Consumer Federation of America

1620 I Street, N.W., Suite 200 * Washington, DC 20006

December 10, 2009

RE: Consumer Federation of America Supports H.R. 4173, the Wall Street Reform and Consumer Protection Act

Dear Representative:

The Consumer Federation strongly supports H.R. 4173, the Wall Street Reform and Consumer Protection Act, and urges you to vote in support of the bill. H.R. 4173 will finally provide consumers with an agency that looks out for their interests. The bill also includes a number of long-sought provisions to both enhance protections for investors in their dealings with securities professionals and strengthen the Securities and Exchange Commission. We urge you to support amendments that strengthen the bill and to oppose those that weaken the bill.

Our country's current financial meltdown starkly demonstrated how the lack of consumer and investor protections not only harmed millions of families, but also pushed our economy to the brink of collapse. Americans have paid dearly for bad financial regulation through the loss of their homes, jobs, and retirement and college savings, not to mention skyrocketing credit card interest rates and $40 overdraft fees for a cup of coffee. The time has come for Congress to repay taxpayers who bailed out the financial institutions by passing comprehensive regulatory reform. With the passage of a strong bill, consumers will finally have a cop on the beat, ensuring that they can take out a loan without falling prey to the tricks and traps that have become all too common in consumer lending.

The Consumer Federation of America OPPOSES the following amendments that weaken the bill:

<u>CFPA</u>

Minnick #35 – OPPOSE - This dangerous amendment would actually make it less likely that existing regulators would act to protect consumers from abusive financial practices, which is quite an achievement given how spectacularly these regulators have already failed in that task. The amendment would leave consumer protection in the hands of the fractured "alphabet soup" of federal regulatory agencies that were on watch while subprime mortgage lenders and credit card companies went unchecked, and would erect an elaborate new 11 member "Consumer Financial Protection Council" of federal and state regulators to approve all regulatory measures. This new consumer protection bureaucracy would inevitably lead to gridlock and inaction, rather than the streamlined, straight forward process proposed for the Consumer Financial Protection Agency, which this amendment would eliminate.

Derivatives

Murphy #6– OPPOSE – This amendment would seriously undermine efforts to reduce the potential for the derivatives markets to destabilize the global economy. The Murphy amendment provides a broad exemption from the central clearing requirement for any entity that claims to use derivatives to hedge risks, including hedge funds and other financial institutions that fall outside the definition of derivatives dealers. Exempting these financial institutions from the definition of "major market participant" exempts them from the central clearing requirement that is an essential reform to eliminate the potential for the failure of a single institution - such as Lehman Brothers or AIG - to bring down the entire financial system.

Credit Rating Agencies

Sessions #2 – OPPOSE – This amendment would strip all provisions in the bill that seek to hold credit rating agencies accountable when they violate securities laws or fail to conduct adequate due diligence.

McCarthy #14 – OPPOSE - This amendment would strip a provision that removes credit rating agencies' protection from liability under Section 11 of the Securities Act, making them less accountable for their actions.

Garrett #26 – OPPOSE - This amendment allows certain ratings agencies to deregister to escape regulatory requirements

The Consumer Federation of America SUPPORTS the following amendments to strengthen the bill:

Derivatives

Stupak #9 – SUPPORT - This amendment would narrow the exemptions intended to apply to corporations that use derivatives for bona fide hedging to ensure that they don't permit hedge funds, private equity firms, and commodity speculators to avoid regulation, authorize the CFTC and SEC to ban swaps that are "detrimental to the stability of a financial market," and strike provisions that grant immunity to illegal transactions.

Frank #7 – SUPPORT - This amendment helps to ensure that regulators have the tools they need to ensure the safety of the system by requiring all derivatives market participants to post appropriate margin. It is particularly important since the bill includes an expansive loophole that allows many market participants to escape the central clearing requirement designed to provide that safety.

Stupak #8– SUPPORT - This amendment would increase transparency by requiring that <u>all</u> transactions that do not go through central clearing to be executed on a registered swap execution facility.

Peterson #3 - SUPPORT - This amendment clarifies the authority of the CFTC to define the terms relating to bona fide commercial hedging by corporate end users who are exempt from clearing and exchange-trading requirements.

Lynch #5 - SUPPORT - This amendment would limit the ability of the major swaps dealers to control the exchanges and clearinghouses, a conflict of interest that would permit anti-competitive and risky practices.

Investor Protection

Kanjorski/Frank/Sarbanes/Cohen #12 – SUPPORT - This amendment preserves essential protections against accounting fraud by ensuring that all public companies maintain effective policies and procedures to ensure accurate financial reporting.

Cohen/Frank #15 – SUPPORT - This amendment helps ensure a strong fiduciary duty for investment advice by removing authority for the Securities and Exchange Commission to delegate essential oversight of investment advisors to the industry self-regulatory body, the Financial Industry Regulatory Authority.

Foreclosure Prevention

Conyers #19 – SUPPORT - Permit bankruptcy judges to lower the amount of principal that financially distressed homeowners owe on mortgage loans for their primary residences.

Thank you for your consideration. We look forward to enactment of new protections for consumers, investors, and thus for the economy as a whole.

Sincerely,

Travis Plunkett — Legislative Director

Barbara Roper — Director of Investor Protection