AMENDMENT TO THE AMENDMENT IN THE NATURE OF A SUBSTITUTE TO H.R. 10 OFFERED BY MR. FOSTER OF ILLINOIS AND MR. CLEAVER OF MISSOURI

Insert after section 1 the following new section:

1 **SEC. 2. FINDINGS.**

2 Congress finds the following:

3 (1) FINDINGS ON THE COSTS OF THE FINAN-
4 CIAL CRISIS.—

5 (A) The 2007–2008 financial crisis, which
6 led to the near-total collapse of the global finan-
7 cial system had both measurable and immeas-
8 urable costs to the economy of the United
9 States and virtually every working family,
10 throwing the United States into the longest and
11 deepest recession in generations. The costs of
12 that crisis are staggering and long-lasting by
13 every measure.

14 (B) The crisis ravaged our economy, cost-
15 ing more than $16,000,000,000,000 or about
16 $120,000 for every United States household.

17 (C) Tens of millions of Americans lost
18 their jobs as the number of unemployed climbed

1 to $14,700,000 over the course of the recession,
2 and the number of underemployed and discour-
3 aged job seekers who gave up work rose to
4 12,000,000, a 94 percent increase.

5 (D) The unemployment rate also shot up
6 to a high of 10 percent, up from 6.6 percent in
7 October 2008. Research shows that many
8 young people who entered into a terrible job
9 market will suffer permanently lower income
10 prospects over the course of their careers.

11 (E) During the 2007–2008 financial crisis,
12 known as the "Great Recession", long-term un-
13 employment was significantly higher and per-
14 sisted longer than in any previous period in
15 data that go back to the late 1940s.

16 (F) At the outset of the recovery from the
17 Great Recession there were 7 people looking for
18 jobs for every one opening.

19 (G) The consequences of the crisis were
20 particularly severe for minority populations. In
21 late 2009, white Americans jobless rate peaked
22 at 9.2 percent. For African-Americans, how-
23 ever, the jobless rate climbed as high as a stag-
24 gering 16.8 percent in March 2010. Addition-

1 ally, the jobless rate for Hispanics hit a peak of
2 13 percent in August 2009.
3 (H) Without jobs, many American families
4 could no longer afford their house payments,
5 forcing them into foreclosure. Foreclosures dis-
6 placed more than 11,000,000 Americans, which
7 pushed down home prices, contributing to an
8 average decline in home values of more than 30
9 percent.
10 (I) As many lost their jobs, they also lost
11 their health insurance, driving nearly 4,000,000
12 Americans into the Medicaid program in 2009
13 alone.
14 (J) Median family income fell to $45,800
15 in 2010 from $49,600 in 2007, with middle-
16 class families sustaining the largest percentage
17 losses in both wealth and income during the cri-
18 sis.
19 (K) Once again, the Great Recession had
20 the most profound impact on African-Ameri-
21 cans whose wealth declined by approximately 52
22 percent, and Latino households whose wealth
23 declined by 66 percent, compared to a 16 per-
24 cent decrease in wealth for White households.

1 (L) The Great Recession also reduced the
2 value of homes disproportionately for minori-
3 ties, as the average real home values for Latino
4 homeowners decreased nearly $100,000 or 35
5 percent and nearly $69,000 or 31 percent for
6 African-American homeowners, while the aver-
7 age home values for White homeowners fell 15
8 percent over this same period.
9 (M) Equity investments also dramatically
10 declined, with the stock market falling by more
11 than 50 percent in just 18 months, from Octo-
12 ber 2007 to March 2009.
13 (N) Declining stock market values also hit
14 retirees, with assets in retirement accounts such
15 as 401(k)s losing $2,800,000,000,000, or about
16 one third of their value between September
17 2007 and December 2008.
18 (O) Home prices across the nation fell
19 about 30 percent from their peak in April 2006
20 until the end of the recession in June 2009.
21 (P) The poverty rate steadily rose 2.5 per-
22 centage points from 2007 to 2012, with
23 46,500,000 people living in poverty in 2012.
24 (Q) Real Gross Domestic Product in the
25 United States in the fourth quarter of 2008,

