosures per minute, without reviewing the homeowner's case.

In addition, they lost — sometimes repeatedly — important paperwork that could have helped prevent foreclosures.

Republicans suspend committee rules, advance Mnuchin, Price nominations | CNN

Republicans bypass Dems boycott, approve Trump's cabinet picks | Business Insider

Mnuchin may have lied about foreign investments during confirmation hearing | Salon
Steve Mnuchin, the former Goldman Sachs banker who President Donald Trump wants to be America's next treasury secretary, is being alleged by Senate Democratic aides to have lied about his foreign investments during his confirmation hearing.

Mnuchin has managed a finance entity in the Cayman Islands and other similar entities which combined own more than $240 million in gross assets, a significant percentage of which belongs to foreign investors — and one of which is entirely held by foreign investors — according to a report by CNN on Tuesday. Mnuchin did not mention his relationship with these finance entities during his confirmation hearing and later claimed that there were only "a small number of foreign investors."

See AFR statement: **Senators should oppose the nomination of Steven Mnuchin**

Cortez Masto: Why I can't support 'Foreclosure King' | Reno Gazette Journal

Robo-signing affair dogs Mnuchin before committee vote | Politico

Mnuchin Again Denies Robo-Signing, Despite More Evidence He is Lying I The Intercept

Mnuchin misled Senate on foreclosures Ohio cases show| I Columbus Dispatch

Time for Sen. Heller, Mnuchin to come clean on foreclosure data | The Hill (Paulina Gonzalez)
At his confirmation hearing, Treasury Secretary-designate Steve Mnuchin had an opportunity to give the Senate Finance Committee an honest answer about his track record at OneWest Bank. Instead, Mnuchin was dishonest about how many families his bank had helped to avoid foreclosure. He took the same tactic in his follow-up written responses to Senators' questions.

As Sen. Dean Heller (R-Nev.) explained at the hearing, Nevada was one of the states hardest hit by the foreclosure crisis, which is why he asked Mnuchin about the bank's impact in his home state. But Mnuchin was unprepared to answer these questions, despite the fact that Heller's office had contacted Mnuchin's office seven times for this information prior to the hearing. Mnuchin assured the senator that he would provide the data to him after the hearing.

Mnuchin Draws Opposition from Dems over Foreclosure Testimony | Wall St Journal
A spokesman for Mr. Mnuchin, the former chairman of OneWest Bank, disputed allegations he had provided false testimony to the committee when he told lawmakers in written responses that the bank hadn't engaged in a practice known as "robo-signing." The catchall phrase refers to various ways in which bank employees during and after the foreclosure crisis signed off on large numbers of foreclosure filings while falsely claiming that they had personally reviewed each case.

His written response drew scrutiny because it appeared at odds with contemporary reports of the bank's activities during the mortgage bust, including a 2010 deposition of a bank representative. In 2011, OneWest's federal regulator detailed what it said were the bank's flawed foreclosure-processing practices in a consent order in which OneWest didn't admit or deny any of those practices. The bank was forced to conduct extensive reviews of errors on defaulted mortgages.

See AFR statement on Senate Finance Committee handling of Mnuchin nomination.

'Personnel is Policy': Meet Trump's team of Corrupt and Unqualified | Rewire
Trump's unvetted Cabinet is a catastrophe in the making, and Senate Republican acquiescence to his rush to approve its set-to-be-confirmed members is a permanent stain on their record….

Lisa Donner, executive director of **Americans for Financial Reform**, observed about Mnuchin's party-line Republican support: "The majority on the Senate Finance Committee has chosen to ignore lies and evasions, to ram through the Mnuchin nomination in defiance of its own procedures, and to all vote YES despite both the known facts about his bank's abusive and sometimes illegal foreclosure practices, and serious unanswered questions other matters."

Populism, Goldman Sachs-Style | U.S. News (Pat Garofalo)
Nothing says populism quite like having a former employee of Goldman Sachs explain how your administration intends to deregulate Wall Street, am I right? Such is the situation in which we find ourselves, as President Donald Trump on Friday signed two executive orders meant to begin the process of dismantling at least some of the new regulations placed on the financial industry in 2010. Trump has called those new rules a "disaster," so the orders are right in line with his promises – nevermind his platitudes about being on the side of the "forgotten men and women" against the "global financial powers."

