PRESS RELEASES

Waters Wins Big for Consumers, Homeowners, Minorities and Shareholders in Wall Street Reform and Consumer Protection Legislation

Her Provisions to Help Homeowners, Protect Consumers and Shareholders and Increase Access and Opportunities for Minorities Are All Included

Washington, Jun 30, 2010 | **Michael Levin** ((202) 225-2201) | 0 comments

After the House of Representatives passed the conference report of the Wall Street Reform and Consumer Protection Act tonight, Congresswoman Maxine Waters (CA-35) commented on the significance of this comprehensive legislation and highlighted key provisions that she introduced and advocated for as a senior member of the House Financial Services Committee and a key member of the conference committee that reconciled differences between House and Senate versions of the legislation.

The legislation passed by the House tonight includes a number of provisions introduced and championed by Congresswoman Waters. She negotiated with her colleagues in the House and Senate, among both Democrats and Republicans, to include provisions in support of the following priorities:

• Helping Homeowners
• Empowering Shareholders and Preventing Conflict of Interest
• Increasing Access and Opportunity for Minorities
• Strengthening Consumer Financial Protection

Click here to watch Congresswoman Waters speak in support of the bill and her provisions

Wall St Reform Conf Cmte Final House Passage

Helping Homeowners

Congresswoman Waters, who chairs the House Subcommittee on Housing and Community Opportunity, argued that this comprehensive restructuring of the nation's financial system must address the housing crisis. She worked to include provisions that help homeowners through increasing funds for the Neighborhood Stabilization Program and creating a program to help unemployed homeowners keep up with their mortgage payments; and reign in attorneys engaged in loan modification scams.

"Economic recovery requires solving the housing crisis and helping homeowners who have underwater mortgages and are at risk of foreclosure. Hard-working Americans who have lost their jobs through no fault of their own should not have to lose their homes as well," said Congresswoman Waters. "I am proud that this legislation includes my provisions to protect homeowners from fraud and foreclosure so they can stay in their homes and to stabilize neighborhoods."

Help for Unemployed Homeowners: While the first wave of foreclosures was driven by subprime and predatory loans, current foreclosures are increasingly being driven by unemployment. Congresswomen Waters has introduced a national program to assist unemployed homeowners by providing them low-interest loans to help them pay their mortgages. The program is based on a successful program that has helped many Pennsylvania homeowners avoid losing their homes. The financial regulatory reform bill will provide $1 billion for this purpose; the Treasury Department has committed to providing an additional $2 billion for the program.

Neighborhood Stabilization Program: This program – created 2 years ago through Congresswoman Waters' efforts – enables local governments and non-profits to purchase and rehabilitate foreclosed and abandoned properties and sell those homes to low- and moderate-income buyers. NSP has made significant investments into communities nationwide, and the need for NSP funding is growing. The financial regulatory reform bill includes an additional $1 billion in funding for NSP.

Protect Homeowners from Scams: Congresswoman Waters worked with Americans for Financial Reform and the American Bar Association to include language in the final financial regulatory reform bill that would regulate attorneys providing financial services or products, such as loan modification and debt settlement services, to be regulated under the newly-created Consumer Financial Protection Bureau. Unscrupulous private loan modification companies are partnering with so-called "foreclosure consultants" to prey upon vulnerable homeowners promising to help save their homes from foreclosure. They either charge an excessive fee for services that can be obtained for free from a qualified nonprofit counseling agency, or they deliver little or nothing for the money received from a desperate homeowner. These businesses are able to charge steep upfront fees because certain attorneys lend their names to the businesses. Congresswoman Waters' efforts will help bring an end to these types of deceptive practices, by requiring all attorneys providing a financial service or product to be subject to the same CFPB registration and reporting standards as other non-depository financial service providers.

Empowering Shareholders and Preventing Conflict of Interest

"Shareholders deserve greater representation on the boards of companies they have investments in – and more of a voice in how the businesses are run – so proxy access is of great importance," said Congresswoman Waters. "In addition, investors should have an opportunity to pursue restitution from entities that engage in or facilitate fraud. I hope that the GAO study is not a way to delay dealing with this problem, but rather to clearly document it further and to outline decisive action that shareholders can take against aiders and abettors of fraud."

Empowering Shareholders by Allowing Proxy Access: Recent corporate scandals – coupled with skyrocketing executive compensation packages – highlight the need for shareholders to have more of a say in how the companies in which they have invested are run and by whom. Currently, shareholders are severely limited in their ability to nominate their own candidates or to submit their own proposals to the Board of Directors. Congresswoman Waters drafted an amendment that was included in the final financial regulatory reform bill to give the SEC the authority to issue rules on proxy access, which will result in greater shareholder participation in Board nominations and proposals.

Preventing Conflict of Interest: Credit rating agencies are supposed to provide objective, independent assessments of the creditworthiness of financial instruments. However, during the housing boom, the top credit rating agencies – Standard & Poor, Moody's, and Fitch – caved to pressure from bond and securities issuers and provided overinflated, triple-A ratings to $855 billion worth of subprime mortgage-backed securities, while pulling in enormous profits for these ratings. Congresswoman Waters introduced an amendment that was included in the final financial regulatory reform bill to prohibit the compensation of the Board of Directors of credit rating agencies from being linked to the business performance of the firm, ensuring that the Board will act independently of the company's business interests and will provide objective reporting to the SEC.

