Facts: What's in the Senate's dangerous Wall Street deregulation bill?

It harms consumers by making large banks more dangerous, raising the risk of another taxpayer bailout

Less than a decade since taxpayers bailed out Wall Street, which made reckless, predatory loans that crashed the economy, costing millions of Americans their homes, jobs and savings, the Senate is moving a bill (S. 2155) that reverses important reforms. These directly harm consumers, and make taxpayers more vulnerable to another bailout.

Curbing Consumer Safeguards

Manufactured housing: Section 107 of S. 2155 lets sales agents steer customers to high cost lenders in the manufactured housing market. In some cases, the lenders may be owned by the same firm that makes the mobile home, and the rates may be worse than those from independent lenders. These customers are often low income and may be more vulnerable to scams. The industry is also concentrated with one firm accounting for nearly half of sales and financing. An investigation of the market showed abuse of minorities.

Discriminatory lending: For about 85 percent of lenders, Section 104 would shut down data collection that shows if a bank has a pattern of loan discrimination based on race and gender. Specifically, it lets banks that make less than 500 mortgages escape reporting under the Home Mortgage Disclosure Act. Without data collection, lenders may return to the days of red-lining, where they refuse loans in certain neighborhoods of color.

Inflating sales prices: Section 103 of the bill would let the home sales industry escape the requirement for an appraisal, which could lead to prices higher than the true value of the house. That can leave homebuyers underwater—where the house is worth less than the mortgage. Section 109 would let small and mid-sized banks disguise the true monthly cost of a mortgage by subtracting the cost of insurance and taxes (which is otherwise added through escrow). Home buyers might take out a loan they can't actually afford, because they don't account for these fees.

Changing loan terms: Lenders can change the terms of a loan without giving borrowers the standard three day waiting period to consider the new deal, provided that the interest rate is lower. In some cases, that might favor the borrower. But if the terms also change from a fixed rate to an adjustable rate, that could lead some borrowers into loan that becomes more expensive.

Removing Big Bank Safeguards

Safeguards for 25 of the largest banks will decline under Section 401. Many of these banks received bailouts in the 2008 crash. One of them received $16 billion. Together, they control $3.4 trillion in assets, and the failure by only a few of them could trigger another crash and recession. Section 203 would let certain banks speculate with as much as $500 million in taxpayer backed deposits, instead of using these funds for making productive loans.

Why is this bill being pushed? Described as promoting economic growth and benefitting small banks, the bill ignores the economic growth of the last decade under Dodd-Frank's protections. Lending is up, the stock market is setting records, and profits at the banks are high. There is absolutely no need for this bill.

The American public demands and deserves financial policy that promotes average Americans, not the profits of the financial sector. Lawmakers should stand with Americans and oppose S. 2155.