3 Trump Cabinet Members will still be receiving millions from corporate America | Vox

CONSUMER FINANCE & THE CFPB

Doing Its Job -- and Under Attack | Morning Consult (Lisa Donner and Ed Mierzwinksi)
[T]his is an agency that has been fulfilling its mission, without letting itself by cowed by Wall Street or captured by revolving-door insiders. That's why it's under attack, and why it urgently needs to be defended.

The attacks are coming from the big Wall Street banks, the payday lenders, the abusive debt collectors and their well-oiled friends in Congress. These forces opposed the bureau's creation in the first place, and since then they have thrown their weight behind a seemingly endless series of bills, amendments and sneaky budget ploys designed to undermine the CFPB's effectiveness. In recent days, they have been whispering in the new president's ear: "Fire the director." Doing so would be terrible for American families, and for our economy. And it would be unlawful.

Executive Orders Threaten CFPB, Other Critical Wall Street Reforms | U.S. PIRG

Lawmakers Blocked From Cast Testing Cordray's Independence | Bloomberg
A federal appeals court in Washington Feb. 2 blocked a bid by two Democratic lawmakers to join a court proceeding that could decide the fate of Consumer Financial Protection Bureau Director Richard Cordray…

Sen. Sherrod Brown (D-Ohio) and Rep. Maxine Waters (D-Calif.) Jan. 26 sought to intervene in the case, citing the election of President Donald Trump and calls by congressional Republicans to remove Cordray. They said the October ruling was wrongly decided, and that important constitutional questions raised by the case need more attention.

But the D.C. Circuit denied their motion in a brief Feb. 2 order that didn't elaborate. The court also denied a motion to intervene filed by attorneys general from 16 states and the District of Columbia, and a similar motion by a coalition of consumer advocates.

Lawmakers, Lobbyists Attack Obama's Consumer Protection Agency | Black Press USA
Ironically, Capitol Hill's ongoing regulatory tug-of-war is really not a partisan issue for much of the nation. Early consumer polls documented that the strongest supporters for financial regulation were consumers of color. Considering that Black and Latino consumers are often targeted for financial abuse, strong support is understandable.

Even a December 2016 online poll conducted by Glover Park Group/Morning Consult revealed strong support for CFPB among Trump voters as well.

See statement by Congressional Black Caucus: Keep Richard Cordray, ensure the protection of American consumers

U.S. Court rejects states bid to defend consumer agency Reuters
A U.S. appeals court on Thursday rejected separate bids by 16 states and two Democratic lawmakers to defend the U.S. Consumer Financial Protection Bureau in a legal battle that could defang the agency created under former President Barack Obama.
In a brief order, a three-judge panel of the U.S. Court of Appeals for the District of Columbia Circuit denied a request to intervene filed by the states, including New York and Connecticut. The court also rejected similar motions filed by nonprofit consumer groups and two lawmakers, U.S. Senator Sherrod Brown of Ohio and congresswoman Maxine Waters of California, also seeking to defend the board.

Court won't let CFPB Proponents into Case to Defend Agency | National Law Journal

Court Blocks Dem Effort to Intervene in CFPB Case | National Mortgage News

[Court Denies Democrats push to defend CFPB](#) | Housingwire

[CFPB Fights to Stay Alive Under Trump](#) | Fox Business
“That's a complicated issue,” [Mnuchin] said after being asked to give his take on the bureau during his confirmation hearing last week. “The biggest issue I have with the CFPB, I don't believe they should be funded out of profits from the Federal Reserve. I think they should be funded out of an appropriations process.”

Mierzwinski scoffed at Mnuchin’s idea. “That is code for I want to kill the CFPB,” he said. For Warren, a funding shift would give the big banks more power… “If Mr. Mnuchin and others push to change the consumer agency's funding source, they will be declaring loud and clear that they care more about pleasing big banks than protecting working families and the safety of our financial system,” she said in a statement to FOX Business.

[Senate Republicans unveil bill to replace CFPB director with committee](#) | HousingWire

[Credit Union Comes to the Aid of CFPB](#) | Credit Union Times

[U.S. fines MasterCard, UniRush $13M for prepaid card breakdowns](#) | Reuters
The Consumer Financial Protection Bureau (CFPB) ordered the companies to pay $10 million in restitution to customers, with payments of around $100 to $250 depending on the harm the cardholders had suffered. They will pay another $3 million in civil penalties and create a plan for preventing future failures.

UniRush hired Mastercard to process its payments. Changing over to Mastercard was only supposed to make the systems for UniRush's Rushcards unavailable for a few hours, CFPB Director Richard Cordray said on a call with reporters. Instead problems emerged over the course of weeks, and users were unable to access direct deposits or benefit payments.

