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NCLC and 57 Other Groups Oppose Sweeping Effort to Gut Housing Protections

(WASHINGTON) Yesterday, 58 nonprofit organizations that work with homeowners facing foreclosure, including the National Consumer Law Center (NCLC), sent a letter to members of the U.S. Senate Banking Committee opposing Chairman Richard Shelby's draft legislation to gut key housing protections in the 2010 Dodd-Frank Act. The Financial Regulatory Improvement Act, which will be voted on today, would remove sorely needed protections against the abuses that helped cause the recent financial crisis.

"Homeowners and communities are still reeling from mortgage lender abuses that brought our economy to its knees. Broad deregulation will expose our country to the same risks that caused the recent financial crisis," said Alys Cohen, staff attorney in the National Consumer Law Center's Washington office.

The draft legislation introduced by Senator Shelby:

- Creates sweeping exemptions from the Dodd-Frank mortgage underwriting requirements for a wide array of lenders (even where a loan has not been assessed for affordability or where it includes abusive fees or a balloon payment);

- Insulates unaffordable loans (even where not covered by the exemption) by placing the burden on the homeowner to prove facts not in the homeowner's possession;

- Denies manufactured home borrowers, some of the lowest-income homeowners in the nation, basic protections that currently limit steering into high-risk, high-fee loans;

- Undermines measures to prevent appraisal fraud;

- Prevents homeowners from receiving fair, advance notice of their mortgage costs;

- Inserts loopholes allowing loans to be packed with overpriced insurance products that primarily benefit the lender;

- Excludes representatives with consumer-oriented interests from participation in a crucial advisory committee for development of infrastructure at Fannie Mae and Freddie Mac;

- Delays publication of crucial information collected under the Home Mortgage Disclosure Act, which historically has served to promote fair access to credit and lender accountability through a real-world, timely overview of market activity; and

- Undermines the Consumer Financial Protection Bureau (CFPB) and its regulations by requiring burdensome and extensive re-review and re-examination of all recent rules.

The advocates' letter urges the Banking committee to develop legislation that expands a sustainable and fair mortgage market for all. An alternative bill, sponsored by Ranking Member Senator Sherrod Brown, would be a better starting point. It would extend protections for tenants in foreclosed properties, strengthen protections for members of the military, and streamline regulatory oversight for financial institutions on supervisory exam cycles. However, the Brown bill also would make changes to Dodd-Frank's mortgage provisions. While constructive in some ways, such changes are best left to the CFPB. The CFPB has provided ongoing responsive attention to the housing market, including smaller, community-based institutions, and continues to pursue practical approaches to protect mortgage borrowers.

Link to advocates' letter to the Senate Banking Committee:

http://www.nclc.org/images/pdf/foreclosure_mortgage/dodd-frank/opposition-letter-shelby-2015.pdf

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