

# **OPPOSE S.2155, The Economic Growth, Regulatory Relief and Consumer Protection Act**

Office of U.S. Senator Sherrod Brown (D-OH), Ranking Member, Committee on Banking, Housing and Urban Affairs

**Ten years ago, the first signs of the financial crisis appeared. Within months, millions of Americans lost their homes and their jobs. The Great Recession was caused by people in Washington who believed banks would police themselves.**

**Congress enacted the Wall Street Reform Act, or Dodd-Frank, to protect against greedy Wall Street practices that devastated the economy. Congress must not roll back the guardrails that protect people from shady lending practices and that prevent well-run banks from being forced to compete with those that will cut corners.**

## **I. The Crapo Bill Puts Taxpayers at Risk of another Bank Bailout**

Stress tests ensure that banks can weather the next downturn. The Crapo bill weakens stress tests for the largest banks, including JPMorgan Chase and other Wall Street megabanks. These banks needed \$239 billion in TARP bailouts. Without effective, annual stress tests, taxpayers could once again be on the hook.

This bill puts taxpayers at risk of another bailout by:

- Rolling back current stress testing requirements for *all* large banks, even the Wall Street megabanks that are designated as “global systemically important”— meaning their collapse could cause harm that ripples across the world. Without effective, annual stress tests, taxpayers could once again be on the hook when ‘too big to fail’ banks collapse.
- Taking a “repeal and replace” approach to stress tests for large banks with combined assets of \$4 trillion - that’s more than a quarter of all the assets across the entire banking industry. Current, tough, annual stress tests would be eliminated. The Trump Administration’s new regulators would devise new, weaker tests that would be administered on a “periodic” basis.
- Allowing dozens of the largest banks to once again borrow more money than they can afford to lose by weakening enhanced capital requirements.
- Gutting the oversight of foreign megabanks operating in the U.S. – like Deutsche Bank, Barclays, and Credit Suisse – that have repeatedly violated U.S. laws.
- Exempting dozens of the largest banks from making plans called “living wills.” Living wills make sure that if a bank fails, it won’t bring the entire economy down.

*Community Banks Also Pay the Price:* When big banks fail, the Federal Deposit Insurance Corporation (FDIC) steps in to help ensure customers don’t lose their deposits. When the FDIC is forced to pay out money to cover the cost of a big bank collapse, smaller community banks are forced to pay more to replenish the fund. For example, when IndyMac failed, it cost the FDIC \$12 billion. Someone had to replenish that money. IndyMac was gone. So, healthy community banks that had nothing to do with the crisis were left to cover the costs.

## **II. The Crapo Bill Puts Homebuyers at Risk**

More than 5 million families were foreclosed on during the housing crisis because lenders were allowed to trap homebuyers in mortgages the buyers couldn't afford or didn't understand. Trillions of dollars of housing wealth was destroyed. African American and Hispanic families lost more than half of their accumulated wealth.

This bill rolls back a number of the mortgage rules put in place after the crisis to protect Americans from abusive lending practices:

- This bill blocks some homeowners from going to court to stop banks from wrongfully foreclosing and kicking them out of their homes.
- This bill allows some banks to sell customers adjustable rate mortgages without assuming any responsibility for whether the customer can afford her payments once the initial rate expires. For example, a customer could enter a mortgage at 4% and end up being charged 9% after a few years. The customer may lose her home - even if the bank knew, or should have known, that the customer could not afford 9%.
- This bill takes away protections that help ensure customers can afford the true price of homeownership, including property taxes and homeowners' insurance.
- This bill permits mortgages for homes up to \$400,000 in some areas without an appraisal to verify that the home is worth what the buyer is paying. Without an appraisal, buyers could end up in an underwater mortgage on day one.
- This bill eliminates new reporting requirements of mortgage data that banks already collect. The data would be used by the Consumer Financial Protection Bureau, state attorneys general and others to identify dangerous lending trends and help prevent banks from discriminating against minorities. The 2008 crisis wiped out more than half of the wealth of African-American and Hispanic communities across the country, wealth that has yet to be recovered.

## **III. The Crapo Bill Includes Virtually Nothing for Hardworking Americans Who Have the Most to Lose**

This bill helps large banks that are making record profits. But despite its title, it does next to nothing to protect consumers or promote economic growth. While wages are stagnant or declining for working families, the bill fails to include any provisions that would benefit hardworking Americans. In fact it reduces the protections they currently have in the mortgage market. Just like the GOP tax bill, this bill is a giveaway to special interests that does nothing to put money in the pockets of working people.

- The bill has no help for individuals burdened with student loan debt. No help for homeowners still underwater. No help for workers who haven't had a raise in years.
- The bill's signature "consumer protection"- a credit freeze - offers consumers arguably less protection from the next big data breach than Equifax offered in its paltry response after it failed to protect the data of 145 million Americans.