"Consumers could not use their own money to pay for basic living expenses and necessities. Many racked up late fees and other penalties," he said, adding that "customer service efforts failed to address problems adequately."

[CFPB Orders Millions in Refunds Over Rush Card Fiasco](#) | Consumers Union

[CFPB sues law firms over alleged relief scam](#) | American Banker
The Consumer Financial Protection Bureau sued two attorneys and their law firms on Monday for allegedly taking over a debt relief scam of their former client, the now-bankrupt Morgan Drexen, which charged millions in fees to thousands of consumers seeking debt relief.

The agency alleges that attorneys Vincent Howard and Lawrence Williamson carried on a debt relief scam created by Walter Ledda, the CEO of Morgan Drexen, a Costa Mesa, Calif., firm that was shut down in 2015 and that ultimately filed for bankruptcy.

[CFPB fines Prospect Mortgage $3.5 million for alleged kickbacks](#) | American Banker
The Consumer Financial Protection Bureau hit Prospect Mortgage with a $3.5 million fine for allegedly paying kickbacks to two real estate brokers and a servicer for referrals of government-backed mortgage loans.

Consumers to receive over $17M thanks to CFPB | St. Louis American

CFPB, VA AG Penalize Woodbridge Gold & Pawn for Deceitful Consumer Loans | Pymnts

CFPB faces Senate challenge on prepaid card rule | Politico
Perdue, a member of the Banking Committee, has been a longtime critic of the CFPB, which he has called a "rogue agency." NetSpend, a prepaid card operator, is based in Perdue's state. "If the CFPB wants to continue to impose rules and regulations that impact every American's financial well-being, it must answer to the American people," Perdue said in a written statement.

Banking lobbyists and their allies on Capitol Hill are far from unified behind the Perdue resolution, which so far has seven co-sponsors. Some think the CFPB's rule is workable and isn't worth targeting with a blunt tool like the CRA.

See AFR statement: Attack on Common Sense Rules for Prepaid Cards

Supreme Court pick could spell trouble for the CFPB | Bankrate (Mike Cetera)
"I think with a judge like Gorsuch, you can see there probably will be a tendency in that direction to dissuade [regulatory] innovation," says David Reiss, a law professor at Brooklyn Law School and the academic program director for the Center for Urban Business Entrepreneurship. That could mean the Consumer Financial Protection Bureau, whose unique management structure a judge on the U.S. Court of Appeals for the D.C. Circuit last fall called unconstitutional, could face an obstacle on the bench should the legal fight over its construction ever reach the Supreme Court.

Economic Efficiency Argument for the CFPB | Consumer Law & Policy Blog (Dean Baker)
The basic story is that if it's possible to make lots of money by using deceptive contracts to ripoff consumers, then many very talented and hard-working people will spend their time developing schemes to ripoff consumers. Instead of doing things that contribute to consumers' well-being (e.g. developing better products), these people will be committing resources to redistributing from others to themselves. If the government makes it more difficult to profit from the ripoff route, then people who want to make lots of money will be forced to turn to productive routes instead.

Lenders, Real Estate Brokers to Pay More than $5M for Alleged Kickback Scheme | Consumerist
The CFPB announced the enforcement action Tuesday, accusing Prospect Mortgage of paying illegal kickbacks to real estate brokers ReMax Gold Coast and Keller Williams Mid-Willamette, and lender Planet Home in exchange for referrals of customers purchasing homes.

Fintech Startups Want to Save One Key page of Dodd-Frank | Wall St Journal

HEDGE FUNDS AND PRIVATE EQUITY

Private Equity Eyes Tax and Financial Reform in the Trump Era | Bloomberg
Private equity has the President-elect on speed dial. That may benefit the $2.5 trillion industry as several key issues are put in play. Wilbur Ross, who made his private equity fortune restructuring bankrupt companies, will as Commerce secretary be the voice of U.S. business in Donald Trump's cabinet. Blackstone Group LP Chief Executive Officer Steve Schwarzman will

chair the President's Strategic and Policy Forum, a committee of business leaders that will advise Trump on job creation and economic growth.

Jay Clayton, a lawyer at Sullivan & Cromwell LLP who has advised on a host of private market deals, will regulate Wall Street as chair of the Securities and Exchange Commission. And though he wasn't given the job, retired General David Petraeus, a partner at KKR & Co., was shortlisted for Secretary of State. Can you sen this piece to the PE list?

