

H.R. 4173 Helps Level the Playing Field for Communities of Color

The “Wall Street Reform and Consumer Protection Act of 2009” (H.R. 4173) has passed in the U.S. House of Representatives and includes key components that will pave the way for a more transparent and accountable banking system that will help communities of color access affordable financial services and credit and build wealth, including:

- **The creation of the Consumer Financial Protection Agency (CFPA).** The absence of effective regulatory policy and oversight has allowed unscrupulous lenders to lure borrowers into unfair and abusive financial products. As a result, Latino and other communities of color bear a disproportionate share of the consequences of the economic downturn. H.R. 4173 would create a new federal agency solely devoted to protecting Americans from unfair and abusive financial products and services. In addition, CFPA would:
 - **Protect consumers, families, and small businesses.** This bill would raise banking standards, increase oversight and accountability, enforce neglected laws protecting consumer and civil rights, and improve access to credit through innovative credit, banking, and savings products.
 - **Promote consumer and civil rights.** Within CFPA, the Office of Fair Lending and Equal Opportunity would provide oversight and enforcement of federal laws intended to ensure fair, equitable, and nondiscriminatory access to credit for both individuals and communities.
 - **Increase access to financial information.** As a part of CFPA, the Office of Financial Literacy would facilitate the education of consumers on financial products and services. In addition, the bill provides funding to support community-based organizations offering free financial planning and advice to low-income families.
- **Assistance for families and communities affected by the foreclosure crisis.** Experts estimate that more than 700,000 Black and Latino households will have lost their home to foreclosure in 2009,¹ and approximately two million Blacks and Latinos have lost their jobs since the recession began.² H.R. 4173 would:
 - **Provide assistance to unemployed homeowners at-risk of foreclosure.** The bill includes \$3 billion for emergency loans.
 - **Increase funding to the Neighborhood Stabilization Program (NSP).** H.R. 4173 includes \$1 billion for the redevelopment of foreclosed and abandoned properties as affordable housing.
- **Protections for future homeowners.** Reckless and deceptive lending has severely impacted Latino and other communities of color. For example, Latinos are 30% more likely than Whites to receive a high-cost loan when purchasing their home.³ Latinos are also more likely to receive loans with high-risk features. The bill includes comprehensive mortgage reform and anti-predatory lending measures essential to combating abusive lending practices that played a key role in the economic crisis.⁴

Looking to the Senate: “Restoring American Financial Stability Act of 2009”

The “Restoring American Financial Stability Act (RAFSA) of 2009” was introduced by Senator Chris Dodd (D–CT) in November of 2009 via Chairman’s Mark Text. To lay the groundwork for a more transparent and accountable banking system that promotes financial security and wealth-building, RAFSA must include a strong, independent CFPA that can write and enforce consumer protection. Specifically, the CFPA must:

- **Include all lenders and types of financial transactions.** Hispanic families are aggressively targeted by unscrupulous payday and title lenders, and many of the worst abuses among auto and home loans have come at the hands of unregulated brokers, dealers, and finance companies. All lenders and creditors must be brought under minimum federal standards for accountability, transparency, and fair dealing.
- **Assess the availability of financial products at the community level.** Too often, the most favorably priced products are not offered in low- and moderate-income communities, instantly limiting borrowers’ options for higher-priced credit card, auto, and home loans. A strong CFPA should address this by enforcing fair housing and lending laws, increasing access to financial services for low-income individuals, and promoting sustainable homeownership in the Latino community. Enforcing and strengthening the Community Reinvestment Act is an important part of accomplishing this goal.
- **Safeguard the ability of states and tribes to protect their residents.** Under CFPA, federal laws should serve as the floor and fill in any gaps in consumer protection where the laws are weak or ineffective. State and tribal governments must be able to respond to the needs of their residents by passing stronger laws when necessary.
- **Empower consumers to make informed decisions.** Community-based organizations offering financial counseling can help families open bank accounts, build credit, identify an affordable car loan or credit card, and recover from a foreclosure or bankruptcy. This service is critical to helping consumers recover and avoid disastrous products in the future.
- **Prohibit lenders from luring unsuspecting borrowers into unaffordable loans.** The mortgage reform and anti-predatory lending measures should include stronger anti-steering provisions; this is necessary to protecting Latino and other communities of color from reckless and discriminatory lending.⁵

For more information, visit www.nclr.org/bankingreform.

¹ Center for Responsible Lending, *Projected Foreclosures to Latinos and African Americans by State* (Durham, NC: Center for Responsible Lending, 2009).

² U.S. Department of Labor, Bureau of Labor Statistics, *Current Population Survey*, Table A-2 and Table A-3. Conducted by the Bureau of the Census for the Bureau of Labor Statistics. Washington, DC, 2009, <http://www.bls.gov/cps/cpsatabs.htm> (accessed December 2009).

³ Debbie Gruenstein Bocian, Keith S. Ernst, and Wei Li, *Unfair Lending: The Effect of Race and Ethnicity on Price of Subprime Mortgages*. (Durham, NC: Center for Responsible Lending, 2006).

⁴ The “Mortgage Reform and Anti-Predatory Lending Act” (H.R. 1728) was made part of H.R. 4173.

⁵ Graciela Aponte, *Putting an End to Predatory Lending in Minority and Latino Communities* (Washington, DC: National Council of La Raza, 2009).