

Friday, March 12, 2010

Chairman Christopher Dodd
448 Russell Building
Washington, DC 20510

Cc: Senate Banking Committee

Dear Chairman Dodd,

We the undersigned current and former members of the Federal Reserve's Consumer Advisory Council (CAC) are writing to express our support for a strong and independent Consumer Financial Protection Agency (CFPA), not housed within any other existing agency. Even an agency such as the Federal Reserve, which already has a Division of Consumer and Community Affairs, which includes the CAC and direct input from consumer advocates, has competing priorities that undermine its ability to strongly enforce consumer protections.

Our service advising the Federal Reserve on consumer protection issues spans two decades. Those of us who are currently serving on the CAC are raising these concerns in that forum. Many of us have met with Federal Reserve Chairman Alan Greenspan and Chairman Ben Bernanke over the years to express our concerns about how consumers have been treated by financial institutions. Collectively, we raised concerns about unfair and deceptive mortgage lending, overdraft fees, credit card abuses and a host of other consumer lending abuses. We proposed ideas for consumer protections that we felt were necessary given what was happening in the capital and credit markets. The foreclosure crisis and the credit crunch bore out our concerns, but we take little comfort in being right.

However, given the validity of our concerns, 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 Federal Reserve has its hands full with responsibilities relating to safety and soundness and monetary policy. Consumers will be served only by having the CFPA as an independent agency where the primary responsibility is consumer protection. We urge you reconsider your proposal for the CFPA to be within any other agency.

Sincerely,

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