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Changing Lives.*

A Policy Brief from the National Urban League Policy Institute

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Wall Street Reform: A Victory for Consumers and Urban Communities

On July 15, 2010, Congress finally completed its work on a comprehensive Wall Street and Bank Reform bill. This landmark legislation represents nearly two years of intense debate on how to respond to the failures of our financial system that led to the worst financial crisis since the Great Depression. The positive impact of this new law, while beneficial to all American consumers, will be especially welcomed by African-Americans and at-risk urban communities. The new law will also serve as an antidote to future abuses so as not to repeat the financial crisis that emerged in 2008.

Three years ago, in 2007, the National Urban League sounded the alarm – like canaries in a cold mine – on the devastating impact of abusive and unfair predatory lending practices and the need to reform the lending industry when it first released its “Homeowner’s Bill of Rights” that included the following key rights:

- **The Right to be Free from Predatory Lending** (Elimination of incentives for lenders to make predatory loans; a fair, competitive market that responsibly provides credit to consumers; access to justice for families caught in abusive loans; and the preservation of essential federal and state consumer safeguards)
- **The Right to Truth and Transparency in Credit Reporting** (Demystify the credit reporting system through education and awareness and establishment of a penalty structure for credit reporting bureaus that maintain inaccurate client files)
- **The Right to High-Quality Homeownership Education** (Redesign of an industry-wide system that integrates pre- and post-purchase homeownership education and counseling; and expansion of HUD’s budget for housing counseling)
- **The Right to Fairness in Lending** (Require lenders to gauge ability to repay and offer borrowers the most affordable and well-suited products for which they qualify)

The newly enacted Wall Street reform law will go a long way in enforcing these rights!

How Will Wall Street Reform Affect Main Street?

Whether you are a consumer buying a home, using credit cards, caught up in the home foreclosure crisis, trying to establish a small business, looking for a job, or participating in other financial transactions, the new Wall Street reform law will bring long overdue protections, transparency and accountability to our nation's financial system through the following key provisions:

Consumer Protection – Creates a new independent watchdog with the authority to ensure American consumers get the clear, accurate information they need to shop for mortgages, credit cards, and other financial products, and protect them from hidden fees, abusive terms, and deceptive practices.

Credit Score Protection – Allows consumers free access to their credit score if their score negatively affects them in a financial transaction or a hiring decision. Gives consumers access to credit score disclosures as part of an adverse action and risk-based pricing notice.

Mortgage Reform – Provides comprehensive and fair lending protections such as: requiring lenders to ensure a borrower's ability to repay the loans they are sold; prohibits unfair lending practices; establishes penalties for irresponsible lending; expands consumer protections for high-cost mortgages; requires additional disclosures for consumers on mortgages; and establishes an Office of Housing Counseling within the Department of Housing and Urban Development (HUD) to boost homeownership and rental housing counseling.

New Offices of Minority and Women Inclusion – Establishes an Office of Minority and Women Inclusion at federal banking and securities regulatory agencies that will, among other things, address employment and contracting diversity matters. The offices will coordinate technical assistance to minority-owned and women-owned businesses and seek diversity in the workforce of the regulators.

Tackling the Effects of the Mortgage Crisis – (1) \$1 billion will be provided to States and localities through the Neighborhood Stabilization Program to combat the devastating impact of foreclosures on neighborhoods – such as falling property values and increased crime – by rehabilitating, redeveloping, and reusing abandoned and foreclosed properties. (2) The new law will provide Emergency Mortgage Relief by building on a successful Pennsylvania program. \$1 billion will be provided for bridge loans to qualified unemployed homeowners with reasonable prospects for reemployment to help cover mortgage payments until they are reemployed. (3) Foreclosure Legal Assistance – authorizes a HUD-administered program for making grants to provide foreclosure legal assistance to low- and moderate-income homeowners and tenants related to home ownership preservation, home foreclosure prevention, and tenancy associated with home foreclosure.

[For a comprehensive summary of the Wall Street reform legislation, click on the following link to the House Financial Services Committee website:

http://financialservices.house.gov/FinancialSvcsDemMedia/file/key_issues/Financial_Regulatory_Reform/comprehensive_summary_FinalV5.pdf