NEWS RELEASE

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Contact: Jeremy Cowen
(405) 424-5252
jeremy@oba.com

Happy anniversary to Dodd-Frank?

By Roger Beverage
President and CEO
Oklahoma Bankers Association

The *Wall Street Reform and Consumer Protection Act* was signed into law five years ago. The bill is commonly referred to as the "Dodd-Frank" Act and is named after the two chairmen of the committees that deal with financial services and banking matters.

Dodd-Frank was conceived and enacted in an attempt to address the reasons for the near-meltdown of the nation's economy in 2008 and to end the concept that some financial institutions are simply too large to be permitted to fail. It was a noble effort, although it was one that this association strongly opposed. And (as we predicted), neither of its original goals was accomplished.

One of the most ironic realities resulting from Dodd-Frank is that the largest banks in the country have gotten even larger in the past five years. Dodd-Frank didn't end "too-big-to-fail" – it institutionalized it.

But the real irony is that the idea of "protecting" consumers has made access to credit more difficult for most of them, and especially for moderate- and low-income consumers. We see this most frequently when consumers are trying to buy or refinance their home.

In Oklahoma, virtually all banks in the state operate on a community bank business model, one that's based on the bank's ***relationship*** with its customers. In this model, bankers treat individuals as such, based on knowing them and their families, their work history, credit history – things that help inform and enhance banker judgment about the two most important questions that banker must answer "yes" when lending money:

1. If I lend you this money, do you have the financial ***capacity*** that will enable you to pay it back?
2. If I lend you this money, even if you do have the appropriate financial capacity to repay the loan, do you have the ***character*** that determines whether you will actually do so?

Community bankers – like every bank chartered in Oklahoma – have historically made such judgments every day of their individual careers. But in the wake of Dodd-Frank, that's not the way it works now. Instead, bankers are given strict formulas and directives that are supposed to be "objective" and that ultimately determine whether a potential customer is able to have his or her loan application approved.

Mortgage lending has been complicated and, some say, nonsensical for years because of all the "disclosures" each buyer must wade through in order to close the deal. Most borrowers do not read these documents and – generally speaking – could care less.

That's not to say these forms and the laws and rules that spawned them were not well-intentioned. They were and are. But in today's lending environment, what we see happening under the label of additional "consumer protection" from the Consumer Financial Protection Bureau is that most mortgage applications are being denied.

In Oklahoma, one of the problems for potential applicants is that 24 percent of the banks in our state no longer offer mortgage loans of any kind. Why? Because the potential risks of making a mistake are significant to the banker and to the bank's capital position.

In the banks still in the mortgage lending space, denials in most instances have very little to do with the applicant's character or credit history. No, today denials are based on the fact that individual borrowers are all jammed into the same box and judged accordingly. That's nuts.

Denials today have little to do with the ultimate questions noted earlier: can you and will you pay us back? Rather they have to do with the federal government (the CFPB) dictating the steps mortgage lenders must take in order to avoid the potential risk of litigation or regulatory criticism. The standards are fairly strict, and if the borrower doesn't fit into the new "box" created by the Bureau, then the loan isn't made.

That's sad. Community banks in Oklahoma have been taking care of their customers by making home loans for generations, without issues for the most part. They know their customers. They have a pretty good idea about the answers to the two key questions. And we could make more mortgage credit available to more consumers if the CFPB chose to operate in a realistic manner and treat individuals as such, rather than treat them as if they are the same. They are not.

Maybe there's an effort underway to force people to leave "flyover country" and move to the big city. But nearly 20 million Americans live out here, and they like it. Why isn't that important?

What possible impact could a loan to buy a $60,000 house in Nash, Oklahoma, have on the global economy if it goes bad? It will hit the bank's capital account, to be sure, but derail the local or national economy? Hardly.

The 218 community banks in Oklahoma had nothing to do with the near-collapse of the nation's economy in 2008, but the customers of these banks and the communities in which they live and do business have nevertheless paid a huge price for the sins of others.

That's just wrong. It's not the American way. And members of Congress who think Dodd-Frank was handed down from a mountain top and not one word should be changed are mistaken.

Let's work to make more mortgage credit available for more consumers. Let's get Oklahoma's community banks back in the business of helping their customers catch their dreams, whatever they may be. Let's deal with reality rather than some make-believe world in which all lenders are viewed with the same lens. Surely that makes more sense.

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