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May 20, 2015

The Honorable Richard Shelby  
304 Russell Senate Office Building  
Washington, DC 20510

The Honorable Sherrod Brown  
713 Hart Senate Office Building  
Washington, DC 20510

Dear Chairman Shelby and Ranking Member Brown:

On behalf of the National Council of La Raza (NCLR), I write to express my opposition to the proposed “Financial Regulatory Improvement Act of 2015.”

It is clear that the legislation is intended to undermine the Dodd-Frank Act, a landmark law designed to prevent a repeat of the systemic collapse of the financial system that we experienced just years ago. Rather than provide “regulatory relief” to community banks, credit unions, and other small businesses, the bill loosens essential safeguards for the very midsize and large financial entities that precipitated the economic crisis.

Along with our civil rights, housing, and consumer protection partners, NCLR fought for passage of the Dodd-Frank Act. As you know, communities of color lost significant wealth during the crisis as a result of unregulated, predatory lending. The Latino community in particular was devastated, with Hispanic families losing 66% of their household wealth between 2005 and 2009. From 2005 to 2009, the median level of home equity held by Latino homeowners declined by half—from \$99,983 to \$49,145. At the same time, homeownership rates among Hispanics fell from 51% to 47%. These trends were exacerbated by geographic location as a disproportionate share of Latinos live in California, Florida, Nevada, and Arizona, the states that experienced the steepest declines in housing values during the crisis. In the aftermath, there was a palpable sense that the financial system was fundamentally unsound and action was needed to prevent a future crisis of the same magnitude.

Many Latino consumers are only now beginning to recover what they lost. According to a Pew Hispanic Center study, Hispanics are the nation’s largest minority group, representing more than 16% of the U.S. population. The *2014 State of Hispanic Homeownership Report* indicated that the number of Hispanic homes grew by 320,000, representing 40% of total household growth in the United States. Further, of the 17 million new homes that will be created between 2010 and 2025, seven million will be purchased by Hispanics. The strong protections that were enacted by the Dodd-Frank Act are critical to ensuring these borrowers have access to safe and affordable credit.

While the “Financial Regulatory Improvement Act” proposes a number of alarming anti-consumer measures, several specific provisions are of particular concern.

- **The “Financial Regulatory Improvement Act” would undermine qualified mortgages.** The bill proposes to dramatically expand the definition of “qualified mortgages” or QM. QM protects lenders from lawsuits in the event of a default as long as the loan meets criteria meant to ensure the borrower’s ability to pay. Large financial institutions have been eager to see the QM criteria loosened so they can offer more mortgages with less liability. This would be a mistake. Under the new proposed standard, a loan could be granted QM status even when it was not properly assessed for affordability or tested for abusive fees. This provision would fly in the face of the very purpose QM status was created. It would haphazardly grant more loans the QM distinction while only benefiting lenders and leaving homebuyers exposed to more risk. This safe harbor provision undermines the purpose of QM and is unnecessary.
- **The “Financial Regulatory Improvement Act” would remove safeguards from manufactured housing.** In its current form, the bill would sanction offering a largely lower-wealth and rural population more expensive mortgages with fewer consumer protections than are available to households purchasing site-built homes. According to a CFPB manufactured housing report, Hispanics, American Indians, and Native Alaskans make up a greater share of manufactured-home residents than site-built home residents. The Corporation for Enterprise Development also found that in metropolitan areas with more Hispanic households (and larger shares of Hispanic-occupied manufactured housing), a greater proportion of residents are more likely to speak Spanish, be immigrants, and be targets of fraud. Prior to Dodd-Frank, there were far fewer protections for manufactured homebuyers than for traditional homebuyers. When there were nominal consumer protections, there was little to no recourse or enforcement. It is critical to maintain the gains made by Dodd-Frank to ensure consumers purchasing manufactured housing are protected.
- **The “Financial Regulatory Improvement Act” would protect lenders when they violate homebuyers’ rights.** The bill would permit lenders to use outdated Truth in Lending Act and Real Estate Settlement Procedures Act disclosures for residential mortgage loans even after new disclosures are implemented by the CFPB on August 1, 2015. The bill would essentially allow lenders to disregard these new regulations and would protect lenders from any civil, criminal, or administrative action or penalty for failure to fully comply with a Dodd-Frank mandate enforced by the CFPB. The bill insulates lenders from accountability when they make misleading disclosures to homeowners. The ability of consumers to protect themselves is essential to the efficacy of legal requirements. This bill would expose families to substantial harm without redress.

NCLR and our civil rights and consumer partners appreciate the complexity of regulatory reform and the potential improvement of Dodd Frank. This should be done with surgical accuracy, however, rather than with brute, arbitrary force. The “Financial Regulatory Improvement Act of 2015” implements the latter.

Thank you for your consideration. For more information please contact Victoria Benner, Senior Legislative Analyst, (202) 776-1760, vbenner@nclr.org or Nancy Wilberg Ricks, Senior Policy Strategist, (202) 776-1754, nwilberg@nclr.org.

Sincerely,

A handwritten signature in black ink, appearing to read 'Eric Rodriguez', with a stylized flourish at the end.

Eric Rodriguez  
Vice President  
Office of Research, Advocacy, and Legislation