

Money in politics, restoring democracy, and bringing ethics back to mortgage lending.

An essay by

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If you are a Realtor, a mortgage banker, a home buyer, or someone who cares about racial equity, social justice, and fairness in housing, you should be alarmed by what is happening in Washington, D.C.

Regulatory enforcement at the Consumer Financial Protection Bureau is down 50% under the current administration, according to analysis by Reuters: “In the area of student loans and fair lending, the bureau has filed no lawsuits for violations in the last year and a half. In contrast, under founding director Richard Cordray, the CFPB filed 15 cases and recovered \$712 million for students that had been wronged, and 11 cases for lending discrimination, recovering \$620 million for consumers.”¹

The CFPB was created after the 2008 recession which saw minorities targeted for predatory loans, as part of the Dodd-Frank Act of 2010. Since its creation, it has returned \$13 billion to consumers harmed by unfair, deceptive, and abusive practices by financial companies.

If the CFPB serves the public, then why is it choosing to not do its job? We need to understand how money in politics has warped the mission of the CFPB and led to less protection for consumers. According to a recent report by the nonprofit Consumer Federation of America (CFA), **“Enforcement activity at the CFPB has declined to levels that are either nonexistent or significantly below that of the prior administration,”** the report stated. **It said the bureau’s enforcement actions plummeted from 55 in 2015 to 11 in 2018.”**¹

The consolidation of 7 federal agencies to create the new CPFEB was a good idea. It gave the CFPB a better ability to help the public. But it has also resulted in giving the CFPB a monopoly on law enforcement, and sole discretion on whether to enforce law or not, which can become a political decision. If they choose not to act, there are fewer other agencies who can or will. Their decision to vacate the role that Congress gave to them has left millions of Americans vulnerable to the predatory industries that we all rely on for financial services. As a Realtor, mortgage

lender, home buyer, or advocate, we should all be concerned.

I. Money in politics

In order to understand what is happening in real estate and mortgage lending in 2019, we must understand the obvious: elections have consequences, and money in politics is a very real and serious threat to our democracy.

We hear a lot of talk about the corrupting influence of money in politics these days. People around America are waking up and realizing that **the true political conflict is not between Republicans and Democrats, but between those who believe in democracy (progressives) and those who support money in politics (the “establishment”)**. There are pro-democracy supporters in the Republican and Democratic parties, and there are pro-big money supporters in both parties as well. It is a problem that should trouble all Americans, regardless of party affiliation (or lack of one). Public opinion and our priorities as Americans for how our government spends our federal, state, and local tax dollars are in drastic opposition and conflict with how Congress, state legislatures, and even local governments vote on our behalf.

The problem starts here: it takes a lot of money to win elections. If you run for office, you must appeal not only to voters (who ultimately decide who wins) but also donors, who will help you bring your message of policy change to constituents.

Although Supreme Court Justice Louis Brandeis most likely did not say these words, I think that this is an excellent way of understanding the choice before us: **“We can have a democratic society or we can have the concentration of great wealth in the hands of a few. We cannot have both.”**² Justice Brandeis was appointed by Woodrow Wilson to the Court in 1916, over 100 years ago, and something that he actually did say is of equal importance: **“The most important political office is that of the private citizen”**³

In 2010, the Supreme Court ruled in the infamous case known as “Citizens United vs. Federal Election Commission.” This is the court case that allowed unlimited sums of money to enter into political campaigns, which gave those who had the money to give more power than those who did not. The Supreme Court has not always felt this way towards unlimited spending in elections.

Here’s what the Atlantic had to say about this: “Back in the early 2000s, before the Court opened the door to corporate money in candidate elections in the 2010 *Citizens United v. FEC* case, it upheld almost every campaign-finance law it considered. Although plaintiffs in these cases argued that the laws infringed on their First Amendment rights, the Court, in a series of 5–4 votes, deferred to legislative expertise. **It also expressed a belief that large contributors buy ingratiation and access, which it viewed as a form of corruption. Just as important, large contributions could create the appearance of such corruption, undermining voter confidence.**”⁴

II. Politicians pick voters.

Money in politics is just the first part of a two-part problem. As politicians appeal to the interests of big money, big money seeks to reduce the influence of individual voters on politicians. This is necessary because big money politicians are going to vote for things that people do not want. To avoid them getting un-elected, new voting maps are needed to protect politicians from voters.

