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FOR IMMDIATE RELEASE:
May 4, 2011

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HOUSE MOVES TO HANDCUFF NEW CONSUMER FINANCIAL AGENCY

--Legislation Will Give Discredited Banking Regulators Vast Power to Block Needed Protections--

The Consumer Federation of America (CFA) today called on a key House of Representatives Subcommittee to reject legislation that would undermine the ability of the new Consumer Financial Protection Bureau (CFPB) to stop abusive financial practices -- before it ever opens its doors. The Subcommittee on Financial Institutions and Consumer Credit will be marking up bills today to significantly increase the ability of financial regulators to block important consumer protection measures initiated by the CFPB, and to change the leadership structure of the agency.

"These bills would handcuff the only financial consumer cop on the beat that Americans have ever had," said Travis Plunkett, Legislative Director for CFA. "They would decrease accountability and muddle decision-making at the CFPB, while expanding the power of disgraced banking regulators to stop strong consumer protections. Passage of these bills would virtually guarantee that the CFPB would be a weak and timid agency without the will or ability to curb the kind of financial abuses that caused the nation's worst financial crisis since the Great Depression."

CFA pointed out that the agency already has unprecedented restrictions on its powers. Nowhere else in federal law can one set of regulators – in this case two-thirds of the members of the Financial Stability Oversight Council (FSOC) – veto the actions of another agency. The Dodd-Frank Act also caps the amount of funding provided to the CFPB, a statutory limit imposed on no other financial regulator. The CFPB is also the only financial regulator that must comply with the federal Regulatory Flexibility Act, which allows small businesses to see proposed rules before the public does and will add months to the already lengthy rulemaking process.

H.R. 1315 (Duffy) would allow a simple majority of bank regulators and others on the FSOC to veto CFPB rules because they are inconsistent with safe and sound operations of financial institutions. CFA expressed concerns that this vague standard could be manipulated to stop significant consumer protection measures that might affect the profitability of financial institutions.

"The bill would ensure that bank regulators with a history of hostility to consumer protection have an easy excuse to block the CFPB from curbing abusive but lucrative practices, like unjustified credit card interest rate increases or exploding ARM loans," said Plunkett.

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H.R. 1121 (Bachus) would alter the leadership structure of the agency from that of a single director to a five-member commission.

"Given all the restraints that are already placed on CFPB powers, this proposal makes the agency less accountable and more likely to slide into gridlock and inaction," said Plunkett.

CFA joined a broad coalition of more than sixty consumer, civil rights, business and labor organizations that wrote House Financial Services Committee members in opposition to these bills today.

"Both bills ignore the lessons that have been learned about the regulatory failures that triggered a housing and economic crisis and caused extraordinary pain for millions of Americans," said Plunkett. "The message that these bills send is that, once again, big banks and financial firms are more important to Congress than families who need a cop on the beat to protect them."

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The Consumer Federation of America is an association of nearly 300 nonprofit consumer organizations that was established in 1968 to advance the consumer interest through research, advocacy, and education.