

# Credit reforms causing concern

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By U.S. Rep Steve Pearce / Republican, 2nd Congressional District

Credit is one of the most powerful devices of the financial system designed over time by modern societies.

It gives people the freedom to spend money now – whether to cover a medical expense, an emergency repair, buy a home or send their child to school – and pay it off later.



Rep. Steve Pearce

While it accelerated the speed of innovation around the world, it also changed people's spending habits, however, not always for the best.

In some countries, credit is simply not available to those who need it most: the people at the bottom of the income ladder. In the United States, we've developed a highly sophisticated system with opportunity available to all.

While some people abuse this power and act carelessly in repaying their loans – resulting in bad credit scores and higher interest rates that they have to pay – credit is still available to almost everyone in this country.

That is, until the Consumer Financial Protection Bureau was created in the Dodd-Frank legislation passed when Democrats Nancy Pelosi controlled the House of Representatives, Harry Reid controlled the Senate and President Obama was firmly installed in his first term.

This bureau was tasked with protecting consumers – a laudable goal. Very quickly though, the bureau began to show it had no idea how or why many elements of the credit markets were established. As it began to regulate those elements out of existence, credit to the poor began to dry up. People in New

Mexico soon began to see their opportunities disappear because their sources of credit were diminishing before their eyes.

Half of the homes in the 2nd Congressional District of New Mexico are manufactured housing. The bureau took several actions that resulted in all but one or two banks no longer lending for those.

It took a mother in Las Cruces several years to refinance her family's mobile home simply because no one in town was offering the specific line of credit she needed under her financial circumstances.

These harmful regulations even made their way over to traditional housing loans. With a tool called Qualified Mortgage, the bureau dried up many of these loans or made the loans hard and complex to apply for. The slow economy in New Mexico grew slower as home buying sagged under new, crippling regulations.

What was once a simple mortgage process, both for the banker and the home buyer, now involved ample pages of paperwork, time constraints and unnecessary, duplicative fees.

In New Mexico, it is not uncommon for a couple to buy several mobile homes as they live their lives. When they retire, they sell these one at a time, carrying the note. The bureau instituted punitive rules for this form of credit that some of the people use who cannot get loans at a bank or credit union. This left retirees with less income to supplement their Social Security, and people with bad credit missed out on one of the last options they have to own a home instead of renting.

Rules and procedures replaced bank safety and soundness exams in New Mexico with "extreme compliance" exams. Banks faced crippling fines on small loans they make for local, small businesses, eventually forcing most to simply stop writing loans – I even heard from one bank that was concerned that it could face a \$50,000 penalty for a missed comma. While banks struggled to keep up with these regulations, the ultimate pressure was felt by small businesses that wanted to expand and hire more workers but could not get the loans to do so.

This resulted in fewer jobs for New Mexicans and less support for our local economies. Along the way, the bureau established guidelines that resulted in banks in Deming being regulated the same way as banks in New York City. I have personally sat down multiple times over the last six years with the head of the CFPB and the chairman of the Federal Reserve to express the damage the bureau's actions have caused to New Mexico. They just don't seem to care about the effect on the poor, rural areas and the weight of their regulations. For these reasons, I've joined Chairman (Rep. Jeb) Hensarling, R-Texas, of the House Financial Services Committee to pass the CHOICE Act, repealing many of the

ways that the bureau flagrantly ruins the hopes and dreams of those who financially struggle.

It is my aim to see that even the most economically fragile in New Mexico have the opportunity and resources to earn their way to success. ##

*Rep. Steve Pearce is a member of the House Financial Services Committee and chairman of the new Subcommittee on Terrorism and Illicit Finance.*

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**MHProNews.com Editor's note:** The typo in Steve Pearce's name beneath the photo above is from the original story as posted, the actual spelling is "Steve."

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## Guest Columns

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While it accelerated the growth of the world, it also changed people's lives, always for the best.

In some countries, credit is needed most: the people who need it most. In the United States, we have a system with opportunities