Waters: Consumer Protection Should Be Congress' Top Priority

H.R. 1210 would undercut critical mortgage protections in Wall Street Reform

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During general debate on the Portfolio Lending and Mortgage Access Act, H.R. 1210, on the House floor today, **Congresswoman Maxine Waters** (D-CA), Ranking Member of the Committee on Financial Services, led opposition to the measure, which would allow the largest banks in the country to make the sorts of predatory and risky loans that left the American economy on the brink of collapse.

The top Democrat went on to underscore the most harmful aspects of H.R. 1210, as it would scale back the ability-to-repay requirements in Dodd-Frank and would explicitly allow mortgage brokers to steer borrowers to riskier, more expensive loans, regardless of what they qualify for.

Finally, Waters lamented that the bill would refocus lenders on the short term benefits of upfront fees sanctioned in H.R. 1210, rather than the long term performance of the mortgages they originate.

Below is full text of the remarks.

"Today we are again wasting time on the floor discussing a bill that President Obama has already pledged to veto because it would undermine important financial reforms and put consumers and the economy at risk.

HR 1210 would allow lenders to deal in the same kind of risky loans that sank Washington Mutual Wachovia, Countrywide and eventually the entire economy in 2008. The bill undermines the anti-predatory lending provisions of the Dodd-Frank Act and virtually eliminates one of the most significant consumer protection rules implemented by the CFPB.

The bill also revives an industry practice under which mortgage brokers can earn hefty bonuses by steering borrowers into riskier, more expensive loans regardless of whether they qualify for better rates.
My colleagues seem to forget that we went through a terrible financial crisis. While we did spend hundreds of billions of dollars to rescue the banking system, millions of victims of predatory lending were left to fend from themselves as they were displaced from their homes and saw their life's savings disappear.

Many reforms in the Dodd-Frank Act ensure that the financial industry will never again be allowed to take the kinds of risks that drove us to national crisis, but the mortgage lending rules are designed specifically to protect families from financial crisis.

The fact is that many banks, whether they held loans on their books or sold them off to investors, were able to profit from loans they knew borrowers could not repay. Rather than perform careful underwriting, many banks demanded high up-front fees and relied on rising home prices and private mortgage insurance to protect them from losses when borrowers

inevitably defaulted. Banks also targeted families in financial trouble that owned their homes free and clear – offering them cash-out refinances with high origination fees and unaffordable terms.

Refinances accounted for 70% of subprime lending in the three years before the crisis, and ended up sapping the life savings of many families who relied on these products to pay for unexpected medical bills or other financial hardship. Department of Justice investigations found that lenders specifically targeted minorities with predatory loans, destroying a generation's worth of wealth in many communities of color.

Under the new mortgage rules, it's illegal to pay bonuses to brokers for steering borrowers into loans with bad terms. CFPB rules establish sensible underwriting standards so lenders are incentivized to design products that perform over the long run and make sense for consumers. In cases where banks want to make riskier loans with higher fees, they are allowed to do so, but the consumer will have extra protections if the loan goes bad – these include the right to sue for financial harm, and a defense against foreclosure.

The mortgage rules make good sense – by protecting consumers while still allowing them access to credit and ensuring the economy can grow. These are exactly the types of regulations we should want from our regulators, and the CFPB should be commended for its success.

Republicans continue to declare that the Dodd-Frank Act and the CFPB have been bad for the economy - during the last Republican presidential debate a right wing group aired a commercial painting the CFPB as a communist bureaucracy and claiming CFPB staff were responsible for denying loans to consumers. The facts show a much different picture.

Even the conservative Wall Street Journal recently reported that industry analysts and experts agree that compliance costs aren't the greatest challenges facing community banks.

The same article notes that loan balances at community banks grew twice as fast as their large counterparts over the last year, and that their profitability is much closer to large banks than it was prior to the passage of the Dodd-Frank Act. The Mortgage Bankers Association recently revised their expectations for 2016 and 2017 to expect even more growth in housing credit, and this week at the National Association of Realtors' annual conference, industry economists pointed to a strong housing market with high prospects for continued growth.

It's time for Republicans to realize that Dodd-Frank and the CFPB are not the problem, they are the solution. The CFPB has recovered $11 billion in consumer relief for 25 million Americans. It is both a fierce consumer advocate and a fair regulator whose leadership has been praised by many in the banking industry. The CFPB is the kind of government success story Republicans can't bring themselves to believe is possible.

We need to let the CFPB do its job protecting Americans from the types of practices that destroy consumer wealth and harm the economy. I urge my colleagues to protect consumers, to protect the economy, and oppose HR 1210."