



BARACK OBAMA'S CONSUMER PROTECTION AGENDA

The American dream is increasingly out of reach for too many people. Americans with incomes below \$100,000 have experienced stagnating wages, declining health care coverage, erosion of pension protections, rising personal debt, jobs disappearing as a result of global competition and rising housing costs. As a result of these trends, the gap between America's richest and poorest is at its widest points in at least 25 years. At a time when costs are rising and Americans are working harder just to keep up, Barack Obama will provide relief for the middle class and support for working people. In addition to his health care, tax relief and college affordability plans, Obama will reform our bankruptcy and credit laws, which give corporations and lenders more rights than American families, and he will address the growing subprime mortgage crisis to ensure that Americans can keep their homes.

PROTECT FAMILIES BY REFORMING BANKRUPTCY & CREDIT LAWS

Reform Bankruptcy Laws to Protect Families Facing a Medical Crisis: More than half of all personal bankruptcies today are caused by medical bills. Barack Obama will protect workers who fall into personal bankruptcy as a result of a medical crisis. Current law, which Obama opposed in the 2005 bankruptcy bill, provides too many families with inadequate relief when faced by an unforeseen medical crisis. Obama will create an exemption from the new law's requirement that middle class families extend their debts rather than have them forgiven. If a person can demonstrate to the satisfaction of the bankruptcy court that the reason they filed for bankruptcy was a result of debts incurred through medical expenses, then Obama believes they should be relieved of that debt through a process that lets them get back on their feet.

Cap Outlandish Interest Rates on Payday Loans and Improve Disclosure: In the wake of reports that some service members were paying 800 percent interest on payday loans, the U.S. Congress took bipartisan action to limit interest rates charged to service members to 36 percent. Barack Obama believes that we must extend this protection to all Americans, because predatory lending continues to be a major problem for low and middle income families alike. Obama also believes that we need to ensure that all Americans have access to clear and simplified information about loan fees, payments and penalties, which is why he'll require lenders to provide this information during the loan application process. Furthermore, Obama will work to empower more Americans in the fight against predatory lending by supporting initiatives to improve financial literacy and financial planning.

Encourage Responsible Lending Institutions to Make Small Consumer Loans: Some mainstream, responsible lending institutions are beginning to enter the short-term lending market to provide many Americans with fair alternatives to predatory lending institutions. These loans provide a reasonable period of time to be repaid, charge fair interest rates, and often ensure that the borrower has the ability to repay the loan on time. Some of these lending efforts are coupled with enhanced financial literacy training, which can ensure that Americans do not become caught in a never-ending cycle of debt. Barack Obama will work with his Secretary of Treasury and the Federal Deposit Insurance Corporation to encourage banks, credit unions and Community Development Financial Institutions to provide affordable short-term and small dollar loans – and to drive the sharks out of business.

Create a Credit Card Rating System to Improve Disclosure: Barack Obama will create a credit card rating system, modeled on five-star systems used for other consumer products, to provide consumers an easily identifiable ranking of credit cards. Under the Obama plan, the Federal Trade Commission (FTC) will assess the degree to which credit cards meet consumer-friendly standards. The FTC will test for a set of credit card features that are deemed the most dangerous for consumers, including the underwriting standards used to issue the card, the card's interest rate spread between the introductory rate and the maximum rate allowed, and transaction fees. The FTC will assign ratings so that consumers can easily understand if a credit card agreement meets or exceeds standards of safety. Credit card companies will be required to display the rating on all application and contract materials, enabling consumers to quickly understand all of the major provisions of a credit card without having to rely exclusively on fine print in lengthy documents. Credit card companies will also be required to disclose in simplified, clear language all of the major features of the card in addition to their FTC rating to provide consumers with additional information to compare credit card products.

Establish a Credit Card Bill of Rights to Protect Consumers: Credit cards could turn into the next subprime market crisis. In addition to being able to easily understand how risky a given credit card is, every American should have a uniform set of rights while dealing with credit card companies, no matter their financial status or credit history. To protect those rights, Barack Obama will require the Federal Trade Commission to analyze credit card company compliance with these basic rights, and provide the Department of Justice with the full authority to investigate and penalize non-compliant companies. The Obama credit card bill of rights will:

- **Ban Unilateral Changes:** Currently, credit card companies can unilaterally change the terms of a credit card agreement at any time for any reason with only a 15-day notice to the consumer. Barack Obama will ban these unilateral changes in credit card agreements unless companies have obtained written consent from consumers and have followed the rules and terms of the agreement.
- **Apply Interest Rate Increases Only to Future Debt:** Credit card companies often apply increased interest rates to both new debt incurred by the cardholder, as well as previously incurred debt. Barack Obama will require increased interest rates to apply only to future credit card debt, and not to debt incurred prior to the increase.
- **Prohibit Interest on Fees:** Credit card companies often charge interest on transaction fees, such as late fees or paying a bill by telephone. Barack Obama will prohibit credit card issuers from charging interest on transaction fees.
- **Prohibit "Universal Defaults":** "Universal defaults" are a practice in which a credit card company raises an individual's interest rate based on failure to pay a different creditor on time. Barack Obama will prohibit this practice.
- **Require Prompt and Fair Crediting of Cardholder Payments:** Barack Obama will require credit card issuers to apply payments first to the credit card balance with the highest rate of interest and to minimize finance charges.