This takes the form of gerrymandering, where politicians draw the election maps (a process that happens every 10 years after the US Census, due to new babies being born, migration between states and districts, etc.) Some have called gerrymandering “politicians picking their voters,” and this describes the problem well. To make matters worse, similar to the 2010 Citizens United decision, as of June 2019, the Supreme Court has decided not to oversee the redistricting process of states election maps, to ensure that gerrymandering does not disenfranchise voters. With money in politics, and politicians drawing the maps, the voices of ordinary Americans is being severely muffled. It’s important to note that both parties have engaged in gerrymandering, not just one or the other.

This recent decision by the Supreme Court is a radical departure from how the Court has viewed the issue historically. An opinion piece in the LA Times describes it this way: “In 1986, the Supreme Court said that partisan gerrymandering could be challenged as unconstitutional under the 14th Amendment if it involved “intentional discrimination against an identifiable political group and an actual discriminatory effect on that group.” More recently, Justice Anthony Kennedy before he retired suggested that extreme gerrymanders might also violate the 1st Amendment because they penalize some voters for their political views and associations....Several states have moved on their own to combat gerrymandering, such as by entrusting congressional redistricting to an independent, nonpartisan citizens commission as California has done.”⁵

Even the perception that voting is not fair can lead to discouraging potential voters. As the American Psychological Association has written, gerrymandering may discourage minorities from even casting a ballot: “According to a 2016 Pew Research Center report, 33 percent of Democratic and Democratic-leaning voters are black or Hispanic, while only 8 percent of Republican and Republican-leaning voters are. Thus, by increasing wasted Democratic votes, the gerrymandering at issue in *Gill* likely disproportionately affects minority voters. **The perception that the way the districts have been drawn is unfair could deter minorities from voting.**”⁶

To put it very simply, it is to the benefit of special interests (banking, military, health care, etc.) to retain politicians who vote for policy that supports their interests (more profit), and to dilute the influence of voters who desire other outcomes. In this way, politicians are not able to be un-elected by their constituency, which has been created by gerrymandering to keep public policy away from public influence. In other words, special interests do not like democracy because it reduces the ability of businesses to run things the way they want. Democracy in America is a threat to kleptocracy, which is defined by Merriam-Webster as “government by those who seek chiefly status and personal gain at the expense of the governed.” The Atlantic does a great

job of analyzing the rise of kleptocracy within America.⁷

III. How We Got Here

How did we get here? To understand how this works, we can remember the words of president Eisenhower, speaking in 1961 as he ended his term and warned of the power of a particular special interest group to undermine democracy: **“In the councils of government, we must guard against the acquisition of unwarranted influence, whether sought or unsought, by the military-industrial complex. The potential for the disastrous rise of misplaced power exists, and will persist.”**

NPR elaborates on what Eisenhower was talking about: “Eisenhower was worried about the costs of an arms race with the Soviet Union, **and the resources it would take from other areas -- such as building hospitals and schools.** Bowman says that in the speech, Eisenhower also spoke as someone who had seen the horror and lingering sadness of war, saying that "we must learn how to compose differences not with arms, but with intellect and decent purpose." Another concern, Bowman says, was the possibility that as the military and the arms industry gained power, they would be a threat to democracy, with civilians losing control of the military-industrial complex.”⁸

Eisenhower was a Republican, and a general who led the military on D-Day in World War II. 50 years have passed since he said these words, and today we indeed do have public policy that does not reflect what people want, but that serves special interests. Furthering this analysis, we can take a look at what happened under the Bush administration and its fiscal priorities, which did not line up with what the public wanted. Eisenhower was right, more right than maybe he even realized.

I will quote from an opinion piece published in a Virginia paper in October 2007: “A major study conducted by the Program on International Policy Attitudes (PIPA) shortly after Bush's re-election in 2004 found that **the vast majority of Americans were opposed to his federal budget. In general, where the Bush administration wanted spending to increase, the public wanted it to decrease, and vice versa....**Defense spending received the deepest cut [by public opinion], being cut on average 31 percent - equivalent to \$133.8 billion - with 65 percent of respondents cutting. [Bush's federal budget however increased military spending]. In addition, the second largest cut was supplemental for the wars on Iraq and Afghanistan, with two thirds of Americans cutting. The majority of Americans would cut "the capability for large-scale nuclear wars, the number of nuclear weapons and spending on developing new types of nuclear weapons.”⁹

