NATIONAL COMMUNITY REINVESTMENT COALITION NCRC

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Senator Dodd Takes Aim at Real Regulatory Reform

Senate bill creates strong consumer protection agency

Washington, DC – Senator Dodd, Chairman of the Senate Banking Committee, today introduced a financial reform bill that would establish a robust Consumer Financial Protection Agency (CFPA), empowered to enforce the Community Reinvestment Act. Creating an agency whose sole mission is to protect consumers within the financial markets is critical in light of the impact of the financial crisis: More than 300,000 homes are going into foreclosure each month, small businesses cannot get the credit they need, and unemployment has risen above 10%. The Senate now has the opportunity to pass robust legislation that is in line with the President's proposal. The House Financial Services Committee bowed to pressure from the financial services industry and passed a weak bill.

"Senator Dodd's bill is a down payment on President Obama's commitment to achieve fundamental reforms of the financial system. Strengthening enforcement of consumer protection laws will cultivate integrity and achieve oversight and accountability for the whole financial system," said John Taylor, president and CEO of the National Community Reinvestment Coalition. "The bill ensures that an independent regulator will be empowered to take reasonable actions to protect consumers against inappropriate, deceptive, and high-cost financial products."

NCRC congratulates Senator Dodd for keeping enforcement of the Community Reinvestment Act with the CFPA, as President Obama originally proposed. CRA is integral to protect against discriminatory, deceptive, and unsafe lending practices. CRA combats the denial of prudent loans and basic services to small businesses and potential homeowners, consistent with safety and soundness concerns. Depriving the CFPA of jurisdiction over CRA removes one of the most effective anti-discrimination laws from the CFPA's purview.

Senator Dodd's draft legislation is in line with the President's proposal in several key ways:

1) The Senate bill gives the CFPA the authority to develop rules, disclosures and product standards for banks. 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. The House bill prohibited the CFPA from requiring a standard product.

2) The Senate bill keeps the President's proposal to transfer enforcement authority for the Community Reinvestment Act to the new CFPA. The House bill left enforcement of CRA with the same regulators whose failure is the impetus for creating a CFPA. If they continue their lax enforcement, the reckless and irresponsible lending CRA is intended to prevent will continue.

3) The Senate bill keeps a requirement that financial firms must offer financial products with terms and conditions that consumers reasonably can understand. The House bill removed this requirement in favor of weaker protections. If enacted into law, the House bill leaves open the door to another financial crisis caused by intentionally confusing and complex financial products.

4) The Senate bill covers important financial players included in the President's proposal with full oversight, including car dealers. Car dealers had been exempted by the House bill. 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.

5) The Senate bill provides regular examinations by the CFPA of 100% of banks and their affiliates. 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 by the CFPA of only the largest financial institutions, the House bill fails to ensure adequate protection for working families that bank with small and midsize banks.

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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