NATIONAL COMMUNITY REINVESTMENT COALITION NCRC

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Dodd Bill Offers Compromised Consumer Financial Protection Agency

Consumer Financial Protection Agency would be beholden to existing regulators

Washington, DC – The financial reform proposal that will be introduced by Senator Dodd today creates a weak Consumer Financial Protection Agency (CFPA) that will not provide the consumer protection needed in the wake of the financial crisis. NCRC president & CEO John Taylor made the following statement relative to the consumer protections in the bill:

"Senator Dodd's bill fails to ensure a regulatory framework that will provide strong protections for consumers. In particular, placing the CFPA at the Federal Reserve and giving existing financial regulators veto power undermines the goal of protecting consumers. This proposal gives the appearance of providing consumer protection, while leaving the real power in the hands the bank regulatory agencies that failed to protect American consumers because they were too busy listening to Wall Street."

"If the intention was a compromise on the independence of the agency, then why do it twice over? Putting the agency at the Federal Reserve and giving the systemic risk council veto power ensures that this agency will be totally hamstrung by the very agencies that failed to prevent this crisis in the first place. Does anybody believe that the Director of the CFPA will be 'independent' with Secretary Geithner and Chairman Bernanke breathing down their neck? These are two of the most powerful decision makers in the Western Hemisphere, and it would be naïve to think that they won't exercise their power over the CFPA, given the proximity and veto power they've been granted."

"Those who worry that consumer protections will undermine systemic risk should take note that it was the very absence of consumer protections that created the financial crisis in the first place," Taylor said.

On Friday, a group of 18 current and former members of the Federal Reserve's Consumer Advisory Council wrote a letter to Senator Dodd, urging him not to place the CFPA at the Federal Reserve, or at any other regulatory agency. The letter states "we think it would be imprudent to give the Federal Reserve or any other existing agency primary consumer protection responsibilities. No agency, including the Federal Reserve, has a strong record in this regard. In 1994 Congress gave the Federal Reserve the power to outlaw unfair and deceptive practices in the mortgage market. The Federal Reserve waited until 2008 to issue their rule, long after the problem had become a crisis and after the market had collapsed. During that time, we and other consumer protection experts issued reams of comment and testimony calling on them to exercise their authority to protect consumers." The full letter follows below.

The National Community Reinvestment Coalition is an association of more than 600 community-based organizations that promote access to basic banking services, including credit and savings, to create and sustain affordable housing, job development and vibrant communities for America's working families.

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