NATIONAL COMMUNITY REINVESTMENT COALITION NCRC

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Wall Street Reform Passes the Senate

Senate bill weaker on consumer protections than House bill will need to get strengthened in conference committee

Washington, DC -- Today, the United States Senate passed a financial reform bill. A last minute managers amendment from Senator Dodd has not been made public yet, but based on the details of the bill known earlier today, John Taylor, president and CEO of the National Community Reinvestment Coalition (NCRC), made the following statement:

“The Senate has today passed a promising financial reform bill: necessary financial reforms will become law. But this legislative victory came at a great cost. More than 8 million Americans lost their livelihood, and millions are losing their homes. Families and whole neighborhoods have been torn apart. Unfortunately, this is more than lost decade for many Americans, this has been the destruction of the American Dream.”

“Despite obstruction by powerful interests at every step, this bill has passed, but it has been left battered and bruised. I’ve experienced many major legislative fights, but never one in which so many members of the Senate openly lined up with the interests of Wall Street over the interests of the American people. It feels like we just went ten rounds ending in a win on technical judgment. There’s blood on the floor, and most of it is from the American taxpayer,” said Taylor.

“How this ends is not known, as the bill heads to conference committee. This bill should have been much stronger based on what has happened in the financial system. The House bill, which we believed needed to be strengthened, now needs to win out in conference on most measures,” stated Taylor.

NCRC will be doing a side-by-side analysis between the final Senate bill and the House bill as soon as details are fully available about the managers amendment to the Senate bill. Based on known details earlier in the day, the following issues are areas of concern.

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Both bills are weak in the following consumer protection areas:

- Contain gaps of coverage and loopholes for consumer protections. 98% of banks are exempted from coverage under the Consumer Financial Protection Agency;
- Address some harmful practices, but fail to ensure that the financial system will adequately serve small business and Main Street capital and credit needs. Notably, enforcement of the Community Reinvestment Act (CRA) was not placed at the CFPA, as proposed by President Obama;

The Senate bill is weaker than the House bill in the following areas:

- The Consumer Financial Protection Bureau (CFPB) will be placed at the Federal Reserve, and its rules are subject to veto by the Financial Stability Oversight Council. The House bill creates an independent agency, with an oversight board, providing for a much stronger agency that will be better equipped to protect consumers.
- Under the Senate bill the OCC will be allowed to overrule state law without written justification for how federal law would substitute for state law. The House version of this provision is stronger.
- The transparency measures in the Senate bill were weakened. The House bill contains additional data collected regarding the deposits and branching of banks at a community level, allowing better examination of how banks are serving communities. The Senate bill does not establish national foreclosure database, as the House bill does, which NCRC has argued would have provided an earlier warning system of dangers in the housing market
- The Senate bill addresses yield spread premiums and requires that lenders verify an ability to repay the loan. The House bill is stronger in that it also addresses inflated appraisals and other important mortgage abuses.

The House bill is weaker than the Senate bill in the following areas

- The House bill has explicit exemptions for auto dealers and other entities.
- The Senate bill provides a stronger curb on derivatives trading, which will need to be reconciled with the House bill.

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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