

On Housing and Finance, Republicans Failed to Protect American Consumers and the Economy

Republicans cannot hide from their record of failure to protect the American economy and consumers. For six years, when Republicans controlled all levers of power, responsible oversight was non-existent, consumer protections were eliminated, and attempts for reform were met with resistance. Now, after years of what amounts to complete negligence in the areas of housing and finance by the Bush Administration and previous Republican Congresses, the average American is paying the price.

It took a Democratic Congress to enact meaningful housing and finance reforms and to reclaim Congress's responsibility to conduct oversight and enforce the authority of regulators to protect consumers and the economy.

Republicans Failed to Enact GSE Reform

Before this Congress, the last law enacted to reform the regulation of Fannie Mae and Freddie Mac was in 1992 – when the Democrats controlled both the House and the 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 with the support of Democrats, he was met with White House opposition and indifference from the Republican Senate.

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

Republicans Failed to Prevent Abusive Lending Practices

The last law enacted to provide consumer protection in mortgages was in 1994 – when the Democrats controlled both 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 - 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 Democrats to address predatory lending in the prior Congress, his efforts were shut down by a hostile Republican leadership.

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

Republicans Failed to Recognize Warnings of Looming Financial Crisis

As the housing bubble grew to gold-rush like proportions and financial institutions were making riskier loans, the Bush Administration and the Republican Congress failed to heed warnings of the looming crisis.

Under the Democratic majority, Congress has provided meaningful legislation to address the foreclosure crisis: 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.

Republicans Failed to Conduct Oversight and Pushed for Greater Deregulation

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

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.