Senate Votes to Roll Back Protections against Reckless Practices that Triggered Great Recession

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Bill Allows Mortgage Lenders to Resume Risky Loans, Weakens Protections against Racial Discrimination and Rural Lending Abuses

Washington – Today, the U.S. Senate passed S. 2155, the Economic Growth, Regulatory Relief, and Consumer Protection Act, which strips consumers of key protections Congress enacted after the recent financial crisis that devastated communities and crashed the market. The bill rolls back a range of housing protections, leaving homeowners more exposed to lending abuses.

"In the guise of relief for small banks, the Senate bill will hide information on racial discrimination in home lending, loosen protections against volatile adjustable interest rate loans, and expose manufactured home borrowers to overpriced loans," **said Alys Cohen, staff attorney in the Washington office of the National Consumer Law Center.** "At a time when interest rates are rising and bank regulators are pulling back from protecting the public, Congress should be ensuring that consumers can get a fair deal, not opening loopholes for reckless lenders."

S. 2155 will enable home lending abuses such as:

- Engaging in racial 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 largeest 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 U.S. House of Representatives.