



The Golden Apple

Reporting on the latest discord from Capitol Hill

In classic Greek mythology, a golden apple of discord inscribed "For the fairest" was awarded to Aphrodite, beginning a chain of events that led to the Trojan War. GrayRobinson's newsletter reports on the most recent issues, individuals, and discourse deemed fairest in Washington.

May 17, 2019

The world turns, and people leave it every day. The legendary architect [I.M. Pei](#) (1917-2019) came to the United States as an 18-year-old in 1935 and leaves lasting monuments, not least the East Building of the National Gallery right here in Washington.

Novelist [Herman Wouk](#) (1915-2019) created the immortal character of Captain Queeg in *The Caine Mutiny*, and showed America itself, for better or worse, in almost a dozen doorstop-sized novels. And [Alice Rivlin](#) (1931-2019) not only helped create the Congressional Budget Office but saved the nation's capital from financial ruin. We were lucky to share the planet with them.

House approves flood insurance extension, other bipartisan financial bills

The House of Representatives voted Tuesday to approve [H.R. 2578](#), the National Flood Insurance Program Extension Act, which would extend authorization for the National Flood Insurance Program (NFIP) through September 30. The NFIP is scheduled to expire on May 31, and the Senate has yet to act on an extension. House Financial Services Committee [Chairwoman Maxine Waters said](#) she intended to work on a bipartisan basis with Rep. Patrick McHenry (R-NC), the Committee's ranking member, and others on "a long-term reauthorization to restore stability and confidence in the market." H.R. 2578 passed on a voice vote, as did three other financial services bills: [H.R. 389](#), the Kleptocracy Asset Recovery Rewards Act, which would create incentives for whistleblowers to report foreign corruption; [H.R. 1060](#), the Building Up Independent Lives and Dreams (BUILD) Act, which would allow nonprofit organizations that offer mortgage loans for charitable purposes to use certain alternative forms to satisfy disclosure

requirements; and [H.R. 1037](#), the Banking Transparency for Sanctioned Persons Act, which would require Treasury to report semiannually to Congress on a list of licenses issued to institutions that provide services to countries and people subject to US sanctions.

President says privatization of Fannie and Freddie is “urgent”

In remarks today before the National Association of Realtors, President Donald Trump said that his administration is determined to end the conservatorship of Fannie Mae and Freddie Mac, which he called “a pretty urgent problem.” The President’s comments followed a March statement from the White House that directed the Treasury and Department of Housing and Urban Development to develop plans for reform. The President said that the GSEs currently lack competitors and are not run as well as they could be, while taxpayers remain liable for losses. Federal Housing Finance Agency Director Mark Calabria has said he does not believe legislation is necessary to end the GSEs’ conservatorship.

Should Amazon and Facebook be regulated as financial institutions?

That question that came up on both sides of Capitol Hill this week, where the federal prudential regulators testified before the [Senate Banking Committee on Wednesday](#) and the [House Financial Services Committee on Thursday](#). Senate Banking Committee Chairman Mike Crapo (R-ID) said he was especially concerned about Facebook’s access to consumer financial data, and asked how the regulators plan to ensure that Facebook complies with the Fair Credit Reporting Act if it pursues plans to develop a cryptocurrency-based payments system. Rep. Bill Foster (D-IL), chair of the House Financial Services Committee’s new Task Force on Artificial Intelligence, noted that the financial regulatory system hasn’t caught up to Amazon’s financial services, and asked the regulators whether Amazon is too big, or too interconnected, to fail. The regulators had no answers to these questions, and FDIC Chairman Jelena McWilliams noted that the FDIC’s authority doesn’t extend to nondepository institutions.

S. 2155 implementation should be complete by year-end

Financial regulators told the Senate Banking Committee and House Financial Services Committee at this week’s oversight hearings that they are working quickly through the rulemaking process to implement the regulatory relief measures of last year’s Economic Growth, Regulatory Relief, and Consumer Protection Act. Rules to ease reporting requirements, exempt certain mortgages from appraisal requirements, narrow the Volcker rule, and simplify capital adequacy measures for community banks should all be complete by year-end, said Comptroller of the Currency Joseph Otting, and the OCC is

working with the Federal Reserve and FDIC on a notice of proposed rulemaking to revise compliance standards for the Community Reinvestment Act (CRA). Although the OCC was alone in issuing an advance notice of proposed rulemaking on CRA last year, all three federal banking agencies have been reviewing the comments, and the Comptroller's goal is to publish an interagency proposal by December.

