NATIONAL COMMUNITY REINVESTMENT COALITION NCRC

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NCRC on Senate passage of the Wall Street Reform Bill

Washington, DC – The Senate has passed the Wall Street reform bill this afternoon. John Taylor, president & CEO of NCRC made this statement regarding it passage:

"This bill represents the most significant overhaul of the financial system since the 1930s. But serious work remains; the proof of the bill's worth will come not from what is written in the bill, but how the regulators interpret the bill, write the rules and then enforce them. Based on the job they did for the past decade, I will believe reform is here when I see it. The bill leaves too much to study, and the discretion of the existing regulators. For that reason, it's a boon to Wall Street lobbyists, who will now be working behind the scenes to influence the regulators," said John Taylor, president & CEO of the National Community Reinvestment Coalition. "Given the severity of the economic crisis resulting from reckless and greedy practices on Wall Street, the bill could have been justifiably stronger. This is what happens when you allow the very industry that caused the problem to buy all the front row seats at the bargaining table."

"We're pleased to see the creation of an independent Bureau of Consumer Financial Protection, whose sole purpose is to create and enforce rules that will protect consumers from faulty financial products like risky mortgages and high interest credit cards. But the consumer protections in the bill are not as bullet-proof as we would want. The same regulators who ignored consumer advocates' warnings about predatory lending have veto power over the consumer agency; That club of regulators is very insular, and usually in agreement. They can kill serious reform, and the financial lobby remains much more influential with regulators than consumer advocates. And the veto standard of safety and soundness is too broad to the point of potentially including measures that affect the profitability of financial firms, even profits off of very risky practices. It's critical that this agency get a strong director whose professional devotion is to protecting consumers, and that it remains independent from the regulators," said Taylor.

"We're also pleased that Congress accepted our recommendations on additional data enhancements covering home mortgage lending, including foreclosure data, and small business lending. These data enhancements will shine a powerful spotlight on banks efforts to lend for small business expansion and job creation and sustainable homeownership," said Taylor."

Some major consumer-oriented components of the bill include:

Protecting consumers:

-A strong consumer agency was created to protect consumers and enforce regulations on mortgages, credit cards and other financial products; the agency will be led by a presidential appointee.

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·Protections against predatory lending were included in the bill. A new minimum underwriting standard will be created to ensure lenders verify a borrower's ability to repay a loan. The bill also bans payments to mortgage originators who steer borrowers into high-priced loans. The bill provides protection against prepayment penalties and abusive loan fees.

The rub: The Bureau of Financial Consumer Protection needs a strong director and independence from other agencies to do its job well. The consumer protections in the bill are not bullet-proof, and are subject to the influence of the banking regulators.

Fixing the Damage Caused by the Financial Crisis

·Authorizes $1 billion in assistance to unemployed borrowers facing foreclosure, and additional funds for housing counseling.
·Provides $1 billion for the Neighborhood Stabilization Program fund which addresses vacant and abandoned properties.

The rub: The bill doesn't wholly address the damage caused to the housing markets, or to national employment. A comprehensive foreclosure prevention plan is needed. Job creation must be addressed.

Enhancing Transparency

·Data enhancements to the Home Mortgage Disclosure Act (HMDA), which include loan terms and conditions and borrower characteristics.
·Data enhancements to small business lending, including borrower characteristics, so the extent of business lending to underserved small businesses can be ascertained.
·A default and foreclosure database that would serve as an early warning system enabling stakeholders to take early action when data shows a spike in foreclosures.
·A database of individual loan records in the Home Affordable Modification Program (HAMP) program. This will increase the accountability of the industry for modifying distressed loans.

The rub: The bill significantly enhances data regarding home and small business lending, but could have provided more useful data regarding bank deposits.

About the National Community Reinvestment Coalition (NCRC):
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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