1 and the first and second quarters of 2009, de-
2 creased by an annual rate of about 5.4 percent,
3 6.4 percent, and 0.7 percent, respectively.
4 (R) Just as so many Americans had lost
5 their jobs, their homes, and their retirement
6 savings through no fault of their own, lenders
7 were tightening credit standards, making it
8 harder and harder for Americans to draw on
9 credit to make ends meet. Faced with financial
10 difficulty, over 1,400,000 households declared
11 bankruptcy in 2009, on top of the 1,100,000
12 who did so in 2008.
13 (S) In addition to households, businesses
14 (particularly small businesses) felt the effects of
15 the crisis. Unlike larger firms which rely more
16 on capital markets for funding, small busi-
17 nesses, which are more dependent on capital
18 from traditional banks, other financial institu-
19 tions, or the personal borrowing by owners,
20 were hit hard by the credit crunch which made
21 credit more scarce and expensive. With nearly
22 40 percent of the country's private-sector work-
23 force employed by small businesses, the eco-
24 nomic impact was substantial.

1 (T) The United States Government created
2 various emergency programs and provided
3 $12,600,000,000,000 in direct support to the
4 United States financial sector, not including
5 pre-crisis provisions such as deposit insurance
6 limits by the Federal Deposit Insurance Cor-
7 poration and the traditional monetary policy op-
8 erations and lender-of-last-resort functions of
9 the Board of Governors of the Federal Reserve
10 System.

11 (U) After the worst of the crisis subsided,
12 it became clear that a massive reform of the fi-
13 nancial system of the United States was nec-
14 essary to reset the economy and prevent a fu-
15 ture crisis.

16 (V) The Dodd-Frank Wall Street Reform
17 and Consumer Protection Act accomplished
18 that goal, providing accountability, trans-
19 parency and creating a stable financial system
20 essential to grow the economy and create jobs.

21 (2) FINDINGS OF THE FINANCIAL CRISIS IN-
22 QUIRY COMMISSION.—

23 (A) Established as part of the of the
24 Fraud Enforcement and Recovery Act (Public
25 Law 111–21) passed by Congress and signed by

1 the President in May 2009, the Financial Crisis
2 Inquiry Commission was created to "examine
3 the causes, domestic and global, of the current
4 financial and economic crisis in the United
5 States.".
6 (B) The majority report issued by the
7 Commission found that the crisis was primarily
8 caused by the collapse of a housing bubble that
9 was fueled by deteriorating mortgage lending
10 standards and mortgage securitization. The ma-
11 jority report specifically concluded that—
12 (i) the crisis was avoidable because it
13 was the product of human action and inac-
14 tion, both by regulators and in the private
15 sector, in the face of numerous clear warn-
16 ing signs;
17 (ii) widespread failures in financial
18 regulation and supervision were dev-
19 astating; for example, the Board of Gov-
20 ernors of the Federal Reserve System
21 failed to write mortgage rules, the Office of
22 the Comptroller of the Currency and the
23 Office of Thrift Supervision preempted
24 State regulators from reining in mortgage
25 abuses, the Securities and Exchange Com-

1 mission failed to regulate investment
2 banks, and the Federal Reserve Bank of
3 New York and other regulators failed to
4 stem excesses at large companies and did
5 not downgrade troubled companies until it
6 was too late;
7 (iii) there were dramatic failures of
8 corporate governance and risk manage-
9 ment at many systemically important
10 firms, as companies recklessly took on risk,
11 including enormous exposures to subprime
12 mortgages and mortgage-related securities,
13 because mathematical models were over-re-
14 lied upon, compensation structures re-
15 warded short-term risk without regard for
16 longer-term consequences, and manage-
17 ment often was ignorant of significant
18 risk-taking, which enabled a combination
19 of excessive borrowing, risky investments,
20 and lack of transparency that put the fi-
21 nancial system on a collision course with
22 crisis;
23 (iv) companies took on excessive
24 amounts of leverage, often through non-
25 transparent off-balance-sheet vehicles or

