

May 20, 2015

Dear Senator,

This week, the Senate Banking Committee will consider the “Financial Regulatory Improvement Act of 2015,” a bill which would substantially weaken some of the most important protections provided to Americans following the cataclysmic financial crisis of the 2000s. The National Fair Housing Alliance stands opposed to any legislation that could pave the way for the return of abusive banking products and practices in the financial services industry, like those that caused such harm to so many borrowers, especially borrowers of color who experienced the greatest displacement and loss of wealth resulting from the foreclosure crisis.

Founded in 1988, the National Fair Housing Alliance (NFHA) is a consortium of more than 220 private, non-profit fair housing organizations, state and local civil rights groups, and individuals from 37 states and the District of Columbia. Headquartered in Washington, DC, NFHA, through comprehensive education, advocacy and enforcement programs, ensures equal access to housing for millions of people.

Several provisions of the draft legislation seem to ignore the lessons learned from the abusive and discriminatory lending practices that played a central role in the lead-up to the foreclosure crisis. For example, the Dodd-Frank Act established a strong ‘ability to repay’ standard to ensure sound underwriting of mortgages. It requires lenders to make sure – before making a loan – that the borrower can afford to pay the loan back. Yet the proposed legislation would eliminate this common sense requirement for loans held in a lender’s portfolio, while still protecting the lender from legal liability should the loan default, even though experience demonstrates that holding a loan in portfolio is no guarantee that the loan is sustainable. The proposed legislation would also extend this legal protection for loans sold to a third party and held in that institution’s portfolio. This opens the door once again to loans with abusive fees or balloon payments, the very types of features that helped cause the foreclosure crisis. The legislation would also exempt escrowed payments to affiliated insurance companies from the calculations of points and fees under the Qualified Mortgage rules, giving institutions an incentive to mark up prices and add new but unnecessary insurance products for consumers.

The Financial Regulatory Improvement Act also proposes to remove basic protections for buyers of manufactured homes, protections meant to limit a lender’s ability to steer these borrowers into higher-risk, higher-fee loans and increase their cost of homeownership. Dodd-Frank required that the basic homeowner protections that previously applied only to purchasers of traditional



homes also apply to purchasers of manufactured homes. The proposed legislation undoes those protections by excluding employees of manufactured housing retailers from the definition of a “loan originator” and raising the threshold for compliance with existing consumer protections against high cost lending.

The proposed legislation would cause further harm by delaying publication of Home Mortgage Disclosure Act (HMDA) data which is critical to monitoring the flow of credit throughout the mortgage market, including to borrowers of color who have historically lacked access to sustainable, quality mortgage loans. These data are particularly important to understanding the barriers to homeownership that remain for people of color who were disproportionately impacted by the foreclosure crisis and many of whom received unsustainable loan products.

These are just some of the provisions in proposed legislation before the Senate Banking Committee that would substantially weaken the protections put in place to defend consumers and prevent the discriminatory and abusive practices that lead to the foreclosure crisis. We strongly urge you to oppose the Financial Regulatory Improvement Act of 2015.

Should you have any questions, please contact Debby Goldberg, Vice President for Housing Policy and Special Projects, at dgoldberg@nationalfairhousing.org or at (202) 898-1661.

Sincerely,

A handwritten signature in black ink that reads "Shanna L. Smith". The signature is written in a cursive, flowing style.

Shanna L. Smith
President and CEO