$31.6B hedge fund calls for overhaul of laws meant to prevent financial crisis | Business Insider
The billionaire hedge fund manager and big Republican donor Paul Singer has long criticized Dodd-Frank, the post-financial-crisis regulation intended to prevent another meltdown. Now that President Donald Trump's administration is expected to dismantle the regulation, Singer's $31.6 billion hedge fund is weighing in again, calling to revamp the law formally known as the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Connecticut Lawmakers Seek new Tax on Hedge Funds | Wall St Journal
Connecticut Democrats are taking aim at its hedge fund industry with a proposed tax increase, as the state seeks ways to close a $1.5 billion budget deficit. Democratic lawmakers plan to introduce legislation Tuesday that would impose a new 19% state surcharge on investment management service fees, also known as carried interest. Currently only the federal government taxes carried interest, not the state.

CT governor objects to 19% proposed surcharge for Hedge Funds | Wall St Journal

Proposed bill closing tax loophole could net CT $520 million a year | Hartford Business

INVESTOR PROTECTION AND THE SEC

What will the SEC look like? | The Legal Intelligencer
The SEC was created as an independent federal regulatory agency. Its commissioners over the years have been chosen for their expertise and have come from -various backgrounds and geographical regions. Clayton's appointment signals a move -toward partisan appointments that will ensure that the SEC's agenda is aligned with the executive and legislative branches' plans for -securities regulation.

Marcus Stanley, policy director for **Americans for Financial Reform**, has said, "Mr. Clayton's background is as a Wall Street defense -lawyer—and while that's hardly unprecedented in these kinds of nominations, we believe it's not the appropriate background for a top position policing Wall Street." The new administration will have two additional vacancies to fill on the SEC. As reflected in Stanley's comment, some are concerned that if the new administration's other two appointments to the SEC are similar to Clayton that the SEC could lose credibility as an independent regulatory agency, whose commissioners are chosen for their expertise.

Republicans Ax Disclosure, Emissions Rule on Energy | NY Times
U.S. Republicans on Friday repealed a securities disclosure rule aimed at curbing corruption at energy and mining companies and voted to ax emissions limits on drilling operations, part of a push to remove Obama-era regulations on extractive industries.

In a 52-47 vote, the Republican-controlled Senate approved a resolution to eradicate a rule requiring companies such as Exxon Mobil and Chevron Corp to publicly state taxes and other fees paid to foreign governments like Russia…

After a number of legal battles, the U.S. Securities and Exchange Commission in June 2016 completed the regulation, which supporters said could help expose questionable financial ties U.S. companies may have with foreign governments. Senate Democrats raised concerns that Exxon's chief executive during those legal fights was Rex Tillerson, who was recently confirmed as U.S. secretary of state and has worked extensively in Russia.

U.S. lawmakers Move to Scrap SEC's 'Resource Extraction Rule' | NY Times
The SEC rule is championed by human rights organizations who say disclosure of payments to foreign governments by companies like Exxon Mobil Corp and Chevron helps fight corruption.

Senate votes to Kill Dodd-Frank Anti-Corruption Rule | Huffington Post
Democrats in the Senate had raised concerns during debate late on Wednesday that Exxon's chief executive during those legal fights was Rex Tillerson, recently confirmed as Secretary of State, the country's top diplomatic post. Tillerson, who has done extensive business in Russia, had raised Democrats' hackles at his confirmation hearing by saying he did not know Exxon had lobbied against U.S. sanctions on Russia.

"It should be lost on no one that in less than 48 hours, the Republican-controlled Senate has confirmed the former head of ExxonMobil to serve as our Secretary of State, and repealed a key anti-corruption rule that ExxonMobil and the American Petroleum Institute have erroneously fought for years," said Senator Ben Cardin of Maryland, the senior Democrat on the foreign relations committee.

MORTGAGES, FORECLOSURES & HOUSING

Can MBA Jump-Start Housing Finance Reform? | National Mortgage News
The Mortgage Bankers Association is trying to jump-start discussions around housing finance reform even as political dysfunction on Capitol Hill is reaching new lows.

POLITICAL INFLUENCE OF WALL ST & THE REVOLVING DOOR

Baldwin & Cummings re-introduce bill to slow revolving door | Urban Milwaukee
U.S. Senator Tammy Baldwin (D-WI) and House Committee on Oversight and Government Reform Ranking Member Elijah Cummings (D-MD) today reintroduced the Financial Services Conflict of Interest Act to slow the revolving door between Wall Street and Washington, prohibit "golden parachute" bonus payouts, and combat conflicts of interest.

