



Americans for Financial Reform
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January 21, 2015

Dear Representative/Senator,

On behalf of Americans for Financial Reform and the undersigned national, state and local member organizations, we are writing to urge your strong opposition to any efforts to dismantle, weaken, or change the structure of the Consumer Financial Protection Bureau (“CFPB” or the “Bureau”) in this Congress. The CFPB was established by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010; it opened its doors as the nation’s only financial regulator completely devoted to consumer protection in July 2011, and its first Director, Richard Cordray, was confirmed in July 2013.

Since then, the CFPB has been protecting consumers by ensuring that markets work in an open, transparent, and fair way. The Bureau’s mission is to hold financial companies accountable for being up front about the costs of, and risks associated with, their products, and also to ensure that consumers are treated with dignity and respect, rather than set up to fail. The Bureau has successfully gone to bat for consumers, delivering results that are making markets work more fairly and putting a stop to fraud and abuse. The CFPB has recovered billions of dollars in restitution for consumers, from Servicemembers to credit card holders. The Bureau has done this through their investigation of various companies for potential violations of consumer financial laws. In total, CFPB enforcements have resulted in over \$4.6 billion returned to over 12 million who have been harmed by illegal, deceptive, and discriminatory practices of various companies.

The rollback proposals that have been debated in the past—and which we expect will be raised again in the new Congress—will not protect the public or increase agency accountability. Instead these proposals would hamper the agency and interfere with its ability to fulfill its mission. The arguments to support them are part of a pattern of mischaracterizing the CFPB’s organization and processes. Unfortunately, opponents of consumer protection—including portions of the financial services industry that opposed the creation of the Bureau—have opposed its consumer protection efforts at every step, and possess a narrow self-interest in preventing effective consumer regulation. We strongly urge members of Congress to refrain from placing those narrow industry interests above the vital public interest in regulation of the consumer finance market place. And we urge you to be appropriately skeptical of arguments about what is in the public interest that are put forward by regulated industries, but opposed by the broad array of organizations representing tens of millions of people from diverse constituencies that are the signatories of this letter.

Some expected proposals, such as those that would subject the CFPB to appropriations, making it the only bank regulator without independent funding, or that would replace its director with a five-member commission, are simply designed to destroy the agency. Others pursue a strategy of a ‘death by a thousand cuts.’ Below we discuss some of our major concerns about a number of the threats to the CFPB that were proposed last Congress. This is only a partial list, however, and we urge your strong opposition to all proposals to weaken or undermine the CFPB.

The CFPB’s leadership structure is critical to its accountability to the public and consumers:

We expect some members of Congress to again raise the issue of a single, accountable director vs. a weak commission structure for the CFPB—a question that has already been asked and answered. In Dodd-Frank, Congress determined that a single director structure, similar to the larger and more powerful OCC, was critical to carrying out the CFPB’s mandate to protect consumers. The Senate further ratified that decision when a majority confirmed Director Cordray as director, rather than changing the leadership structure of the CFPB.

It is notable that those who supported the creation of the Bureau overwhelmingly agree that a single director makes sense, whereas those who argue for a multi-person board mostly opposed the creation of a consumer protection agency in the first place. While there are financial regulators that are led by five-member boards, there is no evidence that this structure is more effective or increases accountability. In fact, five-member boards tend to increase gridlock, even with the presence of a strong chairman. We have seen several agencies with commissions effectively hobbled for extended periods by opponents blocking confirmation of the commissioners. Recent examples include the National Labor Relations Board and the Federal Election Commission. Having a strong director at the helm of the agency is vital in ensuring that the CFPB can effectively implement critical reforms to protect consumers, lower the risks of a repeat financial and housing crisis, and level the playing field between banks and non-banks. Revisiting this issue is a recipe for disaster—potentially delaying rule-making and enforcement actions in progress and threatening both the certainty and continuity that makes sense for the public and for the regulated industries.

The CFPB’s independent funding insulates it from the partisan attacks:

It would also be a serious mistake for Congress to undo the CFPB’s current independent funding. Like the other bank regulatory agencies, the CFPB is currently funded in a way that insulates it from the pressures that Wall Street and other financial sectors—including payday and other high-cost lenders, as well as debt collectors and credit bureaus—can too easily manipulate. Changing this would leave the CFPB more vulnerable than the Federal Reserve, the OCC, and the FDIC to industry influence, once again treating consumer financial protection as a less important matter. It would give Wall Street and the worst elements of the financial services industry endless

lobbying opportunities to deny the CFPB the funding to do its job if and when the regulator took action that a sector of the industry did not like.

