



Consumer Federation of America

The Consumer Financial Protection Agency Will Coordinate with Banking Agencies And Will Bolster Safety and Soundness¹

Consumers and financial institutions share a common interest in seeing that financial products and services are available on a sound, fair and sustainable basis. Protecting consumers from tricks and traps should encourage confidence in the financial services marketplace and spur innovation.

The Administration's blueprint for the new Agency, reflected in HR 3126, contains several features that will ensure that the Consumer Financial Protection Agency will consult with other federal regulators to promote consistency with prudential, market and systemic regulatory objectives.

1. A Prudential Regulator Will Sit On the CFPA's Five Member Board

The prudential regulator will have the full authority as any of the other commissioners to ensure that the board itself, and the work of the CFPA overall, take into account appropriate safety and soundness or other prudential considerations.

2. The CFPA Is Required to Consult with Prudential Regulators

Throughout HR 3126, the CFPA is directed to consult and coordinate with the banking agencies and other agencies as appropriate. Agencies throughout government, including the five agencies that currently oversee financial services, routinely coordinate on overlapping areas of authority. There is no reason to expect that the CFPA will do any less. Consultation is the norm in government, not the exception.

3. The CFPA and Prudential Regulators Will Share Examination Reports

HR 3126 requires the CFPA to share confidential examination reports with the prudential regulators and vice versa. The confidential exchange of information will give the CFPA greater insight into any significant safety and soundness concerns expressed by prudential regulators, and will help the banking agencies to understand consumer protection concerns exposed by CFPA examinations.

4. Congress Will Oversee the CFPA

Congress will oversee the CFPA as it does a myriad of federal agencies. Congress will have oversight of Agency funding, since at least part of the CFPA's funding probably will come from appropriations, as a backup to fees. Congress also will have oversight based on CFPA's performance. Further, Congress will have the prerogative to amend the statute and to restrict the CFPA's authority if it is used inappropriately.

5. Courts Can Review the Rules

Should the CFPA write rules that are arbitrary and capricious or an abuse of discretion in not fully considering safety and soundness concerns, stakeholders can seek court review.

¹ For more information see Testimony of Lauren Saunders, National Consumer Law Center before the Subcommittee on Monetary Policy, Committee on Financial Services, Hearing on Regulatory Restructuring: Safeguarding Consumer Protection and the Role of the Federal Reserve, July 16, 2009