"President Trump promised to 'drain the swamp,' but this revolving door keeps spinning," said Senator Baldwin.

RETIREMENT SECURITY & FIDUCIARY DUTY RULE

Trump Moves to Kill Off Obama's Landmark Retirement Rule | Wall St Journal
President Donald Trump has begun killing off an Obama-era retirement-savings rule unpopular with Republicans and some financial-industry executives who say it would harm consumers

more than help. The so-called fiduciary rule, six years in the making and unveiled by the Labor Department last spring, holds brokers and advisers who work with tax-advantaged retirement savings to a fiduciary standard as opposed to the previous suitability standard. That means they must work in the best interest of their clients and generally avoid conflicts, which can come about with the commission-based compensation common among brokers and insurance agents.

Trump's roll back of the investment conflict-of-interest rule is a direct attack on middle-class savings | LA Times
"President Trump continues his streak of throwing middle-class Americans under the bus... 'Rolling back conflict of interest protections ⋯ will take tens of billions of dollars a year from the pockets of hard-working Americans to enrich Wall Street,' reads a statement issued jointly by the American Federation of State, County and Municipal Employees; **Americans for Financial Reform**; the Consumer Federation of America and Wall Street gadfly Better Markets."

Fiduciary Rule is Now in Question. What's Next for Investors. | NY Times

Trump's Fiduciary Rule Order See unlikely to Stop Fee Shift | Bloomberg

Trump's Promise to Kill Fiduciary Rule Won't halt Shift to Index Funds | Barron's

EO to Strip Millions of Middle Class Families of Retirement Saving Protections | CFA

Trump Delays Rule giving Savers Greater protections | CNBC
President Donald Trump is delaying a rule requiring your financial advisor to provide you with advice that's in your best interest…

The regulation covers individual retirement accounts, as well as rollovers out of company-sponsored 401(k) plans. A 2015 report from the White House Council of Economic Advisers estimated that conflicts of interest by brokers, on average, reduce annual returns on retirement savings by 1 percentage point and cost investors up to $17 billion a year.

The president's action "will probably lead to a delay at least," Skip Schweiss, president of TD Ameritrade Trust Co., said today at TD Ameritrade's National Linc conference in San Diego.

Trump Thumps Fiduciary Rule: Here's What You Need to Know | Forbes

Fiduciary Rule Delay not a 'Slam Dunk' | On Wall Street

Brokers' ire on Fiduciary Rule Obscures True Threat | Bloomberg
Critics of the fiduciary rule… complain that the rule is too burdensome. Tim Pawlenty, CEO of the Financial Services Roundtable, grumbled that "the current rule is overly complex, involves too much red tape and is already negatively impacting consumer choice and service."

That objection is a red herring, however. For one thing, if critics were worried about the rule's burdens, they would argue for a more narrowly tailored one rather than its elimination. Also, many of the rule's burdens relate to exceptions that allow brokers to receive fees from mutual funds they recommend to clients if accompanied by appropriate disclosure. Brokers could avoid many of those burdens by simply declining fees from fund companies…

The real objection is that brokers' wallets are shrinking [because] investors increasingly want low-cost, conflict-free investment options. Just look at the billions of dollars flowing into index funds and robo-advisers.

Justice Department Continues to Defend DOL Fiduciary Rule in Court | Investment News

Bill introduced to protect seniors from financial scams | Financial Regulatory News
Sens. Susan Collins (R-ME) and Claire McCaskill D-MO) introduced legislation last week that would protect senior citizens from financial exploitation and fraud. The Senior Safe Act of 2017 would provide support to regulators, financial institutions, and legal organizations to educate their employees on how to identify and prevent financial exploitation of senior citizens.

"Protecting seniors from financial exploitation and fraud is one of the top priorities of the Aging Committee," Collins, chair of the Senate Aging Committee, said. "One factor is common to all the scams the Aging Committee has investigated —the fraudsters need to gain the trust and active cooperation of their victims. Without this, their schemes would fail."

Johnny Depp proves why we need a fiduciary rule | Yahoo Finance

Scrap the Fiduciary Rule? And Replace it with what? | Seeking Alpha

Say goodbye to your life savings (again) | Esquire

STUDENT LOANS & FOR-PROFIT SCHOOLS

With Falwell as Education Advisor, His Own University Could Benefit | NY Times
On Tuesday, The Chronicle of Higher Education reported that Jerry Falwell Jr., president of Liberty University, would lead a Trump administration task force charged with deregulating American higher education.

