Consumer Federation of America
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Consumer Federation of America Applauds Senate Vote on the Dodd-Frank Financial Reform Bill

Washington, DC – Today, the Consumer Federation of America applauded the Senate's cloture vote on landmark pro-consumer and pro-investor legislation in the Dodd-Frank financial regulatory reform bill, which clears the way to final passage.

"Almost two years ago, the American people bailed out the big banks who brought our economy to its knees, but today the American people are getting their payback – meaningful financial reform," said Travis Plunkett, CFA's Legislative Director. "This historic legislation provides a sweeping overhaul of federal financial regulations that should help protect consumers, Main Street investors, and the economy for decades to come."

The bill creates the Consumer Financial Protection Bureau to guard against unfair, deceptive and abusive practices when consumers take out a loan, use a credit card, or get a mortgage. "Consumers finally will have a cop on the beat, the Consumer Financial Protection Bureau, that will monitor the market and write and enforce the rules," said Susan Weinstock, CFA's Financial Reform Campaign Director. "The Wild West for financial products and services is coming to an end. Consumers will now have a Bureau that will clear out the tricks and traps in financial products and services that have harmed so many Americans."

The bill also includes important investor protections. "Main Street investors won as well, with the inclusion of the provision authorizing the SEC to require that brokers who offer investment advice have a fiduciary duty to act in the best interest of their clients," said Barbara Roper, CFA's Director of Investor Protection. Other important provisions included in the bill provide for the creation of a powerful new advocate for investors within the SEC, elimination or limits on the use of pre-dispute binding arbitration clauses in brokerage and investment adviser contracts, improved disclosures, reform of broker-dealer compensation practices, and strengthened SEC enforcement tools.

The bill also includes a strong package of reforms to strengthen regulatory oversight of credit ratings agencies, increase rating agency accountability, and improve rating transparency. The bill takes enormous strides to rein in reckless derivatives trading as well, and includes strong provisions on the key issues of moving the majority of clearable swaps into central clearing, requiring exchange trading, increasing capital and margin requirements, and other measures to improve the stability, transparency, and regulatory oversight of the derivatives market.

"This bill shows that moneyed interests don't always win in Washington," continued Plunkett. "We applaud the Senate for overcoming this hurdle to final passage of the Dodd-Frank bill."

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.

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Key Provisions for Consumers and Investors in the Dodd-Frank Financial Reform Bill

The Dodd-Frank bill will improve the marketplace for consumers and thereby improve the stability of our economy through a number of landmark provisions.

Consumer Protections:

- Creation of a new Consumer Financial Protection Bureau (CFPB) to oversee credit and lending products like mortgages, credit cards, overdraft loans and payday loans.
- Allows states to go beyond the CFPB's rules to rein in a local problem prior to it erupting into a national disaster.
- CFPB is autonomous, with independent funding and led by a single director.
- Restrictions on prepayment penalties on mortgages, a requirement that mortgage lenders ensure that home loans are affordable to the borrower, and a prohibition on steering consumers into unaffordable loans.
- Expedited FTC rulemaking authority over auto dealers who are loan brokers or creditors.
- Authority for the CFPB to prohibit or limit the use of mandatory arbitration.

Investor Protections:

- Authority for the Securities and Exchange Commission (SEC) to impose a fiduciary duty on brokers to work in the best interest of their customers when they give investment advice, following an SEC study of the issue.
- Creation of a powerful new Investor Advocate Office within the SEC, elimination or limits on the use of pre-dispute binding arbitration clauses in brokerage and investment adviser contracts, improved disclosures, reform of broker-dealer compensation practices, and strengthened SEC enforcement tools.

Credit Rating Agencies

- Strengthens regulatory oversight of ratings agencies, increases rating agency accountability, and improves rating transparency.
- Includes steps to reduce the conflicts of interest inherent in the rating agency business model and to improve corporate governance practices within rating agencies.

Derivatives:

- Strong provisions on the key issues of moving the majority of clearable swaps into central clearing, requiring exchange trading, increasing capital and margin requirements, and other measures to improve the stability, transparency, and regulatory oversight of the derivatives market.