New Law Allows Mortgage Lenders to Resume Risky Loans, Hide Discrimination and Engage in Rural Lending Abuses

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WASHINGTON – Yesterday, the U.S. House of Representatives passed the Senate's bill, S. 2155, the "Bank Lobbyist Act," stripping consumers of key protections Congress enacted after the recent financial crisis that devastated communities and crashed the market. The White House issued a Statement of Administrative Policy in support of the bill. The new law rolls back a range of housing and other protections, leaving homeowners more exposed to lending abuses.

"We need a market that works for all borrowers, not a widening of the wealth and fairness gap," **said Alys Cohen, staff attorney in the Washington office of the National Consumer Law Center**. "In the guise of relief for small banks, Congress has voted to make it easier to hide information on lending discrimination, to make unaffordable mortgage loans, and to expose rural homeowners to abusive and overpriced loans."

S. 2155 will enable home lending abuses such as:

- Engaging in race discrimination in mortgage lending without reporting key loan characteristics to regulators for oversight;
- Offering risky adjustable rate mortgages without proper affordability reviews;
- Steering manufactured home borrowers into overpriced loans;
- Making higher-priced mortgage loans to borrowers without an escrow account to shield against payment shock at tax time; and
- Lending in rural areas without a reasonable property valuation.

The bill contains some modest protections related to credit reporting, such as free credit freezes, but preempts state freeze laws that apply to insurance and employment usage and prevents states from adopting stronger measures. The bill also forces Fannie Mae and Freddie Mac to start over on a process to update their credit scoring models, wasting years of work and delaying an already overdue effort. This provision is seen as a boon to VantageScore, which is a joint venture of the credit bureaus, including Equifax.

S. 2155 also purports to help student loan borrowers "rehabilitate" their private student loans. But in fact, it would allow collectors to use unspecified credit benefits as bait to lure unwitting borrowers into reviving ancient uncollectable debts.

The bill would also increase systemic risk to the entire economy by deregulating 25 of the 38 largest banks in the United States. "Can memories in Congress be this short that we want to again risk devastation for millions of American families?" Cohen asked.

The bill now advances to the President, who is expected to sign it.