

Floor Speech on CFPB Mortgage Rules
Senator Elizabeth Warren
January 7, 2014

Mr. President, I'm here today with some good news: this week, the government will fix something that was broken. I know that some people want to deny that that's possible, but hear me out on this.

Five years ago, during the 2008 financial crisis, we witnessed firsthand that the market for home mortgages was badly broken. The fundamental problem was that many lenders issued mortgages without any concern about whether the borrower would be able to repay those mortgages in the long run. Now, why would they do that? They did it because they could immediately sell the mortgage to another financial institution. If the borrower couldn't pay, that would turn out to be someone else's problem. And we all know what happened next: millions of these dangerous mortgages were bundled together, sliced, diced, slapped with AAA ratings, and then sold to retirement funds and local governments and investors all over this country. When borrowers couldn't make their monthly payments, the bundles of mortgages began collapsing, and the effects were felt in every corner of the economy.

This Friday, that basic business model will change, thanks to the Consumer Financial Protection Bureau's new mortgage rules. When these rules go into effect, lenders will be able to issue a mortgage only after they determine that the borrower has the ability to repay it. Lenders will no longer be able to make loans they know will blow up, and then feed those dangerous loans into the financial system. Because of the consumer agency's new rules, families will be safer, pension funds and other investors will be safer—our whole economy will be safer. Not completely safe, but with a new cop on the beat, it will be safer.

The new rules will fix other problems as well. Before the crisis, some mortgage brokers who were supposed to be helping consumers find the best mortgage were actually taking money from lenders to steer those consumers into high-cost loans. The CFPB's new rules will prohibit this sort of under-the-table dealing and protect consumers from being tricked by people they think they can trust.

The rules will also address many of the mortgage servicing problems that emerged during the crisis. After mortgages were sold off, bundled, and cut up into pieces for various investors, too many borrowers were unable to track down information about their accounts. Some of the companies responsible for servicing their loans took days or even weeks to give them credit for their payments. And when borrowers fell behind, these servicers often began foreclosure proceedings without giving people full information about the options they had to modify their loans. The consumer agency's new rules will help clean up the mortgage servicing industry so more families can keep up with their payments and stay in their homes.

CFPB Director Rich Cordray and his hard-working and incredibly talented staff have worked for a long time to put these new rules together. And the rules will reshape the mortgage market for the better. They will give people a better chance to buy homes and a better chance to keep those homes, and they will force mortgage lenders and servicers to compete by offering better rates and better customer service, not by tricking and trapping people. These rules will help markets work better, and they will reduce the risk that the economy will crash again.

Our work is not done. The march toward financial reform has been too slow, and the chances of another crisis, while dialed back in some areas, remain unacceptably high in others. Even today, the “Too Big to Fail” banks that nearly crashed the global economy in 2008 are nearly 40% *bigger* than they were back then.

Yes, we have more work to do to cut back on dangerous banking practices, but this week marks an important milestone. Six years ago, I noted that it was impossible to buy a toaster with a one-in-five chance of bursting into flames and burning your house down, but it *was* possible to take out a mortgage that had the same one-in-five chance of putting a family out on the street. The point was that consumers had the Consumer Product Safety Commission to keep them safe from dangerous toasters, and they needed the same kind of agency to keep them safe from dangerous and deceptive financial products.

In the years since, we’ve built that agency, and it has already returned over \$3 billion to consumers who were cheated, and it has helped tens of thousands consumers resolve complaints against financial institutions. And now, this Friday, that agency will put in place some commonsense rules that will make a real difference for millions of families who own—or who hope to own—their own home.

The consumer bureau’s new mortgage rules show once again that government *can* fix problems. Sure, we have to work hard, we have to fight against those who benefit from a broken system, and we have to stick with it even when the odds are against us. But when we do those things, real change is possible in this country. We’re seeing that up close this week.

Thank you, Mr. President.