May 11, 2011

RE: H.R. 1121 (BACHUS) AND H.R. 1315 (DUFFY) WOULD HANDCUFF CONSUMER FINANCIAL PROTECTION BUREAU AND GIVE DISCREDITED BANKING REGULATORS VAST POWER TO BLOCK NEEDED PROTECTIONS

Dear Representative:

The diverse array of national and state-based consumer, business, civil rights, labor and community organizations listed below strongly urge you to oppose legislation being marked up this week that would dramatically undermine the Consumer Financial Protection Bureau (CFPB) before it ever opens its doors. This legislation sharply decreases accountability and muddles decision-making at the CFPB. It would also vastly expand the power of disgraced banking regulators to stop strong consumer protection measures. **If enacted, these bills would virtually guarantee that the CFPB would be a weak and timid agency without the will or ability to curb the kind of financial abuses that caused the nation's worst financial crisis since the Great Depression.**

Astonishingly, this legislation completely disregards and denies the causes of the regulatory failures that led to the current financial crisis. The bills also ignore the unprecedented limits on CFPB powers that already exist in the Dodd-Frank Act. Nowhere else in federal law can one set of regulators – in this case two-thirds of the members of the Financial Stability Oversight Council (FSOC) – veto the actions of another agency. The Dodd-Frank Act also caps the amount of funding provided to the CFPB, a statutory limit imposed on no other financial regulator. The CFPB is also the only financial regulator that must comply with rulemaking procedures under the Regulatory Flexibility Act, which will add at least six months to the already lengthy rulemaking process and make it more difficult for the agency to effectively address serious financial abuses that spread quickly.

H.R. 1315 (Duffy) would grant the same regulators who failed so spectacularly to protect consumers and stop the financial crisis broad leeway to block CFPB rules. Bank regulators did not bother stopping dangerous mortgage lending and credit card practices because they were not independent of the lenders they regulated and because they subordinated consumer protection to a dangerously shortsighted focus on the near-term profitability of these institutions. (They called it "safety and soundness.")

The bill would allow a simple majority of bank regulators and others on the FSOC to veto CFPB rules under the exceedingly vague and easily-manipulated standard that the rules are "inconsistent" with "safe and sound operations." If we have learned anything from the financial crisis, it is that strong consumer protections would have reduced, rather than increased, systemic financial risk. Consumers would have had less unsustainable debt. Banks would have had fewer losses and been more financially stable. The economy would not have been pushed to the brink of collapse. But that did not stop financial regulators like the Office of the Comptroller of the Currency (OCC) from claiming that protecting consumers from unfair and deceptive practices would harm bank “safety and soundness”.[1] The bill would ensure that bank regulators who want to block the CFPB from curbing abusive but lucrative practices – like unjustified credit card interest rate increases or exploding ARM loans – have an easy excuse and a very good chance of succeeding.

H.R. 1121 (Bachus) would make the CFPB less accountable and more likely to slide into gridlock and inaction, by altering the leadership of the agency from that of a single director to a five-member commission. The fractured and unaccountable nature of the current regulatory system allowed consumer protection to fall through the cracks and regulators to blame each other for inaction. That is why Congress consolidated authority within a single agency fully accountable to the President, Congress, the judiciary and the American people. The agency must be able to act in a timely manner when problems arise and to then be fully accountable for its actions. Directors who do not do enough to protect consumers or who overstep their authority will not be able to deflect blame for their actions on other commissioners. Given all of the unprecedented limits on the CFPB’s ability to act to protect consumers described above, putting a commission in charge would be a debilitating blow to the agency’s ability to do anything in a timely manner. Moreover, the CFPB director structure is exactly the same as that of the OCC, which regulates national banks. Why should the CFPB be less able to act quickly and decisively on behalf of consumers than an agency that has a history of bias toward large banks and of indifference or outright hostility to consumer problems?

Both bills ignore the lessons that have been learned about the regulatory failures that triggered a housing and economic crisis and caused extraordinary pain for millions of Americans. **The message that these bills send is that once again, big banks and financial firms are more important to Congress than families who need a “cop on the beat” to protect them and to keep these failures from ever happening again.** Our organizations strongly urge you to vote against these very destructive pieces of legislation.

Sincerely,

AFL-CIO
AFSCME
American Sustainable Business Council
Americans for Financial Reform
Arizona Consumers Council
Arizona Public Interest Research Group
Arkansans Against Abusive Predatory Lending
Arkansas Community Organizations
Business for Shared Prosperity
California Reinvestment Coalition
CALPIRG

[1] For example, in August of 2008, the Comptroller of the Currency wrote to the Federal Reserve in opposition to core provisions of a proposed rule to prohibit unfair and deceptive credit card interest rate increases. These protections and more were ultimately adopted by Congress in 2009 in the Credit Card Accountability, Responsibility and Disclosure Act.

Center for Digital Democracy
Center for Media and Democracy
Center for Responsible Lending
Community Reinvestment Association of North Carolina
Consumer Action
Consumer Assistance Council
Consumer Federation of America
Consumer Federation of California
Consumer Federation of the Southeast
Consumers Union
Consumer Watchdog
Consumers for Auto Reliability and Safety
Democratic Process Center, Inc
Dēmos
Empire Justice Center
Empowering & Strengthening Ohio's People
Florida PIRG
ForeclosureHamlet.org
Grass Roots Organizing
Green America
Greenlining Institute
Housing Research & Advocacy Center
Illinois PIRG
International Brotherhood of Teamsters
Leadership Conference on Civil and Human Rights
Legal Aid Society of Texas
Main Street Alliance
Maryland Consumer Rights Coalition
Maryland PIRG
Massachusetts Consumers Coalition
MASSPIRG
Memphis Responsible Lending Collaborative
NAACP
National Association of Consumer Advocates
National Association of Shareholder and Consumer Attorneys
National Community Reinvestment Coalition
National Consumer Law Center (on behalf of its low income clients)
National Consumers League
National Council of La Raza
National Fair Housing Alliance
National Latino Farmers & Ranchers Trade Association
National People's Action

NEDAP
New Jersey Citizen Action
North Carolina PIRG
Ohio Partners for Affordable Energy
Ohio PIRG
Ohio Poverty Law Center
OSPIRG
PennPIRG
PIRG in Michigan
Privacy Rights Clearinghouse
ProgressNow
Project On Government Oversight
Public Citizen
Rhode Island PIRG
SEIU
Southwest Center for Economic Integrity
Texas Public Interest Research Group
TICAS
U.S. PIRG
Virginia Citizens Consumer Council
Virginia Poverty Law Center
Wealth for the Common Good
WISPIRG
Woodstock Institute