

Americans for Financial Reform

Accountability, Fairness, Security

Restore Confidence and Prevent Another Disaster: Support the Consumer Financial Protection Agency (CFPA), H.R. 3126

- **Problem:** Seven different government agencies had the power to stop the reckless risk-taking that wrecked our economy, but they didn't use it. Lax oversight helped spawn the disastrous mortgage products and practices that triggered the current crisis. The impact on consumers and on our economy has been made even worse because regulators also ignored abusive credit card terms and unfair overdraft fees on bank accounts.

Solution: Bring focus and clarity to our financial system to ensure we don't repeat the costly mistakes we're paying for today. Perverse business incentives and loopholes continue to exist in the financial markets, and will come into play again when conditions are right. The CFPA will bring the focus we need to clean up destructive and unfair financial practices, restore the integrity of our financial system, and prevent another disaster in the future.

- **Problem:** Americans' trust in our financial system has been severely shaken. They don't trust banks or banking regulators: only 30% of Americans believe that the Federal Reserve is doing an excellent or good job and 75% of Americans blame problems in the banking industry on the banks' management decisions.

Solution: Restore confidence by showing that we will not continue business as usual. 71% of Americans favor creating a new watchdog agency. Creating a CFPA that eliminates existing conflicts of interest and brings a stronger and streamlined focus on consumer protections will send the important message to consumers that it is safe to start spending and borrowing again. As long as existing banking regulators continue to have oversight, consumer confidence will remain low.

- **Problem:** Bank consolidation is threatening competition and consumer choice. Three banks hold almost 34% of the nation's deposits, four banks issue 50% of the country's mortgages and the five largest credit card lenders control 74% of the market.

Solution: Level the playing field for responsible lenders. The CFPA will help community banks specializing in fair and "boring" banking to compete favorably with big banks that profit by finding hidden ways to gouge customers. It will increase consumer choice by favoring reasonable, clear and concise credit cards and mortgages that allow consumers to make informed financial decisions.

- **Problem:** Currently national bank regulators have no authority over many firms that have aggressively marketed some of the most destructive financial products. These entities sell mortgages, payday loans and other products that are overly complicated, unsuited to the borrowers' financial situation, or simply predatory.

Solution: Fill the holes in the safety net. The CFPA will oversee lenders that have evaded regulation. It will also set standards that serve as a regulatory floor: if the CFPA fails to address a harmful product or service, states will have backup authority to protect consumers.

"We believe that the Consumer Financial Protection Agency will help restore the American public's trust and confidence in the financial companies that serve them and that quality institutions will benefit by no longer having to compete with unregulated fly-by-night companies that profit by selling harmful financial products to consumers ... [T]he owners of small businesses who often fund their businesses with personal credit cards and loans deserve the protections that the Consumer Financial Protection Agency will provide them."

– American Business Leaders for Financial Reform