Senate, House move on retirement security bills

Multiple committees of both the House and Senate are examining proposals to boost retirement savings and security, with hearings on both sides of the Hill this week and a House vote planned next week. The Senate Finance Committee [heard testimony on Tuesday](#) as it resumed work on the bipartisan [Retirement Enhancement and Savings Act \(RESA\) of 2019](#), which would make it easier for small companies to join multiple-employer plans (MEPs), make retirement plan assets more portable, and provide a fiduciary safe harbor for employers who allow employees to invest in lifetime-income arrangements. The House Budget Committee [held its own hearing on Thursday](#) to discuss the Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019, a bipartisan bill approved by the House Ways and Means Committee that will likely go to the House floor next week. House Budget Committee members disagreed, sometimes sharply, on whether a "retirement crisis" exists, but leaders on both sides of the aisle said they were committed to making reforms well before the Social Security Trust Fund becomes insolvent in 2035.

CFPB reports 150,000 comments on reconsideration of payday loan rule

The comment period closed this week on the Consumer Financial Protection Bureau's proposal to reconsider a section of its [2017 rule on Payday, Vehicle Title, and Certain High-Cost Installment Loans](#), and the Bureau's Thomas Pahl told a House Oversight subcommittee that they had received more than 150,000 comments. At a [hearing](#) that included harsh criticisms of both the Bureau and the short-term loan industry, members of the Subcommittee on Economic and Consumer Policy demanded explanations and documentation for the decision to revisit the factual basis of the rule's requirement that lenders evaluate borrowers' ability to repay. Pahl, the Bureau's Policy Associate Director for Research, Markets & Regulation, said the Bureau had asked for additional evidence to support its findings before imposing a rule with such far-reaching effects. They are carefully reviewing the public comments, he said, and ultimately Director Kathleen Kraninger will make a determination about the rule.

US Chamber objects to state proposals on fiduciary standards, asks for NJ hearing

The US Chamber of Commerce's Center for Capital Markets Competitiveness (CCMC) sent letters to the New Jersey Bureau of Securities and the Securities and Exchange Commission expressing concerns about state actions to impose fiduciary standards without coordinating with the SEC. The CCMC asked for a public hearing on the [proposed amendment to NJAC 13:47A-6.3 and proposed new rule NJAC 13:47A-6.4](#), which it said would present "significant operational, legal, and customer-facing challenges" to broker-dealers, and would not align with the SEC's proposed Regulation Best Interest (BI). In a separate letter to the SEC, the CCMC pointed to proposals in Nevada as well as New Jersey, and said, "If permitted, these state efforts would result in a patchwork of potentially conflicting state and federal regulations, harming investors and sowing confusion in the marketplace."

Confirmations, Nominations, Departures

- The Consumer Financial Protection Bureau announced appointments to several senior positions. [Brian Johnson](#) will serve as the Bureau's Deputy Director; he joined the CFPB in December 2017 and has served as Principal Policy Director since April 2018. [Kate Fulton](#), who has been Deputy Chief of Staff and Senior Counsel at the CFPB since 2016, will serve as Chief Operating Officer; Yasaman Sutton, a veteran of OMB, the White House, and the Department of Staff, will be Senior Advisor and Counselor to the Director; Melissa Brand will serve as Director of the Office of Civil Rights; and Jim Rice will serve as the Assistant Director of the Office of Servicemember Affairs.
- The Federal Deposit Insurance Corporation [announced](#) that Bret Edwards will become Deputy to the Chairman and Chief Financial Officer at the end of this month, succeed Steve App, who is retiring from that job on May 31 after 17 years. App, whose federal service spans almost 40 years, was Deputy CFO at Treasury and HUD before joining the FDIC in 2002 and began his career with the Federal Reserve Board. Edwards has most recently served as Director of the FDIC's Division of Resolutions and Receiverships.
- [Derek Kan](#), Under Secretary of Transportation for Policy, is the latest name to surface as a possible nominee to fill one of the vacant seats on the Federal Reserve Board. Kan, who was General Manager for Lyft in Southern California before his appointment to HUD, has Capitol Hill experience as a former chief economist for the Senate Republican Policy Committee. Senator Brian Schatz (D-HI), a member of the Senate Banking Committee, [tweeted](#) that Kan is "a

serious, smart person and a vast improvement over the previously mentioned names.”