The CFPB is accountable to Congress, and, uniquely, its rules can already be overturned by other regulators:

The CFPB Director is appointed by the President, subject to Senate confirmation, can be removed for cause, and is required by statute to testify before Congress twice a year, a requirement that only the Federal Reserve Board shares amongst financial regulatory agencies. The CFPB itself is also subject to an annual GAO audit. In practice, senior CFPB officials have testified before Congress at least 52 times since the creation of the bureau—more than the staff of any other bank regulator. Congress can, also vote to make new laws or to change existing ones if a majority believes specific CFPB actions are wrong.

The CFPB is already the only regulator (financial, environmental, consumer, etc.) whose rules can be overturned by other regulators. The veto standard is, however, quite high, as it should be. Harmful proposals in previous Congresses would have allowed CFPB regulations to be overturned by a simple majority vote of the Financial Stability Oversight Council, an inappropriately low standard that would return to the days when consumer protection was a lower priority than other kinds of bank regulation— with disastrous results. Other proposals have also attempted to lower the threshold for bringing a rule challenge and permitted virtually any individual financial institution to petition to overturn a rule it does not like, putting another strong thumb on the same side of a scale already outweighed by industry interests. These changes would undermine the public process of engagement in rulemaking through the notice and comment process by adding another step not subject to these requirements, and inappropriately further subordinate consumer protection to other regulatory approaches.

Curtailing the CFPB's oversight of major financial providers would put consumers at risk:

Last year, an ill-advised proposal was introduced in the Senate to raise the threshold for the CFPB's supervisory (examination) authority over large banks from \$10 billion to \$50 billion. Passage of such a measure would leave the CFPB directly supervising only 38 banks, exempting two-thirds of the nation's largest institutions it currently supervises (currently 112), and 99% of all banks. Supervision is a key regulatory tool, and limiting it in this way would dramatically weaken the CFPB's ability to protect consumers from abusive practices. More than 98% of all banks and credit unions have fewer than \$10 billion in assets; banks with between \$10 and \$50 billion in assets are not small, and they are not community banks. Over 99.5% of community banks, as defined by the FDIC, have less than \$5 billion in assets. Additionally, the supervision of mid-size banks gives the CFPB more sensitivity in its rulemaking and other activities to issues related to a larger range of banks.

Oppose other efforts to weaken the CFPB:

Last year, the House Financial Services Committee considered a variety of other proposals to weaken the CFPB or impose bureaucratic handcuffs on its efforts to protect the public. These included, among others, proposals to eliminate tools routinely available to other agencies, including general authority to issue guidance, to maintain the integrity of its research advisory boards, and to restrict its ability to collect data on the industries it regulates. Other proposals would seek to disrupt the strong CFPB small business oversight provisions; unique among financial regulators. Yet another would mandate that the Bureau provide statutory advisory opinions to any covered person or business on request; an unprecedented and impractical procedural requirement—one that to our knowledge is not imposed anywhere else in the government.

These and other proposals have been offered despite strong evidence that the CFPB already is among the most responsive and transparent government agencies. A series of OIG reports have found generally strong procedures, including for example the most recent one (September 2014) which assessed compliance with the requirements (a requirement shared, it is worth noting only with the EPA and OSHA—and not with any other regulatory agency) that it consider the views and impacts on small business in its rulemaking. An industry blog frequently critical of the Bureau noted: “CFPB’s Rulemaking Process Gets Good Report Card from OIG Report with Only Minor Criticisms.”

Failure to appropriately regulate the consumer financial marketplace was a central cause of the financial crisis that devastated the U.S. and global economies, costing tens of trillions of dollars, and many millions of jobs. The CFPB is a shining success story of the effort to correct the mistakes and close the gaps that led to that failure. It has required lenders who break the law to return billions of dollars directly to individual consumers, it is establishing a more level playing field in crucial areas of the market, and it is providing information to consumers and research to the public; and it is doing these things in an accountable and transparent fashion.

The public overwhelmingly supports the mission of the CFPB, and supports the kinds of action it has taken. Polling shows that two-thirds of voters overall agree that the CFPB is needed. Opponents of consumer protection insist on portraying the CFPB as a too-powerful agency that threatens consumer freedom and privacy, but the CFPB's authority is already appropriately limited by the above described-provisions, and it has appropriately and effectively acted to improve markets and protect consumers. We see an agency responsibly undertaking the job given to it by Congress: making consumer financial markets fairer and more transparent; putting money back in the pockets of members of the public who were fleeced by illegal conduct, and policing rules of the road that make the financial system work better for responsible businesses and responsible consumers alike. Obstructing basic rules of the road only serves the interests of the worst elements of the financial industry, and also encourages law-breaking. We urge members of Congress to support the CFPB in fulfilling its consumer protection mission, rather than undermine it, and to use its time to explore ways to move forward on making sure that the U.S. financial system supports people’s ability to save, transact, and borrow prudently.

