



Consumer Federation of America

1620 I Street, N.W., Suite 200 * Washington, DC 20006

FOR IMMEDIATE RELEASE:
Monday, June 14, 2010

CONTACT:
Travis Plunkett 202-387-6121
Barbara Roper 719-543-9468
Susan Weinstock 202-387-6121

Consumer's Guide to the Financial Regulatory Reform Conference Committee Shows How Americans Will Benefit from Key Provisions

Washington, DC – As House and Senate conferees begin deliberations on financial reform legislation, the Consumer Federation of America (CFA) today released a “consumer’s guide” to help concerned citizens determine whether the American people or the big banks and other special interests will be the real beneficiaries of changes that are made.

“The recklessness of big banks and Wall Street firms and the unwillingness of regulators to rein in abuses triggered our economic collapse, which continues to cause great hardship for many Americans,” said CFA Legislative Director Travis Plunkett. “The American people are looking to Congress to strengthen consumer and investor protections and restore the safety and soundness of the financial system.”

The key issues in this conference for consumers are:

- ◆ Creation of a truly independent consumer financial regulator to rein in abusive lending by banks, credit card issuers, mortgage and payday loan companies and auto dealers.
- ◆ Strengthened protections for average investors and provisions to bring transparency to credit ratings and the derivatives markets.



“How the conferees decide these issues could tell us a lot about whether the public or special interests are winning out as the bill moves forward,” Plunkett said. “Unfortunately, bank and business lobbyists have spent tens of millions of dollars to defeat and weaken desperately needed financial reforms like these.”



For example, protections for average investors are on the line because of intense industry pressure to weaken a provision that would require brokers to put customer needs ahead of their own interests when they give investment advice. “Raising the standards for brokers who give investment advice is the single most important thing Congress can do to protect average, Main Street investors,” said



CFA Director of Investor Protection Barbara Roper. “In response to lobbying by brokers and insurance agents, however, this provision got watered down to a study in the Senate, which will do nothing to help investors. We urge conferees to adopt the stronger House provision.”



“After what the American people have been through in the last 18 months, we deserve a strong pro-consumer and pro-investor law that will close dangerous gaps in our regulatory system,” said Susan Weinstock, Financial Reform Campaign Director for CFA. “We strongly encourage all Americans to follow this debate and let their Representatives and Senators know how they feel about the importance of a strong new financial reform law.”

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

Amendment	If CFA Position Prevails - Who Wins?	If CFA Position Fails - Who Wins?	Thumbs Up/Thumbs Down
Consumer Regulator			
Structure and Funding of Consumer Regulator: <i>CFA supports:</i> <ul style="list-style-type: none"> Senate provision that provides the regulator with a Presidentially-appointed, Senate-confirmed Director. Senate provision that fully funds the regulator by a transfer from the Federal Reserve which will be adjusted annually based on inflation. <i>If conferees support above structure and funding, CFA supports:</i> <ul style="list-style-type: none"> House provision for a fully independent agency. 	<p>Consumers will win with the establishment of a robust entity that is autonomous and has an independent, inflation-adjusted funding source, that will insulate it from heavy political pressure by financial interests, allowing it to make decisions that are in the best interests of consumers.</p>	<p>Banks and other lenders, which have been able to convince regulators that consumer protections should be subordinated to lenders' profits.</p>	
Rule-Writing Authority: <i>CFA supports:</i> <ul style="list-style-type: none"> Senate provision that provides rulemaking authority over all major lenders, without an exception for auto dealers who are creditors or brokers. <i>CFA Opposes:</i> <ul style="list-style-type: none"> Senate provision requiring the agency to share proposed rules with small businesses, including 	<p>Our troops, women, and communities of color, who are targeted by unscrupulous auto lenders, will benefit from CFPA rules that rein in abusive practices.</p> <p>CFPA will develop rules in a timely manner, without undue</p>	<p>Auto dealers who are creditors or brokers will continue to target our troops, women, and communities of color with fraudulent lending practices.</p> <p>Abusive small lenders, like payday loan companies, that</p>	

those that offer abusive financial products, like payday lenders, <u>before</u> getting input from the public.	influence from small business interests like payday lenders.	want to block or delay consumer protections.	
Enforcement Authority: <i>CFA Supports:</i> <ul style="list-style-type: none"> House provision giving the agency authority over small nonbanks, including payday lenders, to rein in abusive lending practices. House provision giving the agency back-up enforcement authority over small banks to guarantee consistent enforcement. House provision on federal preemption and state enforcement of CFPA rules, ensuring that federal bank regulators cannot attempt to preempt state law as it applies to national banks on consumer financial issues unless federal law has standards in place. 	<p>The consumer regulator will be able to enact appropriate nationwide rules and states will be able to augment these rules to address emerging local problems.</p> <p>Consumers who bank at over 90 percent of financial institutions would have a regulator with back-up enforcement authority to bring cases arising from consumer complaints.</p> <p>Consumers who have paid billions in fees for loans from nonbanks like payday lenders and auto lenders, consumers abused by consumer reporting agencies, and debt collectors will have a regulator without gaps in authority.</p>	<p>Payday lenders, debt collectors, and banks of less than \$10 billion in assets will be able to flout consumer protection rules due to lack of enforcement power from the consumer regulator.</p> <p>Strong state consumer protection laws could be gutted by preemption. States would be unable to act before local problems become national catastrophes that bring down the entire economy.</p>	
Other Consumer Protection Provisions: <i>CFA Supports:</i> <ul style="list-style-type: none"> House provision providing for 	Consumers who would finally be able to rely on the FTC to enact rules in a timely manner, rather than the 7-10 years it currently	Companies that can continue to prey on consumers through telemarketing fraud, credit repair fraud, prepaid calling card fraud	

