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Testimony of Dory Rand**U.S. House of Representatives, Committee on Financial Services
Field Hearing on "Regulatory Reform: Examining How New Regulations are
Impacting Financial Institutions, Small Business, and Consumers in Illinois"
Chicago, Illinois
December 5, 2011**

I am Dory Rand, President of Woodstock Institute. Mr. Chairman and Members of the Committee, thank you for inviting me to share my perspective on financial regulatory reform. My perspective is based on working on behalf of lower-wealth persons and financial services consumers as president of Woodstock Institute and as an attorney with nonprofit organizations in Chicago for over 20 years. I served on the Federal Reserve Board's Consumer Advisory Council for the last two years. I also serve on the Board of Directors of the National Community Reinvestment Coalition. My bio contains additional background information.

Woodstock Institute's mission is to create a just financial system in which lower-wealth persons and communities of color can achieve economic security and community prosperity. We conduct research and policy analysis on fair lending, wealth creation and preservation, and financial systems reform issues at the local, state and national levels. We work closely with other groups that provide direct lending, housing counseling, legal, and other services to consumers.

While I am sometimes critical of certain financial institution products and practices, I also have a history of partnering with banks of all sizes, credit unions, regulators and others to develop products, services, programs, and regulations that meet the needs of underserved consumers and communities. Representatives of banks and credit unions have served, and do serve, on Woodstock's board of directors and we receive grant support from many financial institutions.

Woodstock's research has documented the negative impacts of high-cost, high-risk financial products and deregulation in the home and consumer lending markets. We know from this research that the negative impacts -- high debt, foreclosures and neighborhood blight, damaged credit scores and bankruptcy -- affect broad segments of society, but they are disproportionately concentrated among lower-wealth consumers, women, and communities of color. The negative impacts of the risky mortgage products that precipitated the foreclosure crisis, often sold through nondepository financial institutions beyond the regulatory sphere of the federal prudential regulators, extend far beyond those consumers who directly obtained loans. The negative impacts affect innocent victims, including nearby homeowners, small businesses, and communities that lost equity, customers, access to credit, jobs, and local tax revenue. Moreover, local governments have incurred additional expenses for inspections, legal notices, code enforcement, and protecting vacant and abandoned properties.

Our reports about these negative impacts on consumers and communities have been used to develop better, evidence-based policies to protect consumers and communities. For example, our reports were used: by the Illinois General Assembly to adopt payday loan reforms; by banks and federal regulators to change tax refund anticipation loan policies; and by the City of Chicago to pass an ordinance holding mortgage servicers accountable for maintaining vacant properties.

We believe that the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 contains important provisions and tools that will address many of the problems that led to the current foreclosure and economic crisis and will make our financial system more effective, transparent and fair for consumers, small businesses, and financial institutions. One of the key provisions requires additional oversight of financial institutions that pose systemic risks to our economy so that we do not again have to use taxpayer dollars to bail out “too big to fail” institutions.

Another key provision of the Dodd-Frank Act is creation of the Consumer Financial Protection Bureau (CFPB). Among other things, the CFPB consolidates functions that were formerly spread out among seven federal agencies and levels the playing field so that similar financial products will be governed by similar rules, regardless of the type of financial institution providing the product. The CFPB also has authority to conduct research, field consumer complaints, and develop new disclosure requirements so that consumers can better understand financial products and make wise decisions in a competitive marketplace. The CFPB is already doing a good job of using its authority to collect public input and draft new forms for clear disclosure of mortgage loan terms and to collect complaints regarding credit cards, for example. The CFPB has also conducted extensive outreach to the industry, consumer advocates, and others requesting comments on how to define “larger market participants” that will be subject to its authority.

As you know, many CFPB functions cannot be fully carried out until the Senate confirms a director. These functions include: prohibiting unfair, deceptive or abusive acts; writing rules related to model credit disclosure forms; defining larger nondepository institutions; and examining and enforcing laws against nondepository institutions such as mortgage brokers, payday lenders, student loan providers and others. We hope that the Senate will act quickly to confirm the President’s nominee so that this important work can move forward.

Illinois residents are among those hardest hit by the foreclosure and economic crises. We need the Dodd-Frank Act and the CFPB to lessen the risk of future financial crises and to establish a safer and more accountable financial system that works for everyone. I ask that members of Congress refrain from weakening this law and agency and, instead, give them time to be fully implemented.

I look forward to working with you on these issues.