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Financial reform at 5: Some gains, some big disappointments

BY ORSON AGUILAR
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President Barack Obama signed the Dodd-Frank financial reform act on July 21, 2010, saying the law would "lead all of us to a stronger, more prosperous future." In this regard, however, the past five years have often been disappointing.

Half a decade later, the big banks are even bigger, former U.S. Rep. Barney Frank (a co-crafter of the financial reform bill) sits on a bank board, and former Attorney General Eric Holder now represents the same big banks he couldn't prosecute because he said that they had "become too large."

We have seen our nation's income and wealth gaps grow to historic proportions since the signing of Dodd-Frank, with inequality especially growing across racial and ethnic lines. The typical black household today has just 6 percent of the wealth of the typical white household, while the typical Latino household has just 8 percent, according a recent Brandeis University study, "The Racial Wealth Gap: Why Policy Matters." The authors argue that the growing gap is largely the result of governmental policies, especially those related to homeownership, and the overall lack of assets by millions of American families.

Don't get me wrong. Dodd-Frank did produce some gains. But its potential to prevent another financial calamity for the millions of workers who live paycheck to paycheck remains largely unfulfilled.

The law's biggest achievement by far is the Consumer Financial Protection Bureau, the first federal agency whose sole purpose is to protect consumers from unscrupulous lenders and financial businesses. Under the leadership of Richard Cordray, the bureau has been smart and effective in addressing issues that affect millions of Americans, from mortgage disclosures to credit card abuses, student loans and payday lending. That the bureau remains under relentless attack by Wall Street and its minions in Congress show how strong it's been.

While lots of us would have preferred stronger provisions for those hardest hit by our Great Recession, including an updated Community Reinvestment Act, another ray of hope was Section 342, which created offices of minority and women inclusion in 20 federal financial regulatory agencies.

The law directed these offices to create standards to diversify the financial sector's hiring and contracting - not quotas, but a set of metrics to measure progress and a system for reporting and tracking that progress. Sadly, these entities totally dropped the ball. Instead of standards, they produced a list of suggestions. Instead of clear reporting and transparency, banks can decide whether to report, what to report and when to report - sort of like your teacher telling you that final exams are voluntary, and if you take one you can write it and grade it yourself.

Why such weakness? Perhaps because the regulatory agencies themselves are shockingly lacking diversity.
Obama's words that the passage of the Dodd-Frank act had led to "accountability and responsibility" from the financial sector ring hollow to the millions of Americans left unequipped to deal with another volatile patch due to their lack of wealth. Dodd-Frank's failures leave the economy at risk of another financial calamity that would hurt these families the most.

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