WALL STREET REFORM

Key Protections For Americans and Small Businesses

The Dodd-Frank Wall Street Reform and Consumer Protection Act (H.R. 4173) has clear benefits for you and your family, as well as for America's small businesses. The Act:

- Establishes a new independent watchdog agency with the authority to
  - ensure American consumers get the clear, accurate information they need to shop for mortgages, credit cards, student loans, and other financial products, and
  - protect them from hidden fees, abusive terms, unfair terms and deceptive practices.
- Reforms mortgage lending eliminating many of the hidden fees and abusive practices that trapped so many families with loans they could not afford to repay, and that resulted in record foreclosures.
- Reforms debit card transaction fees, potentially saving American small businesses billions of dollars each year.

In detail, here are some of the strong consumer provisions in the bill:

CONSUMER FINANCIAL PROTECTION BUREAU

- **Strong Independence:** Led by an independent director appointed by the President and confirmed by the Senate, with a dedicated budget in the Federal Reserve, the Bureau will be able to autonomously write rules for consumer protections governing all financial institutions – banks and non-banks – offering consumer financial services or products and oversee the enforcement of federal laws intended to ensure the fair, equitable and nondiscriminatory access to credit for individuals and communities. This could range from requiring new easy-to-read mortgage loans to capping credit card interest rates.
- **Covers Range of Financial Products:** This applies to banks and credit unions with assets of over $10 billion and all mortgage-related businesses (lenders, servicers, mortgage brokers, and foreclosure scam operators), payday lenders, and student lenders as well as other non-bank financial companies that are large, such as debt collectors and consumer reporting agencies. Banks and Credit Unions with assets of $10 billion or less will be examined for consumer complaints by the appropriate regulator.
- **Able to Act Fast:** With this Bureau on the lookout for bad deals and schemes, consumers won't have to wait for Congress to pass a law to be protected from abusive anti-consumer practices.
- **Consumer Hotline:** Creates a national consumer complaint hotline so consumers will have, for the first time, a single toll-free number to report problems with financial products and services.
- **Educates:** Creates a new Office of Financial Literacy.
- **Accountability:** Makes this one office accountable for consumer protections. With many agencies sharing that responsibility now, it's hard to know who is responsible for what, and easy for emerging problems that haven't historically fallen under anyone's purview to fall through the cracks. Currently, these are handled by the Office of the Comptroller of the Currency, Office of Thrift Supervision, Federal Deposit Insurance Corporation, Federal Reserve, National Credit Union Administration, the Department of Housing and Urban Development, and Federal Trade Commission
- **Clearly Defined Oversight:** Protects small business from unintentionally being regulated by the CFPB, excluding some auto loans and businesses that meet certain standards.

CREDIT SCORE PROTECTION

- **Monitor Personal Financial Rating:** Allows consumers free access to their credit score if their score negatively affects them in a financial transaction or a hiring decision. Gives consumers access to credit score disclosures as part of an adverse action and risk-based pricing notice.

MORTGAGE REFORM

- **Require Lenders Ensure a Borrower's Ability to Repay**: Establishes a simple federal standard for all home loans: institutions must ensure that borrowers can repay the loans they are sold.
- **Require Additional Disclosures for Consumers on Mortgages**: Lenders must disclose the maximum a consumer could pay on a variable rate mortgage, with a warning that payments will vary based on interest rate changes.
- **Prohibit Unfair Lending Practices**: Prohibits the financial incentives for subprime loans that encourage lenders to steer borrowers into more costly loans, including the bonuses known as "yield spread premiums" that lenders pay to brokers to inflate the cost of loans. Prohibits pre-payment penalties that trapped so many borrowers into unaffordable loans.
- **Establishes Penalties for Irresponsible Lending**: Lenders and mortgage brokers who don't comply with new standards will be held accountable by consumers for as high as three-years of interest payments and damages plus attorney's fees (if any). Protects borrowers against foreclosure for violations of these standards.
- **Expands Consumer Protections for High-Cost Mortgages**: Expands the protections available under federal rules on high-cost loans -- lowering the interest rate and the points and fee triggers that define high cost loans.
- **Housing Counseling**: Establishes an Office of Housing Counseling within HUD to boost homeownership and rental housing counseling.

TACKLING THE EFFECTS OF THE MORTGAGE CRISIS

- **Neighborhood Stabilization Program:** Provides $1 billion to States and localities to combat the ugly impact on neighborhood of the foreclosure crisis -- such as falling property values and increased crime - by rehabilitating, redeveloping, and reusing abandoned and foreclosed properties.
- **Emergency Mortgage Relief:** Building on a successful Pennsylvania program, provides $1 billion for bridge loans to qualified unemployed homeowners with reasonable prospects for reemployment to help cover mortgage payments until they are reemployed.
- **Foreclosure Legal Assistance.** Authorizes a HUD administered program for making grants to provide foreclosure legal assistance to low- and moderate-income homeowners and tenants related to home ownership preservation, home foreclosure prevention, and tenancy associated with home foreclosure.

INVESTOR PROTECTIONS

- **Fiduciary Duty:** Gives SEC the authority to impose a fiduciary duty on brokers who give investment advice. The advice must be in the best interest of their customers.

FAIR INTERCHANGE FEES FOR RETAILERS

- **Protects Small Businesses from Unreasonable Fees:** Requires Federal Reserve to issue rules to ensure that fees charged to merchants by credit card companies for debit card transactions are reasonable and proportional to the cost of processing those transactions. These retailers stand to save billions in payments; debit swipe fees amount to about $20 billion a year. Merchants could offer discounts to customers who pay cash and could set a $10 minimum for card transactions.

Source: House Financial Services Committee