In describing his goals, Mr. Falwell focused on rolling back a series of initiatives that the Obama administration viewed as preventing abuses by predatory for-profit colleges. "The goal is to pare it back and give colleges and their accrediting agencies more leeway in governing their affairs," Mr. Falwell told a Chronicle reporter. One nonprofit university that could benefit from this kind of regulatory retrenchment is Liberty University itself.

Claim accuses Wells Fargo of Denying Loans to Young Migrants | AP
A federal lawsuit filed Monday accuses banking giant Wells Fargo of illegally denying student loans to young immigrants who are protected from deportation and allowed to work and study in the U.S. under a program created by former President Barack Obama…

"It's very important in our view to establish that there are clear rules against this kind of discrimination, particularly in a time like this," said Thomas A. Saenz, president and general counsel of the Mexican American Legal Defense and Educational Fund.

University of Phoenix company goes private | Washington Post

Consumer groups Protect Robocall limits on Student Debt Control | The Hill
Consumer groups are asking the Federal Communications Commission (FCC) to leave in place current rule limiting robocalls from student debt collectors.

Student debt companies have requested a review of the agency [rule](), but a group of 18 consumer advocacy organizations signed a letter asking FCC Chairman Ajit Pai not to revisit it. The rule -- passed under his predecessor in May on a party-line vote -- prevents student loan companies from calling individuals more than three times per month. Wednesday's letter was signed by the National Consumer Law Center, **Americans for Financial Reform** and the Consumers Union, among others.

MN School of Business, Globe U. fraud leaves broken dreams, big debt | MPR News

Louisville for-profit college programs get bad marks on debt standards | Louisville Business First

States Intervene in For-Profit Education Lawsuit | Legal Reader

What Student Loan Borrowers Must Know About the Navient lawsuit Kiplinger

Laureate Goes Public | Inside Higher ED

One major for-profit college chain taken private same day another goes public | Market Watch
Apollo Education Group, the parent company of the University of Phoenix, announced Wednesday the completion of a sale to a group of private equity investors that will take the company private. On the same day, Laureate Education Inc., which operates Walden University in the U.S. and hundreds of campuses worldwide, announced its initial public offering.

Both moves were long-awaited and expected, but their coincidental timing highlights the changes taking place in the for-profit college sector. After years of regulatory scrutiny, operating a for-profit college in the U.S. with the types of gains that please investors has grown increasingly challenging. At the same time, opportunities are proliferating abroad.

SYSTEMIC RISK

Mnuchin Dims Banks' Hopes he will Allow a Prop-Trading Revival | Bloomberg
Steven Mnuchin made clear he doesn't want Wall Street banks getting back into the business of making risky market bets with their own capital, after Senate Democrats pushed him to clarify his responses to questions they asked during his confirmation process to be Treasury secretary.

In written remarks to lawmakers, Mnuchin said that even banking units that lack a government backstop should be restricted from making speculative trades. At issue is the Volcker Rule, a contentious provision in the 2010 Dodd-Frank Act that sought to prevent lenders from putting federally-insured deposits at risk through wagers on stocks, bonds and other assets.

The new comments add further evidence that the Trump administration may try to tweak Volcker, rather than dismantle it.

Banks Under $250 Billion Threshold Get break on Stress Tests | Wall St Journal
Stress tests have become a centerpiece of the Fed's postcrisis regulatory framework. The exercise examines two critical aspects of the largest firms: first, whether banks hold enough capital—money raised from investors or earned through profit—to withstand severe economic

stress in the financial system, and second, whether banks have the appropriate internal processes to identify and measure risk when considering their own capital planning. The Fed can reject a bank's plan to pay out shareholders on either basis.

To gain an exemption, a firm must have assets between $50 billion and $250 billion and not be identified as a globally systemically important bank. One important change made by regulators in the final rule was excluding a requirement to have less than $10 billion in foreign exposure. The 2010 Dodd-Frank financial-overhaul law requires banks with more than $50 billion in assets to undergo the yearly stress tests. Fed officials have been looking for ways to ease requirements for regional banks while raising capital requirements for large, globally systemically important banks by adding a capital surcharge into the stress tests.

OTHER TOPICS

Insurers ask Congress to eliminate Federal Insurance Office | Politico