“[So what did people want instead?] Americans would sharply increase spending on domestic programs. **Spending on job training and employment would be increased by 263 percent if it were up to Americans. The majority also favor increasing spending on education, medical research, and veterans' benefits. Seventy percent of Americans would increase spending on "conserving and developing renewable energy" by 1,090 percent. Spending on the environment would also increase. In addition, 63 percent would roll back Bush's tax cuts for the wealthy.** This study on Americans' views on the federal budget corresponds to other

public opinion studies conducted over the past 30 years. In general, Americans want to increase spending for domestic social programs and decrease defense spending (though Americans would increase spending for the United Nations and U.N. peacekeeping). **Public opinion, then, is inversely related to public policy.**"⁹

IV. People vs. Money, not Republican vs. Democrat.

If our federal policy does not line up with what the public wants, who is to blame? Not just Republicans. Democrats are not innocent either. A common misconception is that Republicans represent corporations, and that Democrats represent the people. This is an over-simplification. I reprint this from the opinion piece in the Virginia paper because it highlights this fact:

"The democrats do not serve the public interest because, essentially, they serve the same interests that fund the Republican Party: big business. **Any look at campaign contributions reveal this fact. Multinational corporations give money to candidates who back corporate interests. Any candidate who makes it clear they will not serve the interests of big business will not get any funding, and thus that candidate's messages and ideas will not be transmitted to the public.** The population is then left with a field of candidates with minor differences who mostly argue about technicalities....The public has strongly supported a national health plan for some time. A Pew Research Center study found that 64 percent of Americans favor the "U.S. government guaranteeing health insurance for all citizens, even if it means raising taxes." Every other poll on the matter reveals the same results. Yet, the democrats continue to pander to the insurance companies because these insurance companies would lose profits if a real health care plan were implemented."⁹

Universal health care, in one form or another, is now supported by 60% of Americans, up from 51% in 2016. Most Americans have supported this idea, from 2002 until now, as reflected by opinion polls.¹⁰ Why do we not see this policy advanced? Because it would step on the toes of donors, and without donors, politicians have a hard time getting elected.

As Congress fails to pass policies that people actually want, it is not surprising that the vast majority of Americans now disapprove of Congress. **As of July 2019, only 17% of Americans approve of the way that Congress is doing its job.**¹¹ We want something. Congress votes differently. That is an obvious reason for low approval.

At the same time, Americans who affiliate with the Republican or Democratic party agree on what the problem is: money in politics. 71% of Republicans and Republican-leaning independents say there should be limits on money in politics. Among the general public, of both parties, 77% of the public agree that there should be limits on the amount of money that individuals and organizations can spend on political campaigns.¹² We should stop asking people we meet if they are a Republican or a Democrat, and start asking if they support money in politics or support democracy.

Without the big money needed to win elections, successful candidates cannot do the will of the people. They must listen to donors and do what donors want them to do once elected. The Intercept explains it this way:

“When political parties and outside groups begin to estimate the chances that a congressional candidate has of winning a race, the first thing they look at is fundraising, particularly money raised within the district. Those cash contributions from wealthy donors in the area serve as a proxy for support from the local elite and translate, in the party’s mind, into a high chance of victory. The process has a culling effect on the field, which has left Congress with a total net worth of at least \$2.43 billion, according to the political news outlet Roll Call’s conservative estimates, with nearly 40 percent of all members being millionaires. **That doesn’t mean there aren’t Democrats from poor and working-class backgrounds who run for Congress. It means that they’re often beaten back by wealthier, establishment-backed candidates who’ve been able to forge better connections.** A new wave of candidates this cycle is hoping to change that.”¹³

V. A New Revolution

What happens to policy when working-class people don’t make political decisions? Vox explains the impact of not having working-class people winning elections: “This ongoing exclusion of working-class Americans from our political institutions has enormous consequences for public policy. Just as ordinary citizens from different classes tend to have different views about the major economic issues of the day (with workers understandably being more pro-worker and professionals being less so), politicians from different social classes tend to have different views too. These differences between politicians from different economic backgrounds — coupled with the virtual absence of politicians from the working class — ultimately skew the policymaking process toward outcomes that are more in line with the upper class’s economic interests.”¹⁴

“States with fewer legislators from the working class spend billions less on social welfare each year, offer less generous unemployment benefits, and tax corporations at lower rates. Towns with fewer working-class people on their city councils devote smaller shares of their budgets to social safety net programs; an analysis I conducted in 2013 suggested that cities nationwide would spend approximately \$22.5 billion more on social assistance programs each year if their councils were made up of the same mix of classes as the people they represent. Congress has never been run by large numbers of working-class people, but if we extrapolate from the behavior of the few workers who manage to get in, it’s probably safe to say that the federal government would enact far fewer pro-business policies and far more pro-worker policies if its members mirrored the social class makeup of the public. **As the old saying goes, if you’re not at the table, you’re on the menu.**”¹⁴

