

Obama Financial Regulatory Plan Fights for Women: Enforcing Common-Sense Rules of the Road for Consumers, Investors

Too many women have paid the price for an outdated regulatory system that left our financial system vulnerable to collapse and left consumers without adequate protections. The Administration's plan will promote financial stability and protect women from the unfair practices that contributed to this crisis. The Consumer Financial Protection Agency will set clear rules of the road and will ensure that financial providers are held to high standards.

Women and the Financial Crisis

Although Women Make Up 30% of Borrowers For Mortgages of All Types, According to a 2006 Study, They Make up 38.8% of Borrowers with Subprime Loans—a 29.1% Overrepresentation.

- **Women Were 32 % More Likely to Have Received Subprime Mortgages of All Types Than Men, Regardless of Income.** About a third (32.0 percent) of all women received subprime (3 percentage points above the Treasury threshold) mortgage loans of all types compared to about a quarter (24.2 percent) of men.
- **Women Were 41% More Likely to Have Received Higher-Cost Subprime Loans, Regardless of Income.** More than one in ten (10.9%) women received high-cost subprime (5 percentage points over the Treasury threshold) mortgages compared to about one in thirteen (7.7%) men. [Fishbein and Woodall, "Women are Prime Targets for Subprime Lending," Consumer Federation of America, December 2006.]

Women and Long-Term Financial Security

Women Are at a Higher Risk for Retirement Insecurity. According to research from the National Institute on Retirement Security, "Women remain at a higher risk for retirement insecurity as compared to men." [[National Institute on Retirement Security](#): Shattering the Retirement Glass Ceiling: Women Need a Three-Legged Stool, 5/7/2009, [Reuters](#), 5/7/2009]

Women Need to Accumulate More Retirement Assets Than Men Because They Are Likely to Live Longer. According to research from the National Institute on Retirement Security, women tend to live longer than men and therefore need to accumulate more retirement assets. [[National Institute on Retirement Security](#): Shattering the Retirement Glass Ceiling: Women Need a Three-Legged Stool, 5/7/2009, [Reuters](#), 5/7/2009]

Research Has Shown That on Average Women Had a Balance \$56,320 in Their 401(k) Plans—Nearly \$47,000 Less Than The Average Balance For Men. [[Hewitt Worldwide](#): Hewitt Research Shows Women Much Less Prepared To Retire Than Men]

Women Deserve Clear Rules and Strong Enforcement

Studies Have Found That Women Disproportionately Have to Turn to Payday Loans, Tax Refund Anticipation Loans, and Title Loans. [[AARP: The Alternative Financial Services Industry](#) Issue Brief (August 2001)]

For Women with Credit Cards: The Consumer Financial Protection Agency will enforce a new law signed by President Obama to ban rate hikes on existing balances. For women that have used credit cards to get by when times are tight, the law will give them clarity and stability on the interest rates they are charged.

For Women Who Want to Buy a Home: The piles of forms needed for a regular mortgage can be overwhelming and many brokers have taken advantage of that confusion to give women loans they didn't need or couldn't afford. The

Consumer Financial Protection Agency will have the ability to consolidate and simplify—into plain language—two overlapping and sometimes inconsistent federal mortgage forms. The Obama plan would enforce the rules for mortgage brokers and require brokers to make sure that women can afford the loans they are offered.

For Women Caught by Overdraft Fees: Many women have been faced with costly overdraft fees from even the smallest of purchases. A small purchase such as a \$2 cup of coffee could incur an overdraft fee of as much as \$30. The Obama plan would be able to give consumers a real choice as to whether or not they want to join expensive overdraft programs.

Reform Will Protect Women's Retirement Security, Savings and Investments

Protecting Retirement Security, Savings, and Investments: In the wake of the Madoff scandal, it is clear that all investors need better protection from fraud and unscrupulous actors. The Administration's proposed legislation strengthens investor protection through the Securities and Exchange Commission (SEC) by:

- Raising the standards for brokers and investment professionals so that they have a fiduciary duty and are required to act in the interests of investors when giving advice
- Requiring mutual funds to disclose costs and risk factors to investors prior to selling a product, instead of after it is purchased
- Creating a permanent Investor Advisory Council to the SEC—so the government will hear about the needs and interests of real investors
- Increasing protections for those who uncover financial frauds

What the Consumer Financial Protection Agency Means for Women

On October 9, the President met at the White House with a group of Americans, including four women who represent the millions from across the country who have been hurt by the outdated rules regulating the financial sector. Below are their stories.

Status Quo: Karen Cappuccio, 31, is a Transportation Security Association supervisor at Lehigh Valley Airport. When she refinanced her home in November 2006, the broker promised her a low fixed rate loan but instead gave her two more expensive loans—a large adjustable rate first loan and a second smaller loan. Her lender altered her asset and income information. The broker subjected her to a late-night closing and did not give her the closing documents at the time of closing. She sued and won a jury verdict for violations of Pennsylvania’s Unfair Trade Practices Act.

With the CFPA: The CFPA would have the mandate to design clear and simple mortgage disclosures so that borrowers can know exactly what loans they are getting. The CFPA could also restrict coercive sales tactics. For Karen, the CFPA could have helped her to better understand what the broker was really trying to sell her and prevented unfair tactics like a late-night closing.

Status Quo: Susan Chapman, 52, had an excellent payment history until she was contacted by a mortgage broker who promised to lower her monthly payments by \$400 by refinancing. Though she explicitly told him that she did not want an interest-only loan, she nonetheless received an Option ARM that has raised her principal balance by \$20,000.

With the CFPA: The CFPA would have the mandate to require mortgage disclosures that are clear and simple and highlight key risks so people have the information they need to make sound financial decisions. The Agency could also require mortgage brokers take reasonable care with the advice they give and the loans they offer and for the lender make sure the borrower can afford the higher Option ARM payments when the loan starts paying down the increased principal balance. For Susan, the CFPA could have helped ensure that she was presented with the details of her refinancing in terms that were clear, easy to understand, and appropriately highlighted the associated risks so she could have made a more informed decision.

The Status Quo: Patricia Nelson, 64, is a retired nursing home aide from Waukesha, WI. Her only income is a \$783 monthly disability check. In December 2007, because she had developed health problems, she borrowed \$550 from payday lenders to pay to move closer to her daughters. She could barely afford the monthly interest payments and rolled the loans over 22 times. She had paid over \$2,700 in interest and not one penny towards the principal when a “good Samaritan” paid off the loans.

With the CFPA: The CFPA would be able to design clear disclosures of the costs of payday loans and stop abusive payday practices. In Patricia’s case, the CFPA could have helped ensure that Patricia received the information she needed to understand where her payments were going, and avoid getting caught in a trap of revolving debt.

Status Quo: Maxine Given, 44, was charged \$148 in overdraft fees in April 2008. Most of the fees resulted from her bank’s reordering of her withdrawals that took place on the same day from largest to smallest (instead of chronological order). The overdraft was caused by a mortgage check that the bank rejected the very next day. This caused a cascade of \$37 overdraft fees on three purchases from the same day, including a \$37 fee based on \$12.08 debit charge for lunch. She even tried to transfer money from savings, but the transfer was counted too late.

With the CFPA: The CFPA would be able to give consumers a real choice as to whether to join expensive overdraft programs. In Maxine’s case, the CFPA could have allowed her to opt-out of the overdraft protection program preventing the bank from manipulating her purchases and imposing a series of fees.