NATIONAL COMMUNITY REINVESTMENT COALITION NCRC

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Contact: Jesse Van Tol (202) 464-2709
jvantol@ncrc.org

How Much Damage to the US Economy Must Occur Before Congress Acts to Protect the American Public?

Weakened financial reform bill protects special interests at the expense of working families

Washington, DC – The financial reform legislation that would establish a Consumer Financial Protection Agency has been severely weakened by Congress, which has bowed to the financial industry's multi-million dollar lobbying campaign. The bill contains loopholes, exemptions and other weaknesses that undermine its ability to protect consumers or prevent another meltdown of the financial system. The failure of the legislation to ensure strong consumer protections is especially troublesome considering the impact the financial crisis has had: more than 300,000 homes going into foreclosure each month, unemployment approaching 10%, and more than 2.5 million people falling into poverty last year. H.R. 3126 is expected to be voted on by the House Financial Services Committee tomorrow.

"The bill is unacceptable; it does not reign in the outrageous and abusive practices in the banking industry. Congress is failing to deliver on President Obama's commitment to achieve fundamental reforms of the financial system" said John Taylor, president and CEO of the National Community Reinvestment Coalition. "The bill's flaws are so glaring that it's impossible not to see the influence of the banking and credit card lobbies. The bill's intentional inadequacies assure that working families will continue to struggle with inappropriate, deceptive, and high cost financial products."

H.R. 3126's shortcomings include:

1) The House bill exempts 98% of banks (8,000 of 8,200), all of which were covered by the President's plan, from the full scrutiny of the proposed new CFPA. By requiring regular examinations of only the largest financial institutions, the bill fails to ensure adequate protection for working families that bank with small and midsize financial firms.

2) The House bill replaces the President's proposed independent oversight board with an advisory committee composed solely of financial regulatory agency personnel—the same regulators whose failure to protect the American public is the reason that a new consumer protection agency was proposed. This regulatory

structure would be equivalent to an advisory committee for the Environmental Protection Agency with no environmental scientists or an advisory board for the Centers for Disease Control with no medical experts.

3) The House bill removes the President's requirement that banks offer safe and sound standard mortgage products and small business loans to all creditworthy Americans. Failure to offer standard, fixed rate, 30 year mortgages (in favor of deceptive and reckless high cost loans) is the principal reason for the current home foreclosure crisis. And, failure to offer small business loans to qualified borrowers will further and unnecessarily stifle economic recovery.

4) The House bill removes President's proposal to transfer enforcement authority for the Community Reinvestment Act to the new CFPA. The current regulators will continue their lax enforcement, allowing the reckless and irresponsible lending CRA is intended to prevent to continue.

5) The House bill eliminates the President's proposed requirement that financial firms must offer financial products with terms and conditions that consumers reasonably can understand. This opens the door to another financial crisis caused by intentionally confusing and complex financial products.

6) The House bill exempts important financial players, included in the President's proposal, from full oversight, including real estate brokers and car dealers. These exemptions create an unlevel playing field where certain aspects of the credit markets are allowed to continue to exploit working families and undermine their potential to leverage their financial resources.

"The cascading changes that walk the bill away from protecting the public, will harm the very families most damaged by the financial crisis," said John Taylor. "Abusive lending has harmed working people in low-income and minority communities the most, but this bill does not ensure adequate protection for those families.

The National Community Reinvestment Coalition is an association of more than 600 community-based organizations that promote access to basic banking services, including credit and savings, to create and sustain affordable housing, job development and vibrant communities for America's working families.

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