HIGHLIGHTS OF H.R. 4173, THE WALL STREET REFORM AND CONSUMER PROTECTION ACT

INCREASES CONSUMER PROTECTIONS

- The bill will create the Consumer Financial Protection Agency (CFPA), a new federal agency solely devoted to protecting Americans from unfair and abusive financial products and services. Last year's crisis demonstrated that deceptive products – such as predatory mortgages and hidden credit card fees – can not only damage the livelihoods of American families, they can destabilize the entire economy.

- The CFPA will act as an independent watchdog and play a key role in preventing another economic meltdown. Just like the FDA does for medical safety, it will set basic safety standards on financial products and prevent big banks from making a quick buck at the expense of hardworking families.

- The CFPA will have the power to ban deceptive industry tactics such as teaser rates that are used to lure in customers and make huge profits. It will make sure that contracts for credit cards and mortgages are fair and comprehensible. Big banks and credit card companies will no longer be able to take advantage of the "fine print" to deceive consumers.

- The CFPA will keep watch over a number of financial industries, such as payday lenders and mortgage originators, which to date have escaped oversight.

PROTECTS FUTURE HOMEOWNERS

- To help rebuild the American economy, the House is taking action to outlaw many of the egregious industry actions that fueled the subprime lending boom and led to the nation's highest foreclosure rate in decades.

- H.R. 4173 includes comprehensive mortgage reform and anti-predatory lending measures that will outlaw the kinds of irresponsible and abusive loan practices that played a key role in the current financial meltdown. The House passed these measures (H.R. 1728) in May by an overwhelming vote of 300-114.

- To restore the integrity of mortgage lending industry, this bill will make sure that the industry follows basic principles of sound lending, responsibility, and consumer protection, ensuring that:

    - borrowers can repay the loans they are sold, and irresponsible borrowers can no longer lie their way into loans and take on too much debt.

- ➢ mortgage lenders make loans that benefit the consumer and are prohibited from steering borrowers into higher cost loans;
- ➢ the secondary mortgage market, for the first time ever, is responsible for complying with these common sense standards when they buy loans and turn them into securities

REINS IN IRRESPONSIBLE COMPENSATION PRACTICES

- H.R. 4173 addresses perverse pay practices that encourage executives to take excessive risk at the expense of their companies, shareholders, employees, and ultimately the American taxpayer – risks that contributed to the recent financial collapse.

- For the first time ever, shareholders of public companies will have an annual, non-binding "say on pay" vote on compensation packages and golden parachutes for top executives.

- The bill also requires financial firms with at least $1 billion in assets to disclose to federal regulators any incentive-based compensation structures. Federal regulators will then be authorized to ban any inappropriate or risky compensation practices that pose a threat to the financial system and to the broader economy.

- The legislation comes in response to a broad consensus of leading finance experts, including Paul Volcker and the Group of 30, who believe that compensation structures were a factor contributing to last year's financial crisis.

ENDS TAXPAYER BAILOUTS AND "TOO BIG TO FAIL"

- H.R. 4173 will once and for all put end to "too big to fail" financial firms and ensure that taxpayers are never again left on the hook for Wall Street's reckless decisions.

- The bill creates an inter-agency oversight council that will identify financial companies that are so large, interconnected, or risky that their collapse would put the entire economy at risk. These systemically risky firms will be subject to heightened oversight, standards, and regulation.

- The bill establishes an orderly process for shutting down large, failing financial firms like AIG or Lehman Brothers in a way that ends taxpayer-funded bailouts and minimizes the impact on the financial system.

- If a large institution collapses, the bill holds Wall Street - not taxpayers - accountable. Any costs associated with dismantling a failed firm will be paid first from the company's assets at the expense of shareholders and creditors. Any additional costs will then be covered by a "dissolution fund" pre-funded by large financial companies.

SAFEGUARDS INVESTORS

- Recent events – such as the massive $65 billion Madoff Ponzi scheme and the $8 billion Stanford Financial investment fraud – highlight the need for comprehensive reforms of a broken regulatory system that has failed far too many investors.

- To better safeguard investors in the future, the bill will enhance SEC's enforcement powers and funding by doubling its authorized funding over five years. This will enable the SEC to obtain the tools needed to better protect investors and police today's markets.

- The bill will create a whistleblower bounty program with incentives to identify wrongdoing in our securities markets and reward individuals whose tips lead to successful enforcement actions. With a bounty program, we will effectively have more cops on the beat in our securities markets.

- The failures to detect the Madoff and Stanford Financial frauds demonstrate deep deficiencies in our existing securities regulatory structure. The bill calls for an independent, comprehensive study of the entire securities industry to identify reforms and force the SEC and other entities to improve investor protection.

- The Madoff fraud also revealed that the Public Company Accounting Oversight Board lacked the powers it needed to examine the auditors of broker-dealers. In addition, it exposed faults in the Securities Investor Protection Act, the law that returns money to the customers of insolvent fraudulent broker-dealers. The bill closes these loopholes and fixes these shortcomings.

- The bill fills a regulatory hole that allows hedge funds and their advisors to escape any and all regulation. Now, almost all advisers to private pools of capital will be required to register with the SEC.

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