



InFocus

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HEADLINES

Frank Foresees Sweeping Regulatory Overhaul

Wall Street Journal, December 4

House Financial Services Chairman Rep. Barney Frank (D., Mass.) predicted that 2009 will be the "best year" for public policy since the New Deal.

Speaking before the Consumer Federation of America Thursday, Mr. Frank said Congress would pass a regulatory overhaul comparable to the antitrust laws of the late 19th century and the creation of the Securities and Exchange Commission in 1934.

Democrats will tighten consumer protections for credit cards, put "very tough rules in" to govern subprime lending and give "appropriate liability" to the institutions that securitize mortgage loans, he said.

Mr. Frank said the economic crisis has run counter to the philosophy first espoused by President Ronald Reagan that "government is part of the problem." He said the goal would be to diminish excessive risk-taking within the context of investor and consumer protections.

"This has not become an anti-capitalist society," Mr. Frank said. "I think we can make the argument, as the New Deal did, that in fact we are being very pro-market."

He said that securitization -- used to repackage mortgage loans and sell them to investors as bonds -- has "good aspects" when done right but can also lead to abuses.

Mr. Frank predicted that legislation to tighten consumer protections in the credit card market and to crack down on mortgage lending abuses would become law. He also said bank regulators would adopt a code to prevent unfair and deceptive practices.

In Election's Aftermath, CRA Stays a Flash Point

American Banker, December 4

The debate on whether the Community Reinvestment Act caused the subprime crisis has outlasted election season and could affect future regulatory restructuring.

Though there is scant evidence and growing dissent from regulators, Republican lawmakers appear poised to make CRA a fall guy for the financial meltdown, arguing that it spurred banks to make poor loans that eventually led to delinquencies and foreclosures. Some said they plan to tackle the issue next year as Congress works to revamp the broader regulatory structure.

"The overwhelming support" in the Republican party "is for changing the CRA," Rep. Scott Garrett, R-N.J., a member of the House Financial Services Committee, said in an interview. "It's high on the agenda as far as trying to fix the entire collection of regulations that exacerbated the housing bubble."

FULL STORY: [See attached file CRA_12.4.08.pdf](#)

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