

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”.<sup>1</sup> 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

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<sup>1</sup> 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