



Consumer Federation of America

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Consumer Federation of America Urges House of Representatives to Strengthen and Pass H.R. 4173, the Wall Street Reform and Consumer Protection Act

Legislation lays groundwork for real financial reform, but House must reject weakening amendments and approve amendments supporting consumers and investors.

Washington, D.C. – The Consumer Federation of America today urged the House of Representatives to strengthen and pass H.R. 4173, the Wall Street Reform and Consumer Protection Act.

“Our country’s current financial meltdown starkly demonstrated how the lack of consumer and investor protections not only harmed millions of families, but also pushed our economy to the brink of collapse,” said Travis Plunkett, CFA’s Legislative Director. “Americans have paid dearly for bad financial regulation through the loss of their homes, jobs, and retirement and college savings, not to mention skyrocketing credit card interest rates and \$40 overdraft fees for a cup of coffee. The time has come for Congress to repay taxpayers who bailed out the financial institutions by passing comprehensive regulatory reform.”

“Enactment of H.R. 4173, including a strong Consumer Financial Protection Agency (CFPA), will be a big step in helping consumers who have been at the mercy of both abusive lenders and inattentive regulators,” continued Plunkett. “With the passage of a strong bill, consumers will finally have a cop on the beat, ensuring that consumers can take out a loan without falling prey to the tricks and traps that have become all too common in consumer lending.”

“We applaud the House for including provisions in the bill that will shore up badly needed investor protections,” said Barbara Roper, CFA’s Director of Investor Protection. “H.R. 4173 includes a number of long-sought provisions to both enhance protections for investors in their dealings with securities professionals and strengthen the Securities and Exchange Commission. It also provides much needed regulatory oversight of credit rating agencies and derivatives markets, two areas that played an instrumental role in turning a U.S. housing crisis into a global economic catastrophe.”

The Consumer Federation has identified a number of areas where improvements to the legislation are needed and urges members of Congress to support strengthening the bill:

Consumer Financial Protection Agency (CFPA):

- Give the CFPA oversight of auto dealers when they sell or advertise loans.

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- Ensure that CFPB rules generally provide a floor of consumer protection, allowing states to enact and enforce tougher laws to protect their citizens. CFA opposes amendments to further preempt states from enacting and enforcing their own laws.

Investor Protection:

- Remove authority for the Securities and Exchange Commission to delegate essential oversight of investment advisors to the industry self-regulatory body, the Financial Industry Regulatory Authority.
- Restore requirements in the “Sarbanes-Oxley” law that publicly traded companies of all sizes take steps to prevent accounting fraud.

Credit Rating Agencies:

- Increase the accountability of credit rating agencies by clarifying that they are legally accountable to those who use their ratings and by lowering the liability standard to “gross negligence.” CFA opposes amendments to weaken the liability provisions of the bill.
- Strengthen the independence of credit rating boards to make them more responsive to the interests of users of credit ratings.

Derivatives:

- Narrow the exemption of “major swap participant” to ensure that it does not allow financial institutions, such as hedge funds, to escape the central clearing requirement.
- Allow the CFTC to regulate foreign exchange swaps and forwards without having to get approval from the Treasury Department.
- Require all standardized transactions to go through central clearing or be executed through a swap execution facility.
- Allow the SEC and CFTC to set margin requirements for swap transactions that are not required to go through central clearing. Allow the CFTC to use non-cash assets when determining capital requirements for non-bank swap dealers and major swap participants.
- Permit the CFTC and SEC to ban abusive swaps and allowing illegal swaps to be voided.

Mortgage Foreclosure Prevention

- Permit bankruptcy judges to lower the amount of principal that financially distressed homeowners owe on mortgage loans for their primary residences.

“With passage of a strong H.R. 4173, Congress will be halfway towards the goal of cleaning up the mess that helped to cause our economic meltdown,” said Plunkett. “When consumers and investors feel more comfortable in the marketplace we all benefit. We urge the Senate also to quickly enact these strong provisions.”

The Consumer Federation of America is a non-profit association of more than 280 groups that, since 1968, has sought to advance the consumer interest through advocacy and education.