Sincerely,

AFL-CIO

Alabama Appleseed Center for Law & Justice

Albany County Rural Housing Alliance, Inc.

American Federation of State, County and Municipal Employees (AFSCME)

Americans for Financial Reform

California Reinvestment Coalition

Center for Digital Democracy

Center for Economic Justice

Center for Popular Democracy

Center for Responsible Lending

Coalition on Human Needs

Community Legal Services, Philadelphia

Connecticut Fair Housing Center

Consumer Action

Consumer Federation of America

Consumer Watchdog

Consumers Union

Demos

Empire Justice Center

ESOP

International Brotherhood of Teamsters

International Union, United Auto Workers, UAW

MFY Legal Services, Inc.

Missourians Organizing for Reform and Empowerment

N.e.r.v.e. Inc

NAACP

National Association of Consumer Advocates

National Community Reinvestment Coalition

National Consumer Law Center (on behalf of its low income clients)

National Council of La Raza

National Fair Housing Alliance

National People's Action

New Economy Project

New Jersey Citizen Action

NYPIRG

Other98.org

Reinvestment Partners

The Leadership Conference on Civil and Human Rights

TICAS

U.S. PIRG

Westchester Residential Opportunities Inc.

Western New York Law Center
Woodstock Institute

Following are the partners of Americans for Financial Reform.

All the organizations support the overall principles of AFR and are working for an accountable, fair and secure financial system. Not all of these organizations work on all of the issues covered by the coalition or have signed on to every statement.

- AARP
- A New Way Forward
- AFL-CIO
- AFSCME
- Alliance For Justice
- American Income Life Insurance
- American Sustainable Business Council
- Americans for Democratic Action, Inc
- Americans United for Change
- Campaign for America's Future
- Campaign Money
- Center for Digital Democracy
- Center for Economic and Policy Research
- Center for Economic Progress
- Center for Media and Democracy
- Center for Responsible Lending
- Center for Justice and Democracy
- Center of Concern
- Center for Effective Government
- Change to Win
- Clean Yield Asset Management
- Coastal Enterprises Inc.
- Color of Change
- Common Cause
- Communications Workers of America
- Community Development Transportation Lending Services
- Consumer Action
- Consumer Association Council
- Consumers for Auto Safety and Reliability
- Consumer Federation of America
- Consumer Watchdog
- Consumers Union
- Corporation for Enterprise Development
- CREDO Mobile
- CTW Investment Group
- Demos
- Economic Policy Institute
- Essential Action
- Green America
- Greenlining Institute
- Good Business International

- Government Accountability Project
- HNMA Funding Company
- Home Actions
- Housing Counseling Services
- Home Defenders League
- Information Press
- Institute for Agriculture and Trade Policy
- Institute for Global Communications
- Institute for Policy Studies: Global Economy Project
- International Brotherhood of Teamsters
- Institute of Women's Policy Research
- Krull & Company
- Laborers' International Union of North America
- Lawyers' Committee for Civil Rights Under Law
- Main Street Alliance
- Move On
- NAACP
- NASCAT
- National Association of Consumer Advocates
- National Association of Neighborhoods
- National Community Reinvestment Coalition
- National Consumer Law Center (on behalf of its low-income clients)
- National Consumers League
- National Council of La Raza
- National Council of Women's Organizations
- National Fair Housing Alliance
- National Federation of Community Development Credit Unions
- National Housing Resource Center
- National Housing Trust
- National Housing Trust Community Development Fund
- National NeighborWorks Association
- National Nurses United
- National People's Action
- National Urban League
- Next Step
- OpenTheGovernment.org
- Opportunity Finance Network
- Partners for the Common Good
- PICO National Network
- Progress Now Action
- Progressive States Network
- Poverty and Race Research Action Council
- Public Citizen
- Sargent Shriver Center on Poverty Law
- SEIU
- State Voices
- Taxpayer's for Common Sense
- The Association for Housing and Neighborhood Development

- The Fuel Savers Club
- The Leadership Conference on Civil and Human Rights
- The Seminal
- TICAS
- U.S. Public Interest Research Group
- UNITE HERE
- United Food and Commercial Workers
- United States Student Association
- USAction
- Veris Wealth Partners
- Western States Center
- We the People Now
- Woodstock Institute
- World Privacy Forum
- UNET
- Union Plus
- Unitarian Universalist for a Just Economic Community