If we are to restore ethics in the business of providing home buyers with mortgages, then we must eliminate the influence of big money on our politicians. If we do not, the CFPB and other regulators will continue to be “captured” by the interests of political donors, who have the money to spend on politicians who will reign in and muzzle the voice of good regulators who seek to protect the public. We cannot continue to call ourselves Republicans or Democrats. We must become Progressives and unite against the influence of money over our politics. If you are a progressive or want to become one, if you care about fair housing, racial justice, and a restoration of ethics in real estate, join us at www.mortgagemission.org

Footnotes

You can use the bit.ly links below to more easily access the sources used in this essay. (www.bit.ly/MOAM_1 will take you to the first source).

1 Justice Brandeis most likely did not say these words. Ralph Nader attributed these words to him during his presidential campaign. For more on this:

[bit.ly/MOAM_1](http://www.bit.ly/MOAM_1) or http://www.greenbag.org/v16n3/v16n3_articles_campbell.pdf

2 For more information about Louis Brandeis and his work on the Supreme Court:

[bit.ly/MOAM_2](http://www.bit.ly/MOAM_2) or <https://www.brandeis.edu/about/louis-brandeis.html>

3 CFPB has reduced its regulation of financial companies, and some in Congress are not happy:

[bit.ly/MOAM_3](http://www.bit.ly/MOAM_3) or <https://www.reuters.com/article/bc-finreg-cfpb-reduced-protection-activi/u-s-consumer-bureau-under-fire-in-congress-over-reduced-protection-activity-idUSKCN1R02DL>

4 Eisenhower warned us of the military industrial complex in the 1960s.

[bit.ly/MOAM_4](http://www.bit.ly/MOAM_4) or <https://www.npr.org/2011/01/17/132942244/ikes-warning-of-military-expansion-50-years-later>

5 The Bush fiscal policies are an example of how right he was, with public opinion far out of line with the policies that were passed under Bush.

[bit.ly/MOAM_5](http://www.bit.ly/MOAM_5) or http://www.collegiatetimes.com/opinion/public-policy-does-not-reflect-general-public-interest/article_d5ea7e82-b5e8-5dc7-989b-908da90fded2.html

6 Most Americans support health care guaranteed by our government.

[bit.ly/MOAM_6](http://www.bit.ly/MOAM_6) or <https://www.pewresearch.org/fact-tank/2018/10/03/most-continue-to-say-ensuring-health-care-coverage-is-governments-responsibility/>

7 Public approval of Congress is low, and has been low for a long time according to Gallup

[bit.ly/MOAM_7](http://www.bit.ly/MOAM_7) or <https://news.gallup.com/poll/1600/congress-public.aspx>

8 A government that serves business is called a Kleptocracy. The Atlantic explains what this is.

[bit.ly/MOAM_8](http://www.bit.ly/MOAM_8) or <https://www.theatlantic.com/magazine/archive/2019/03/how-kleptocracy-came-to-america/580471/>

9 Progressive, working-class people without the connections to big donors are fighting back.

[bit.ly/MOAM_9](http://www.bit.ly/MOAM_9) or <https://theintercept.com/2018/06/02/working-class-candidates-congress-congressional-primaries/>

10 Most Americans agree that big money should be restricted in our politics.

[bit.ly/MOAM_10](http://www.bit.ly/MOAM_10) or <https://www.pewresearch.org/fact-tank/2018/05/08/most-americans-want->

[to-limit-campaign-spending-say-big-donors-have-greater-political-influence/](#)

11 Ordinary Americans do not have the same influence over public policy as big money.
[bit.ly/MOAM_11](#) or <https://www.vox.com/policy-and-politics/2018/10/24/18009856/working-class-income-inequality-randy-bryce-alexandria-ocasio-cortez>

12 The Supreme Court has for many decades reviewed the role of money in politics.
[bit.ly/MOAM_12](#) or <https://www.theatlantic.com/ideas/archive/2019/07/campaign-finance-supreme-court/594751/>

13 A writer to the LA Times discusses gerrymandering and why it must end.
[bit.ly/MOAM_13](#) or <https://www.latimes.com/opinion/editorials/la-ed-scotus-gerrymander-20190327-story.html>

14 The psychology of voting is reviewed by the Association of Psychologists Association.
[bit.ly/MOAM_14](#) or <https://www.apa.org/monitor/2018/03/jn>