Next Week in Washington

- May 21 at 10:00 a.m. — House Financial Services Committee holds a hearing on [“Housing in America: Oversight of the US Department of Housing and Urban Development.”](#)
- May 21 at 10:00 a.m. — House Small Business Subcommittee on Investigations, Oversight, and Regulations holds a hearing on [“Investing in Community: The SBA’s Community Advantage Loan Program.”](#)
- May 21 at 10:00 a.m. — Senate Banking Committee holds a hearing on [“Combating Illicit Financing by Anonymous Shell Companies through the Collection of Beneficial Ownership Information.”](#)
- May 21 at 10:00 a.m. — Senate Judiciary Committee holds a hearing to [examine the digital advertising ecosystem and the impact of data privacy and competition policy.](#)
- May 21 at 2:30 p.m. — Senate Commerce Subcommittee on Communications, Technology, Innovation, and the Internet holds a [hearing to examine the use of persuasive technology on internet platforms, focusing on optimizing for engagement.](#)
- May 22 — President Donald Trump meets with Speaker of the House Nancy Pelosi (D-CA) and Senate Minority Leader Chuck Schumer (D-NY) to continue talks on funding a \$2 trillion infrastructure package.
- May 22 at 11:30 a.m. — House Small Business Committee holds a hearing on [“Immigration and the Small Business Workforce.”](#)
- May 22 at 2:00 p.m. — Joint Economic Committee holds a [hearing to examine the economic impacts of the 2020 Census and business uses of federal data.](#)

The Ellis Insight

Jim Ellis reports on political news

President

Gov. Steve Bullock: As has been expected for some time, Montana Gov. Steve Bullock (D) officially announced his presidential effort this week, becoming the 23rd Democratic candidate. Mr. Bullock made the argument that he will be an effective national candidate because he’s won two elections in a conservative state and has been able to earn legislative achievements, like Medicaid expansion, in negotiating with Republican leaders.

Mayor Bill de Blasio: Following Gov. Bullock, New York City Mayor Bill de Blasio released an announcement video at the end of the week making him the 24th Democratic presidential candidate for the 2020 election cycle. His declaration centered around being the candidate for "working families," and cited the \$15 minimum wage, a free pre-K school program, a comprehensive healthcare program that especially covers mental health, and paid sick leave.

Florida: Former Vice President Joe Biden continues to see strong polling numbers, with the latest data coming from Florida. The Tel Opinion Research organization is reporting its latest results (released 5/8; 800 FL likely Democratic primary voters) that show Mr. Biden pulling away from his Democratic opponents on an open-ended ballot test poll. An open-ended ballot test is one where the respondent is not given the candidates' names. That approach tests for committed strength.

According to Tel Opinion, Mr. Biden leads Sen. Bernie Sanders (I-VT), 39-16%, with Sens. Elizabeth Warren (D-MA) and Kamala Harris (D-CA) each pulling only 5% support. South Bend (IN) Mayor Pete Buttigieg follows at 3% preference. All of the candidates scored well on the favorability index scale. Mr. Biden is viewed positively in an 81:13% ratio, where Sen. Sanders' score is 68:23%.

Senate

Arizona: Phoenix-based pollster OH Predictive Insights released their latest data from their May 1-2 poll (600 AZ likely voters) where they queried the respondent universe about the impending Senate race between appointed Sen. Martha McSally (R) and retired astronaut Mark Kelly (D). Though we are more than a year before Arizona's 2020 late August primary, the chances are strong that the aforementioned will be their respective party standard bearers.

According to the OH poll results, the early race again earns toss-up status. The sample breaks 45-44% in Sen. McSally's favor, which is virtually identical with the firm's late February poll giving the incumbent a 46-44% edge.

Iowa: After both former Governor and US Agriculture Secretary Tom Vilsack (D) and Rep. Cindy Axne (D-West Des Moines) declined to challenge Sen. Joni Ernst (R), the Democrats were left with no announced Senatorial candidate. That changed during the week when attorney Kimberly Graham, an Indianola neglected and abused child advocate attorney, announced that she would seek the Democratic nomination. We can expect others to join, but no current elected official is, to date, coming forward to oppose the first term Senator.

Montana: Helena Mayor Wilmot Collins (D) announced his intention to seek the Montana Democratic Senatorial nomination next year, with the hope of eventually challenging first-term Sen. Steve Daines (R). Mr. Collins, a native of Liberia, is the first African American to be elected as Helena's chief executive.

New Hampshire: After previously confirming that he was considering challenging Sen. Jeanne Shaheen (D) next year, Gov. Chris Sununu (R) announced that he will instead

seek a third two-year term as Governor in the 2020 election. Clearly, Mr. Sununu was the strongest Republican the party could have fielded against the two-term Senator and former Governor. Preliminary polling showed a proposed Shaheen-Sununu race as being a virtual dead heat.

House

AL-5: Retired Navy Commander Chris Lewis yesterday announced that he will challenge Rep. Mo Brooks (R-Huntsville) in next year's Republican congressional primary. Last week, Rep. Brooks made it clear he would not again run for the Senate, and in response to the Lewis challenge made public his Senate endorsement for state Rep. Arnold Mooney (R-Shelby County) who quarterbacked his 2017 statewide campaign. The Alabama state primary will run concurrently with the presidential race, meaning the nominating election will be March 3rd.