PROTECT HOMEOWNERSHIP AND CRACK DOWN ON MORTGAGE FRAUD

The implosion of the subprime lending industry threatens to bring foreclosure to over two million households nationwide, and is spreading devastating impacts to the economy as a whole. And over the past several years, while predatory lenders were driving low-income families into financial ruin, ten of the country's largest mortgage lenders were spending more than \$185 million lobbying Washington to let them get away with it.

Barack Obama recognizes that the real victims in the subprime mortgage crisis are not the lenders, but the millions of borrowers who followed the rules and whose only crime was taking out mortgages that lenders told them they could afford. Normally, these borrowers could avoid foreclosure by refinancing their mortgages or selling their homes. Today's borrowers lack the refinancing and selling protections that used to help out families during a tough period. Too many families are unable to refinance because no one will lend to them, and they are unable to sell their homes because the housing market has fallen. As president, Obama will fight to ensure more Nevadans can achieve and protect the dream of home ownership.

Create a Foreclosure Prevention Fund to Help Families Keep their Homes: Barack Obama will help responsible families currently facing foreclosure through no fault of their own. There is mounting evidence that the rise in mortgage delinquency and foreclosures was led by aggressive and all too often abusive lending practices of many in the mortgage industry. And in communities where there are many foreclosures, property values of innocent homeowners are often also negatively impacted, driving them toward foreclosure, too. Obama will create a Foreclosure Prevention Fund to help people facing foreclosure stay in their homes and renegotiate with their lenders or sell their homes. The Fund will not help speculators, people who bought vacation homes or people who falsely represented their incomes. Given the downturn in the economy, Obama has called for immediate creation of this \$10 billion fund as part of his economic stimulus package. The Fund will:

- Dramatically increase emergency pre-foreclosure counseling resources.
- Allow families facing foreclosure to responsibly refinance their mortgages by working through the Federal Housing Administration, Fannie Mae and Freddie Mac. Resources will also be provided to these agencies to develop new loan products that are more flexible and enable distressed borrowers to refinance on terms that enable them to keep their homes.
- Assist individuals who purchased homes that are simply too expensive for their income levels to sell their homes. The fund will help offset the costs of selling a home, including by helping low-income borrowers get additional time and support to pay back any losses from the sale of their home, and waiving certain state and local income taxes that result from an individual selling their home to avoid foreclosure.
- Partner with state governments, community organizations and loan providers to ensure fair loan modifications can be made in a timely manner that avoids the need for foreclosure or bankruptcy.

Close the Bankruptcy Loophole for Mortgage Companies: The 2005 bankruptcy bill, which Barack Obama opposed, is expected to have serious effects on low and middle-income borrowers of subprime mortgages. While investors who own multiple homes and people with vacation homes can renegotiate those mortgages in bankruptcy, current Chapter 13 law requires ordinary families to stick with the original terms of their home loans—regardless of whether the loan was predatory or unfair. Obama will repeal this provision so that ordinary families do not suffer this unfair treatment.

Provide a New Mortgage Interest Tax Credit: Barack Obama will provide a greater number of Americans with the financial assistance they need to purchase or keep their own home. Many middle class Americans do not receive the existing mortgage interest tax deduction because they do not itemize their taxes. As a result, primarily wealthy Americans benefit from this homeownership tax incentive. Obama will ensure that middle-class Americans get the financial assistance they need to purchase or keep their own home by creating a 10 percent universal mortgage credit that give tax relief to Americans who have a home mortgage. The Obama proposal will provide 10 million homeowners, most of whom earn under \$50,000 per year, with an average of \$500 in savings. This tax cut will provide direct relief to many homeowners who are struggling to maintain their mortgage payments.

Combat Mortgage Fraud and Subprime Loans: The implosion of the subprime lending industry threatens to bring foreclosure to over two million households, including many families with children. Barack Obama has been closely monitoring this situation for years, and introduced comprehensive legislation nearly two years ago to fight mortgage fraud and protect consumers against abusive lending practices. Obama's STOP FRAUD Act provides the first federal definition of mortgage fraud, increases funding for federal and state law enforcement programs, creates new criminal penalties for mortgage professionals found guilty of fraud, and requires industry insiders to report suspicious activity. This bill also provides counseling to homeowners and tenants to avoid foreclosures. Finally, Obama's bill requires the Government Accountability Office to evaluate and report to

Congress on various state lending practices so that state regulations that undermine consumer's rights can be identified and hopefully eliminated.

Mandate Accurate Loan Disclosure: Today's subprime mortgage problem stems in large part from the lack of easy-to-understand information that borrowers receive from mortgage brokers. As president, Barack Obama will enact laws to ensure that all prospective Nevada homebuyers have access to accurate and complete information about their mortgage options. Obama will create a Homeowner Obligation Made Explicit (HOME) score, which will provide potential borrowers with a simplified, standardized borrower metric (similar to APR) for home mortgages. The HOME score will allow Americans to easily compare various mortgage products and understand the full cost of the loan. The HOME score would also help borrowers understand their long-term obligations and would be required to include mandatory taxes and insurance.