<p>enhanced rulemaking authority for the Federal Trade Commission to use the Administrative Procedures Act for rule-making, rather than the extremely cumbersome Magnusson-Moss rulemaking procedures.</p> <ul style="list-style-type: none"> Senate provision requiring credit reporting companies to supply a credit score along with a credit report to a consumer who has been denied credit or charged more for it. 	<p>takes.</p> <p>Consumers who are turned down for a credit application who will finally get access to their credit score which is used by creditors.</p>	<p>and more.</p> <p>Credit reporting companies who will continue to keep the most important information that a consumer needs about their credit history, their credit score, out of reach.</p>	
Investor Protections			
<p>Fiduciary Duty: <i>CFA supports:</i></p> <ul style="list-style-type: none"> House provision holding broker-dealers to a fiduciary duty to act in the best interest of their clients when they give investment advice. <p><i>CFA opposes:</i></p> <ul style="list-style-type: none"> Senate provision calling for a study of fiduciary duty without authorizing the SEC to act on the results of that study. 	<p>Average investors, who would be assured that the recommendations they receive from financial advisers are designed with their interests in mind.</p>	<p>Brokers and insurance agents who want to market themselves as advisers without having to act in the best interests of their clients.</p>	
<p>Other Investor Protections: <i>CFA Supports:</i></p> <ul style="list-style-type: none"> Senate provisions providing for an Office of Investor Advocate, 	<p>Investors, who will have a powerful new ally to ensure that the SEC fulfills its mandate to put the public interest before industry</p>	<p>Wall Street and the business community, who would continue to have the inside track in SEC policy-making, would find it</p>	

<p>provisions on pre-sale disclosures and a study of investor financial literacy and information needs.</p> <ul style="list-style-type: none"> House provision giving the SEC expanded oversight and enforcement powers, including with regard to aiding and abetting authority and extraterritorial jurisdiction. 	<p>interests, a stronger, more effective SEC, and better information on which to base investment decisions.</p>	<p>easier to avoid accountability for wrong-doing, and would continue to exploit unsophisticated investors who lack the necessary information to make informed investment decisions.</p>	
<p>Accounting Fraud: <i>CFA opposes:</i></p> <ul style="list-style-type: none"> House provision that would exempt roughly half of all public companies – those with market caps of \$75 million or less – from the Sarbanes-Oxley law requiring them to include an assessment by the auditor in the annual financial audit of the company’s policies and procedures to prevent fraud and ensure accurate financial reporting. 	<p>Investors, who will receive more accurate information on which to base investment decisions and be less likely to lose money as a result of accounting fraud.</p>	<p>Dishonest company managers who use accounting tricks to cook the books or misappropriate company funds.</p>	
<p>Credit Rating Agencies <i>CFA Supports:</i></p> <ul style="list-style-type: none"> Senate provision providing strengthened independence requirements for credit rating agency boards of directors and reducing conflicts of interest by creating a new board to assign 	<p>Having credit ratings that are no longer biased and grossly inaccurate will benefit investors who may rely on these ratings and the entire economy, since ratings will continue to be an important source of market information.</p>	<p>Credit rating agencies who can continue to make money through biased and inaccurate ratings and escape accountability when they fail to act responsibly.</p>	

<p>initial ratings for structured finance products.</p> <ul style="list-style-type: none"> House provision eliminating special protections from Securities Act liability for credit rating agencies. 			
<p>Derivatives <i>CFA Supports:</i></p> <ul style="list-style-type: none"> Senate provision on clearing and exchange-trading requirements and heightened standard of care for swaps dealers in their dealings with government entities, endowments, and pension funds. Provision to close the enforcement loophole, a problem identified by Sen. Cantwell during Senate consideration. 	<p>Businesses, who will benefit from from both the economic stability and enhanced price competition that results from derivative regulation, and taxpayers, who will be spared the risk that they will once again be asked to rescue Wall Street from its reckless misconduct.</p>	<p>Wall Street firms, who make tens of billions of dollars a year in excess charges to derivatives end users and put the financial system at risk in order to promote their own profitability.</p>	