

Regulatory Roundup

Spring 2009

by Joseph Ott, Community Development Advisor

*As part of our Community Development family of publications, which includes **CR Forum**, **CR Report**, and **A Look Behind the Numbers**, we'd like to introduce this first installment of **Regulatory Roundup**, a compilation of legislative and regulatory updates on matters related to community development and consumer finance in the Fourth Federal Reserve District.*

The Federal Reserve Bank of Cleveland's Community Development department monitors the legislative and regulatory proposals that affect its core areas of interest: foreclosure and vacant property, concentrated poverty, and consumer finance. This focus enables us to better inform our research and outreach agendas, and to provide a framework for local, state, and national public policy discussion and debate. We are also including updates on proposed reforms to the Community Reinvestment Act, as this legislation that is so entwined with community development is reviewed by lawmakers with an eye toward modification for the future.

We welcome your feedback. Please send comments and suggestions to Joseph Ott, joseph.c.ott@clev.frb.org, or Mary Helen Petrus, mary.h.petrus@clev.frb.org.

CRA Watch

Federal Legislation

U.S. Representative Eddie Bernice Johnson (Texas) introduced **H.R. 1479**, the **Community Reinvestment Modernization Act of 2009**,¹ on March 12, 2009. This bill would, in part:

- expand CRA coverage to additional financial institutions, including mortgage affiliates of depository institutions and certain credit unions;
- provide for additional disclosure requirements, including women- or minority-owned small business information; and
- expand consideration of racial characteristics beyond the current focus of income.

The bill was referred to the House Financial Services Committee and the House Committee on Rules for consideration.

¹ Representative Johnson Press Release: http://www.house.gov/list/press/tx30_johnson/03022007a.html

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In February, the Federal Reserve Bank of Cleveland hosted a one-day conference at which current research related to the Community Reinvestment Act was shared and the future of the legislation discussed. To access conference proceedings, please visit:

<http://www.clevelandfed.org/research/Conferences/2009/2-6-2009/agenda.cfm>

Also, in March the Federal Reserve Banks of Boston and San Francisco released a volume of essays entitled "Revisiting the CRA: Perspectives on the Future of the Community Reinvestment Act." This publication can be accessed at:

<http://www.sf.frb.org/publications/community/cra/index.html>.

Foreclosure and Vacant Property

Federal Legislation

U.S. Representative John Conyers (Michigan) introduced **H.R. 1106, the Helping Families Save Their Home Act of 2009**,² a bill to amend Chapter 13 of federal bankruptcy law to help prevent mortgage foreclosures and enhance mortgage credit availability. This bill passed the House of Representatives on March 5th and was referred to the Senate Committee on Banking, Housing, and Urban Affairs.

Fourth District State Legislation

Pennsylvania's **Abandoned and Blighted Property Conservatorship Act** was recently signed into law. The bill was designed to assist courts and judges in their efforts to combat the problem of vacant abandoned and blighted properties. Under the new law, local non-profit organizations, lien holders, government agencies, and residents and businesses within 500 feet of a blighted structure can petition Pennsylvania courts for appointment as conservator to bring residential, commercial, and industrial buildings back into municipal code compliance.

Read the Cleveland Fed's Winter 2008 report on vacant and abandoned property at:

http://www.clevelandfed.org/Our_Region/Community_Development/Publications/CRReport/CRReportWinter2008.pdf

Ohio Representatives Foley and Driehaus recently proposed **Ohio H.B. 3**,³ which would:

² <http://thomas.loc.gov/cgi-bin/bdquery/z?d111:h.r.01106>:

³ http://www.legislature.state.oh.us/analysis.cfm?ID=128_HB_3&ACT=As%20Introduced&hf=analyses128/h0003-i-128.htm

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- require registration for mortgage servicers;
- impose a six-month moratorium on foreclosures;
- create a new statewide database to track foreclosures;
- create additional administrative steps for lenders (they have to know who owns the note, among others);
- allow common-pleas court justices to modify some loans in foreclosure;
- authorize the Superintendent of financial institutions to set minimum loan modification standards;
- require affirmative duties for servicers beyond servicer registration, and
- mandate additional borrower notification, including notice of all past due amounts and contact information for the mortgage lender and servicer. Borrower notification would also include contact information for HUD-approved agencies to further assist borrowers with obtaining foreclosure counseling.

For additional research and information related to the issue of mortgage foreclosure, check out:

http://www.clevelandfed.org/Community_Development/topics/CommDev_Topic.cfm?id=213&DC_S.nav=Local

http://www.clevelandfed.org/Our_Region/Community_Development/Publications/CRReport/CRReport_Fall2008.pdf

Consumer Finance

Federal Regulation

In December 2008, the Federal Reserve Board announced new rules that would prohibit certain unfair acts or practices and improve the disclosures consumers receive in connection with credit card accounts and other revolving credit plans. The final rules, which will take effect on July 1, 2010, will:

- protect consumers from unexpected interest charges such as increases in the rate during the first year after account opening and increases in the rate charged on pre-existing credit card balances;
- forbid banks from imposing interest charges using the "two-cycle" billing method;
- prohibit the use of payment allocation methods that unfairly maximize interest charges;
- require credit card companies to give consumers a reasonable amount of time to make their credit card payments; and
- limit fees that reduce the amount of available credit on subprime credit cards.

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Produced by the Community Development team at the Federal Reserve Bank of Cleveland

For more information, go to www.clevelandfed.org/CommunityDevelopment

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Federal Legislation

U.S. Representative Carolyn Maloney (New York) introduced **H.R. 1456**, the **Consumer Overdraft Protection Fair Practices Act**, on March 12, 2009. This bill would extend Truth in Lending protections to overdraft protection programs and require customers to consent to having depository institutions initiate overdraft protection services and fees. Also, the bill would require credit card companies to make additional information on overdraft protection services and fees available to consumers and would prohibit depository institutions from systematically posting checks and debits to generate overdraft protection fees. The bill was referred to the House Financial Services Subcommittee on Financial Institutions and Consumer Credit.

Senator Christopher Dodd (Connecticut) introduced **S. 414**, the **Credit Card Accountability Responsibility and Disclosure Act of 2009**, on February 11, 2009. This legislation amends the Consumer Credit Protection Act by freezing interest rate terms and fees on canceled credit cards, prohibiting universal default, limiting issuance of credit cards to persons under the age of 21, and providing for additional consumer protections. This bill is being reviewed by the Senate Committee on Banking, Housing, and Urban Affairs.

U.S. Representative Brad Miller (North Carolina) introduced **H.B. 1728**, the **Mortgage Reform and Anti-Predatory Lending Act**,⁴ on March 26, 2009. This bill would amend TILA (Truth in Lending Act) by adding new rules governing consumer mortgage practices aimed at adding accountability to those practices, in addition to minimum standards for consumer mortgage loans. The bill is being reviewed by the House Committee on Financial Services.

⁴ <http://thomas.loc.gov/cgi-bin/bdquery/D?d111:5:./temp/~bdU3YN::>