CA-15: State Sen. Bob Wieckowski (D-Fremont) announced late this week that he will run for Congress next year but would retreat to the legislature if Rep. Eric Swalwell (D-Dublin), now a presidential candidate, returns to run for the House in the California primary. Another Democrat, Hayward City Councilwoman Aisha Wahab, is also in the race but has been less definitive about leaving the race if Rep. Swalwell were to come back.

CA-45: Late last week, a sixth Republican candidate came forward to enter the Orange County-based 45th Congressional District race, still a year before the California primary election. In November, freshman Rep. Katie Porter (D-Irvine) defeated two-term Congresswoman Mimi Walters (R), 52-48%.

Orange County Board of Education member Lisa Sparks joined the crowded field that now includes a half-dozen Republicans beginning with Orange County Deputy District Attorney Ray Gennaway, and featuring Yorba Linda City Councilwoman Peggy Huang, Mission Viejo City Councilman Greg Raths, Laguna Hills Councilman Don Sedgwick, businessman Brenton Woolworth, and now Ms. Sparks.

FL-26: South Florida ex-Rep. Carlos Curbelo (R-Miami), who lost his seat 51-49% to current freshman Rep. Debbie Mucarsel-Powell (D-Miami) last November indicated yesterday during a trip to DC that he has not ruled out attempting to re-capture his former position. It had been a widely-held belief that Mr. Curbelo was planning to enter the Miami-Dade Mayor's race, but apparently, his plans are not yet solidified.

IA-1: State Representative and former local television anchor Ashley Hinson (R-Marion) announced that she will challenge freshman Rep. Abby Finkenauer (D-Dubuque) in Iowa's northeastern quadrant. In November, Ms. Finkenauer, herself then a sitting state Representative, unseated two-term Rep. Rod Blum (R-Dubuque), 50-45%. For his part, Mr. Blum has indicated he is considering running again but has made no firm decision.

IA-2: Republican Bobby Schilling served one term in Congress from western Illinois' 17th District, losing his re-election bid in 2012. Re-locating across the Mississippi River to

Iowa in 2017, former Congressman Schilling looks to make a political comeback. It is expected that he will soon announce his candidacy for Iowa's open 2nd Congressional District.

In April, Rep. David Loebsack's (D-Iowa City) made public his decision not to seek an eighth term. Former state Senator and 2018 Lt. Governor nominee Rita Hart (D) announced that she will run in the 2nd Congressional District next year, attempting to succeed Mr. Loebsack. Ms. Hart is the first Democrat to come forward for the competitive open seat that should lean to her party. Previously, Osceola Mayor Thomas Kedley announced for the Republican nomination.

IA-3: Former Rep. David Young (R) lost his seat to freshman Cindy Axne (D-West Des Moines) last year, and he announced last week that he will return for a re-match. But, it appears he will have to fight for the party nomination. This week, retired Army Colonel Bill Schafer (R) said that he will run for the position and state Sen. Zach Wahls (R-Coralville) has embarked on a "listening tour" of the congressional district and expects to make a decision about becoming a candidate in July.

NJ-11: Financier Reinier Pijten (R) announced yesterday that he is ending his month-old congressional bid. Mr. Pijten was looking to challenge freshman Rep. Mikie Sherrill (D-Montclair/Morristown) in next year's general election. Mr. Pijten's chief reason for discontinuing his political effort: he simply does not live in New Jersey, now or ever before.

NC-9: The special primary to begin the process of filling the vacant 9th Congressional District was held on Tuesday and Democrat Dan McCready, who was unopposed in his primary, and Republican Dan Bishop, a Charlotte state Senator, advanced into the September 10th special general election.

Sen. Bishop took 48% of the vote, well exceeding the 30% threshold needed for nomination against nine other Republicans. The seat was vacant because the November race leader, Mark Harris (R), was denied a certificate of election due to voter fraud allegations in one county. This will be a competitive special general, but with Mr. McCready already raising over \$2 million for the effort, he will be cast as an early favorite despite the voter history here favoring the Republicans.

TX-23: Ex-US Trade official and military veteran Gina Ortiz Jones (D) late this week made official her intention to seek a rematch with Rep. Will Hurd (R-San Antonio). Ms. Jones came within 926 votes of unseating the three-term Congressman last November and will return to again become a congressional candidate. Obviously, this race will be a major Democratic conversion target, and enters the election cycle with a toss-up rating.

Governor

Mississippi: The Hickman Analytics research organization, polling for the Jim Hood (D) for Governor campaign, tested the Mississippi electorate in preparation for the 2019 state chief executive race, which will be held in November of this year. The position is

open because Gov. Phil Bryant (R) is ineligible to seek a third term.

According to the Hickman results (5/5-9; 604 MS likely 2019 gubernatorial election voters), Attorney General Hood would lead Lt. Gov. Tate Reeves (R), 45-40%, if the election were in the present. Both have August primary opposition, but each is expected to easily win their respective party nominations.

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