NATIONAL COMMUNITY REINVESTMENT COALITION NCRC

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A Time to Lead on Financial Reform

Washington, DC – The National Community Reinvestment Coalition said the following on the President's speech today on financial regulatory reform:

"We applaud the President's necessary leadership on financial reform. Clearly the President felt it necessary today to speak out against the weakening of the bill. Unfortunately, the damage from corporate lobbying in Congress may have already been done," said John Taylor, president and CEO of NCRC. "We thought Senator Durbin made an apt and figurative statement when he said that the banks owned Congress, but perhaps his comment was meant to be literal. Today's speech should embolden members of Congress seeking to make the Consumer Financial Protection Agency (CFPA) strong. Unfortunately, the ability of the proposed CFPA to protect the most financially vulnerable individuals and communities has already been undermined by substantial changes to the bill."

"Most importantly, the proposed agency will not have sufficient independence from the existing regulators, whose failure to enforce the law was the reason for the establishment of the agency," said Taylor. "The exclusion of enforcement of the Community Reinvestment Act was also a major concession to the financial services lobby, and allows them to continue to shirk affirmative obligations to serve and lend to working class Americans, within the constraints of safe and sound underwriting."

"We appreciate the political difficulties that exist in getting perfect legislation passed, but the President had it right when he first proposed the Consumer Financial Protection Agency," stated Taylor. "The President's original proposal had steps to ensure that banks and the regulators would not overlook low-income neighborhoods. We hope that Congress stands by its word to do more. Chairman Frank has indicated that he intends to move legislation modernizing the Community Reinvestment Act, and examine other issues related to ensuring fair access to capital and credit in low-income and minority neighborhoods."

NCRC called on Congress to do for consumers what they have already done for the banks: to support their financial wellbeing in a fundamental way. Several substantial issues must be addressed to meet this goal:

1) The revised bill places major oversight authority back in the hands of the same financial regulators whose failure to protect consumers is the reason for the establishment of the new agency.

2) The removal of the requirement of "plain vanilla" products on grounds that it would undermine innovation is unfounded. Financial innovation should be benchmarked to a responsible standard. The existence of standard products does not undermine innovation. The 30-year fixed mortgage, for example, was institutionalized as a tool to strengthen the housing market during the Great Depression, and for more than 70 years it has remained the cornerstone of the U.S. mortgage market. Prior to the crisis created by innovative mortgage finance, this product had made homeownership the most secure investment of all, and kept financial institutions safe and sound.

3) The failure to include a "reasonableness" standard undermines attempts to ensure a transparent and even-handed financial process for all consumers. If a financial institution has no duty to ensure a consumer understands a financial product, the proposal leaves the door open to another foreclosure crisis caused by intentionally confusing and complex financial products.

4) Ensuring full scrutiny of real estate brokers and agents by the CFPA is important to ensure integrity in the housing market at all points of entry. The removal of full scrutiny of real estate agents and brokers is a significant change since they represent the initial point of entry into the housing market. In the current environment of millions of foreclosures, and the disproportionate impact they are having in communities of color, it is unreasonable to weaken provisions that ensure the most appropriate safe and sound access to mortgage finance to financially vulnerable communities. Homeownership rates for African-Americans, Latinos and Asians are already plummeting.

5) Elimination of car dealers from full scrutiny by the proposed agency is a fundamental weakening of the bill. Automobiles are the largest purchase for the typical minority household and the abusive lending practices in the auto industry are well known.

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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