1 over-the-counter (OTC) derivatives, and re-
2 lied excessively on short-term borrowing;
3 borrowed funds were often used to acquire
4 risky assets;
5 (v) the Government was ill-prepared
6 for the crisis, largely because of lack of
7 transparency in key markets, and incon-
8 sistent Government decisions about wheth-
9 er to save failing firms increased uncer-
10 tainty and panic;
11 (vi) regulators did not foresee the
12 broad systemic effects caused by the burst-
13 ing of the housing bubble and did not fully
14 appreciate the dire condition of Fannie
15 Mae and Freddie Mac until just before
16 taking it over;
17 (vii) there was a systemic breakdown
18 in accountability and ethics, in which bor-
19 rowers took out loans they had no ability,
20 sometimes even no intention, to repay and
21 lenders knowingly made such loans, while
22 securitizers packaged loans without regard
23 to quality and regulators failed to say
24 "no";

1 (viii) collapsing mortgage lending
2 standards and the mortgage securitization
3 pipeline lit and spread the flame of con-
4 tagion and crisis;
5 (ix) lenders offloaded risks associated
6 with bad loans by selling them into a sec-
7 ondary market in which investors were
8 eager to buy mortgage-related securities,
9 which transformed toxic mortgages into
10 toxic securities that were spread to inves-
11 tors around the globe;
12 (x) OTC derivatives contributed sig-
13 nificantly to the crisis;
14 (xi) credit default swaps fueled mort-
15 gage securitization and enabled creation of
16 synthetic collateralized debt obligations,
17 which amplified losses by allowing multiple
18 bets on the same securities which were
19 spread throughout the system; and
20 (xii) failures of the credit rating agen-
21 cies were essential cogs in the wheel of fi-
22 nancial destruction because they gave seals
23 of approval, which investors blindly relied
24 upon, to poor-quality mortgages and mort-

1 gage-backed securities based on inadequate
2 analytical models.
3 (3) FINDINGS ON THE ECONOMY SINCE THE
4 ENACTMENT OF THE DODD-FRANK ACT.—
5 (A) Since enactment of the Dodd-Frank
6 Wall Street Reform and Consumer Protection
7 Act in the third quarter of 2010, the United
8 States economy has grown by 13.25 percent,
9 more than twice as fast as other advanced
10 economies such as the Euro Area and Japan.
11 (B) Since passage of the Act, the economy
12 has added a total of 15,650,000 private sector
13 jobs, and the unemployment rate has fallen to
14 4.5 percent as of March 2017 from the crisis
15 high of 10 percent.
16 (C) Average hourly earnings for private
17 employees increased nearly 3 percent in 2016,
18 the fastest 12-month pace since the financial
19 crisis.
20 (D) According to the most recent data,
21 community banks – which represent 92 percent
22 of all insured institutions – are posting record
23 profit since the crisis. Income rose
24 $507,000,000 year-over-year – a 10.5 percent
25 gain.

1 (E) In the first quarter of 2011, just be-
2 fore the CFPB opened its doors, banks collec-
3 tively posted profits of $29,000,000,000. In the
4 most recent quarter, banks posted profits of
5 $43,700,000,000. In 2016, the industry set an
6 all-time record of $171,300,000,000 in profits.
7 (F) Community banks showed strong
8 growth in residential, commercial, and indus-
9 trial loans, and in small business lending. In
10 fact, overall loan growth at community banks
11 has been faster than at bigger banks. In the
12 fourth quarter of 2016, lending was up 8.3 per-
13 cent for community banks, and 4.8 percent for
14 larger banks.
15 (G) Federally insured credit unions have
16 substantially increased membership, assets, net
17 income, and loans since the Bureau of Con-
18 sumer Financial Protection opened its doors in
19 2011. Credit union membership has expanded
20 by 16,500,000 since 2010, an increase of 18
21 percent, which now stands at more than
22 108,000,000 members nationwide.
23 (H) Risk-weighted capital in the United
24 States banking sector has increased by 41 per-
25 cent since 2009, meaning that banks are sig-

1 nificantly safer today than prior to the financial
2 crisis.