

On Housing Finance, the Difference between Democrats and Republicans Has Been Night and Day

- The facts are clear: every meaningful reform of housing finance has occurred under a Democratic Congress.
- Before this Congress, the last law enacted to reform the regulation of Fannie Mae and Freddie Mac was in 1992 – when the Democrats controlled the House and Senate. *In 12 years of Republican control, Congress enacted no legislation addressing the GSE's safety and soundness and there was active resistance from the Bush Administration on the bills the House did consider. When Former House Financial Services Chairman Mike Oxley attempted to pass responsible legislation through the House, he met with White House opposition and indifference from the Republican Senate.*

Within months of taking control, the House Democrats passed comprehensive GSE reform and it became law.

- The last law enacted to provide consumer protection in mortgages was in 1994 – when the Democrats controlled the House and Senate. That law, the Home Ownership and Equity Protection Act (HOEPA), included a host of consumer protections against high-cost and other exotic mortgage products and specifically required that the Federal Reserve write rules that would stop abusive lending practices. *In 12 years of Republican control – which included the subprime lending bubble at the heart of our current economic crisis and now threatens the entire economy – no law was passed and no regulation was ever issued to protect consumers or our economy. When Ranking Member Spencer Bachus – then Chairman of the Financial Institutions Subcommittee – tried to work with us to address predatory lending in the prior Congress, his efforts were shut down by a hostile Republican leadership.*
- Not only did the Republican Congress fail to push for the regulations needed to protect consumers and the housing finance system, they actively supported the elimination of existing laws and regulations. They supported efforts by the federal banking agencies to preempt the application of state anti-predatory lending laws to national banks, federal thrifts and their operating subsidiaries. Essentially, they permitted bank regulators to carve-out big players from state laws and then refused to put any new standards in their place.

Within months of taking control, the House Democrats passed comprehensive subprime lending reform AND successfully pushed the Federal Reserve, which has finally issued regulations under its 1994 authority.

- Similarly, Democrats – thanks to the work of former Financial Services Ranking Member John LaFalce – called upon federal banking regulators to use their authority to issue rules combating unfair or deceptive acts or practices in financial products.

This authority, granted in 1975, had gone largely unused until the Democrats regained control of Congress last year.

Within months of taking control, the House Democrats passed legislation to facilitate rulemaking on the subject AND, given that pressure, the federal banking agencies have finally issued regulations.

- *In addition this Congress has provided meaningful refinance options for hundreds of thousands of borrowers at risk of foreclosure; reformed the functioning of the Federal Housing Administration; provided meaningful affordable housing options so borrowers are not forced into homes they can only afford for a few years; and prodded federal banking regulators into reinvigorating their consumer protection roles. Consumer protection and systemic risk are closely intertwined -- when borrowers can't repay their mortgage – the entire system feels it.*
- *The White House and the Republican Congress cannot hide from their record of failure to protect the economy and consumers. They did not heed warnings as the housing bubble grew to gold-rush like proportions, and now only want to play the blame game as things have spiraled out of control and the economy is at risk.*