

NATIONAL
COMMUNITY
REINVESTMENT
COALITION



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CONFERENCE WATCH:

Financial Reform Cannot Happen Without Removing Monetary Incentives to Harm not Help Consumers & Economy

NCRC Urges Committee Withstand Pressure to Remove Independent Appraisals, Sounds Concern on Rating Agencies' Conflict of Interest But Praises Senate Vote on Homeowner Advocate in HAMP Program

Washington, DC (June 16, 2010) -- Today John Taylor, CEO and President of the National Community Reinvestment Coalition, urged the conference committee to withstand pressure to remove independent appraisal requirements on mortgages in the financial reform bill and expressed disappointment with its failure to resolve the troubling conflict of interest between credit rating agencies and Wall Street. Taylor also urged inclusion of an Office of the Homeowner Advocate in HAMP to conduct loan modification appeals brought by homeowners and serve as a policy voice for homeowners.

Taylor said: "Financial reform cannot happen with removing the existing monetary incentives we have allowed the financial industry to build into financial products, including mortgages and the services rating agencies provide. We took a step backward yesterday by refusing to deal with the rating agencies' conflict of interest. We cannot afford to take another step backwards by caving to pressure from the brokers and Realtors to remove independent appraisals on mortgages. Inflated valuations on homes helped blow the housing bubble bigger and bigger until it burst. To prevent another crisis, we need to remove the financial incentives to do more harm than good."

Taylor said industry efforts are underway to weaken a federal independent appraisal standard, put into place by New York Attorney General Andrew Cuomo through a settlement with Fannie Mae and Freddie Mac and later adopted by FHA. As a result, virtually all mortgages are currently required to have a independent appraisal.

Taylor also said the committee “removed an important page” in the financial reform plan by requiring further study and refusing to adopt an amendment by U.S. Senator Al Franken, which would have established a government unit to assign agencies new issue ratings.

“Senator Franken should be commended for opening a can of worms that needed opening. Despite the potential of studying this problem to death, I don’t believe it will disappear. The agencies have systemic problems that must be resolved. However, an important page in the financial reform plan has been removed by refusing to end the conflict of interest between credit rating agencies and Wall Street. To require further study instead is kicking the can down the road, an exercise we cannot afford if we are serious about protecting investors and, ultimately, taxpayers. If the credit rating agencies had stood their ground and focused on substance rather than profits, the debate around deficit spending and taxes would be very different today.

“The good news, though, is the Senate approved Senator Franken’s proposal to create an office to advocate on behalf of homeowners seeking loan modifications with HAMP. Given the failure of HAMP to help more homeowners who, through no fault of their own, are facing foreclosure, this assistance is sorely needed. Banks have been happy to take from taxpayers but not so enthusiastic about giving back to homeowners harmed by the economic crisis the banks caused. We urge the committee to adopt Senator Franken’s proposal.”

By a vote of 63-33, the Senate passed Senator Franken's proposal yesterday as an amendment to the tax extender bill.

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About 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. Our members include community reinvestment agencies, faith-based institutions, community organizing and civil rights groups, minority and women-owned business associations, and local and social service providers from across the nation. <http://www.ncrc.org>