Empowering Shareholders Who Have Been Victimized by Securities Fraud: Corporations and individuals who carry out large fraudulent schemes often rely on assistance from others; however, a Supreme Court ruling in 2008 in the Stoneridge case effectively allows secondary actors who aid and abet in securities fraud cases to escape liability. Congresswoman Waters introduced an amendment to hold those who cheat investors accountable. It would restore the right of shareholders who have been victimized to pursue restitution from secondary actors who aid and abet in securities fraud cases. The House conferees approved her amendment but the Senate conferees made a counteroffer, which is included in the final regulatory reform bill, to have the Government Accountability Office study the merits of the proposal.

Increasing Access and Opportunity for Minorities

The historic lack of racial, ethnic and gender diversity in the federal financial services agencies is well known and documented. Expanding opportunities for female and minority professionals is the right thing to do, not only out of fairness but also to best serve the needs of our diverse population. Additionally, predatory lenders deliberately and systematically preyed upon minority and low-income individuals and helped cause this economic crisis. Implementing safeguards to ensure fair access, treatment and regulations for all is important to stabilize America's financial system and economy.

"Many industries lack the inclusion and participation of people of color and women, perhaps none more egregiously than the financial services sector," said Congresswoman Waters. "I wrote this legislation to make sure that federal financial regulatory agencies ensure diversity in their hiring and promotion, as well as in their contracting, so that competent and qualified minority and women professionals and small, minority- and women-owned businesses have a seat at the table.

Congresswoman Waters continued, "Since minorities were preyed upon by unscrupulous lenders and other financial actors and are at higher risk when the economy takes a down turn, I am pleased that my legislation to ensure access to affordable, safe insurance products and to study the impact of wind down on underserved communities is included in the legislation that passed the House today."

Office of Minority and Women Inclusion: Women- and minority-owned firms were largely overlooked for the contracting opportunities made available by the government's historic intervention at banks and other financial institutions. Congresswoman Waters authored an amendment, adopted by the House-Senate conference, to create Offices of Minority and Women Inclusion at each of the federal regulatory agencies – including the Department of the Treasury, the Federal Reserve and the Federal Depository Insurance Company, among others – in order to ensure the racial, ethnic and gender diversity of the work force and senior management. The offices would also increase the participation of minority-owned and women-owned businesses in the programs and contracts of each agency.

Protecting Minority Communities when a Financial Institution Fails: The final conference committee report includes a provision to wind down failing financial institutions that pose a risk to the economy. Congresswoman Waters wrote legislation that would require the appropriate federal regulatory agency to consider the economic impact of the default of the failing institution on minority and low-income communities, and to take steps to avoid or mitigate the potential adverse effects on these communities prior to winding down the financial institution.

Ensuring Minority Access to Affordable Insurance Products: Minority and low-income communities were targeted by predatory lenders and have felt the impact of the recession severely – particularly during the meltdown of the subprime mortgage industry and the subsequent burst of the housing bubble. The House-

Senate conference created a Federal Insurance Office (FIO) at the Treasury Department to monitor all aspects of the insurance industry, including practices that create systemic risk. Congresswoman Waters wrote legislation to task the FIO with monitoring the extent to which underserved communities, and minority and low-income persons, have access to affordable insurance products.

Strengthening Consumer Financial Protection

The legislation creates a new Consumer Financial Protection Board (CPFB) that will have the power to regulate the activities of banks, credit card companies, payday lenders and other institutions that provide financial services to consumers. Congresswoman Waters worked to make sure the CPFB fully represents and protects consumers.

"This legislation shows we are on the side of working families by protecting them from the greed, excessive risk and fraud perpetrated by some unscrupulous businesses," said Congresswoman Waters. "I believe that this legislation, with my amendments that advocate for consumers and students, will make financial information accessible and understandable so that all consumers can make informed decisions, knowing that regulations are in place – and will be enforced – to look out for their best interests."

Representing the Interests of Consumers: Congresswoman Waters strengthened the CFPB by adding an expert in consumer protection to its Advisory Board. Having someone who has specific experience representing the interests of consumers serve on the Advisory Board provides an important check to the interests of big banks and financial institutions.

Protecting Students from Unscrupulous Lenders: Far too many proprietary schools have been ripping off students across the country. Many of these schools are highly profitable because they receive significant amounts of federal student loan money; schools can qualify to receive as much as 90 percent of what students pay from Pell grants if 10 percent of their loan funding comes from private sources. The private loans these schools make to their students have extremely high interest rates, kickbacks and fraudulent signatures. In fact, 23 percent of students default on these loans compared to the default rates of 6.5 percent at private non-profit schools and 9.5 percent at public universities. To help protect young students from unscrupulous lenders, Congresswoman Waters worked to include a provision in the final financial regulatory reform bill that would allow the Consumer Financial Protection Bureau to regulate all proprietary institutions and other private student lenders.

Summarizing the Wall Street Reform and Consumer Protection Act, Congresswoman Waters said, "This historic legislation has been designed to prevent another financial crisis, to reform how Wall Street and the nation's major financial institutions operate, and to protect American consumers from predatory loans, excessive bank charges and credit card fees. Families and small businesses on Main Street in cities and towns across the country will benefit from our efforts to hold Wall Street accountable."

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Tags: Economic Security, Housing, Helping Homeowners Avoid Foreclosure, Consumer Financial Protection, Wall Street Reform & Consumer Protection

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