List of State and Local Partners

- Alaska PIRG
- Arizona PIRG
- Arizona Advocacy Network
- Arizonans For Responsible Lending
- Association for Neighborhood and Housing Development NY
- Audubon Partnership for Economic Development LDC, New York NY
- BAC Funding Consortium Inc., Miami FL
- Beech Capital Venture Corporation, Philadelphia PA
- California PIRG
- California Reinvestment Coalition
- Century Housing Corporation, Culver City CA
- CHANGER NY
- Chautauqua Home Rehabilitation and Improvement Corporation (NY)
- Chicago Community Loan Fund, Chicago IL
- Chicago Community Ventures, Chicago IL
- Chicago Consumer Coalition
- Citizen Potawatomi CDC, Shawnee OK
- Colorado PIRG
- Coalition on Homeless Housing in Ohio
- Community Capital Fund, Bridgeport CT
- Community Capital of Maryland, Baltimore MD
- Community Development Financial Institution of the Tohono O'odham Nation, Sells AZ
- Community Redevelopment Loan and Investment Fund, Atlanta GA
- Community Reinvestment Association of North Carolina
- Community Resource Group, Fayetteville A
- Connecticut PIRG
- Consumer Assistance Council
- Cooper Square Committee (NYC)

- Cooperative Fund of New England, Wilmington NC
- Corporacion de Desarrollo Economico de Ceiba, Ceiba PR
- Delta Foundation, Inc., Greenville MS
- Economic Opportunity Fund (EOF), Philadelphia PA
- Empire Justice Center NY
- Empowering and Strengthening Ohio's People (ESOP), Cleveland OH
- Enterprises, Inc., Berea KY
- Fair Housing Contact Service OH
- Federation of Appalachian Housing
- Fitness and Praise Youth Development, Inc., Baton Rouge LA
- Florida Consumer Action Network
- Florida PIRG
- Funding Partners for Housing Solutions, Ft. Collins CO
- Georgia PIRG
- Grow Iowa Foundation, Greenfield IA
- Homewise, Inc., Santa Fe NM
- Idaho Nevada CDFI, Pocatello ID
- Idaho Chapter, National Association of Social Workers
- Illinois PIRG
- Impact Capital, Seattle WA
- Indiana PIRG
- Iowa PIRG
- Iowa Citizens for Community Improvement
- JobStart Chautauqua, Inc., Mayville NY
- La Casa Federal Credit Union, Newark NJ
- Low Income Investment Fund, San Francisco CA
- Long Island Housing Services NY
- MaineStream Finance, Bangor ME
- Maryland PIRG
- Massachusetts Consumers' Coalition
- MASSPIRG
- Massachusetts Fair Housing Center
- Michigan PIRG
- Midland Community Development Corporation, Midland TX
- Midwest Minnesota Community Development Corporation, Detroit Lakes MN
- Mile High Community Loan Fund, Denver CO
- Missouri PIRG
- Mortgage Recovery Service Center of L.A.
- Montana Community Development Corporation, Missoula MT
- Montana PIRG
- New Economy Project
- New Hampshire PIRG
- New Jersey Community Capital, Trenton NJ
- New Jersey Citizen Action
- New Jersey PIRG
- New Mexico PIRG
- New York PIRG
- New York City Aids Housing Network

- New Yorkers for Responsible Lending
- NOAH Community Development Fund, Inc., Boston MA
- Nonprofit Finance Fund, New York NY
- Nonprofits Assistance Fund, Minneapolis M
- North Carolina PIRG
- Northside Community Development Fund, Pittsburgh PA
- Ohio Capital Corporation for Housing, Columbus OH
- Ohio PIRG
- OligarchyUSA
- Oregon State PIRG
- Our Oregon
- PennPIRG
- Piedmont Housing Alliance, Charlottesville VA
- Michigan PIRG
- Rocky Mountain Peace and Justice Center, CO
- Rhode Island PIRG
- Rural Community Assistance Corporation, West Sacramento CA
- Rural Organizing Project OR
- San Francisco Municipal Transportation Authority
- Seattle Economic Development Fund
- Community Capital Development
- TexPIRG
- The Fair Housing Council of Central New York
- The Loan Fund, Albuquerque NM
- Third Reconstruction Institute NC
- Vermont PIRG
- Village Capital Corporation, Cleveland OH
- Virginia Citizens Consumer Council
- Virginia Poverty Law Center
- War on Poverty - Florida
- WashPIRG
- Westchester Residential Opportunities Inc.
- Wigamig Owners Loan Fund, Inc., Lac du Flambeau WI
- WISPIRG

Small Businesses

- Blu
- Bowden-Gill Environmental
- Community MedPAC
- Diversified Environmental Planning
- Hayden & Craig, PLLC
- Mid City Animal Hospital, Pheonix AZ
- UNET