AMERICANS FOR FINANCIAL REFORM

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AFR STATEMENT ON SENATOR SHELBY'S DRAFT BILL

Senator Shelby's 216-page draft legislation makes sweeping changes that would significantly weaken key financial reforms passed in direct response to the events of the 2007-2009 financial crisis. It puts the wish list of the financial sector above protecting the stability of the US economy, and the safety of mortgage markets and of homebuyers. The changes in the bill include:

- Introducing sweeping new exemptions to Dodd-Frank mortgage underwriting requirements that could lead to a resurgence of toxic lending with abusive fees and other predatory features (Section 106).

- Requiring extensive re-review and re-examination of all Dodd-Frank regulations that have been passed in the last few years and in many cases have not even been implemented yet (Section 125).

- Requiring a cumbersome, time-consuming, and impractical designation process before the Federal Reserve could apply stronger risk controls to some of the largest banks in the country – including multi-hundred billion dollar banks comparable in size to banks like Washington Mutual and Countrywide that played a major role in the financial crisis (Title II).

- Greatly weakening the ability of the Financial Stability Oversight Committee to designate giant non-bank financial institutions for Federal regulatory oversight. Entities that were not commercial banks, such as AIG, an insurance company, and investment banks like Lehman and Bear Stearns, played a major role in the financial crisis (Title III).

The draft legislation contains a multitude of other changes that we are examining now, some of which also appear to raise significant issues. Even from our preliminary review it is clear that this legislation would constitute a major rollback of financial reform.

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