Fact Sheet, April 2011

Why Congress Should Defeat Wall Street-backed Proposals To Weaken the CFPB

AMERICANS FOR FINANCIAL REFORM
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Washington should be implementing Wall Street reform, not tearing it down. Yet, proposed bills in the House are designed to let Wall Street run wild again.

In addition to targeting the investor cops at the SEC and CFTC for budget cuts, the House is focusing on weakening the new Consumer Financial Protection Bureau (CFPB), the first federal financial agency designed with only one job, protecting consumers. The House has already asserted questionable budgetary powers to reduce the CFPB's proposed 2011 budget by 40%, to just $80 million. Now, it is considering a series of flawed proposals to weaken its authority and topple its independent structure.

Predatory lending practices and a decade of deregulation added fuel to the fire of the Wall Street-induced financial collapse. Recognizing that regulatory capture, regulatory arbitrage and the political power of the big Wall Street banks meant that consumer protections were not enforced, the Dodd-Frank Wall Street Reform and Consumer Protection Act carefully established the CFPB as an independent bureau of the Federal Reserve Board, so that it would be insulated from political chicanery. At the same time, Congress also already limited the CFPB's powers in some ways as compared to other bank regulators. Unlike other bank regulators, its budget (which is a transfer from the Federal Reserve, not an appropriation) has a ceiling. Unlike other bank regulators, its decisions are subject to a veto by other regulators. Its rulemaking is subject to a series of checks and balances, including review of its impact on small businesses.

Now, the House has initiated a series of actions, starting with the dubious assertion that the CFPB's budget is subject to appropriations review, that serve the interests of the Wall Street banks whose predatory practices harmed consumers--ordinary Americans, who have lost hard earned income, retirement savings, jobs, and too often their homes.

(1) THE CFPB NEEDS A STRONG DIRECTOR TO CHALLENGE THE ALMOST LIMITLESS AUTHORITY OF THE BANK-FRIENDLY OCC:

HR 1121 (Bachus) would weaken the bureau by moving from leadership by a Director to leadership by a 5-member Commission. This would ill equip the CFPB for its job of protecting consumers in an environment dominated by the OCC, run by a single Comptroller with nearly limitless authority. Would Chairman Bachus support a similar change to the leadership of the bank-friendly Office of the Comptroller of the Currency (OCC), the chief national bank regulator? OCC aided and abetted the financial collapse by taking state attorneys general off the bank crime beat while standing idly by itself while national banks ruined lives. Further, the confirmation logjam in the Senate will make it hard enough to confirm one director, let alone five commissioners.

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(2) **CFPB DECISIONS ARE ALREADY SUBJECT TO A VETO BY OTHER REGULATORS. HR 1315 (DUFFY) WOULD MAKE THE VETO A VIRTUAL RUBBER-STAMP "NO" ON ALL CFPB ACTIONS.**

HR 1315, by Rep. Sean Duffy (R-WI), would enormously increase the authority of the other bank regulators who make up the Financial Stability Oversight Council to veto CFPB rules. It gives the regulators that failed to protect consumers in the past an easy way to overturn CFPB actions and throw roadblocks in front of its progress. This rubber stamp NO language threatens the basic function of the CFPB – making sure there are fair rules of the road for consumers, and that these rules are enforced, even when special interests don't want them to be. The CFPB's powers are already more limited than other bank regulators: the FSOC is already empowered to veto CFPB rules if it determines by a 2/3 vote that they would threaten the safety and soundness of the financial system. HR 1315 goes entirely beyond this to totally cripple the bureau, and return us to the status quo where the public interest is subordinated to special interests.

(3) THE TWO ADDITIONAL NOT-YET INTRODUCED PROPOSALS WEAKEN THE CFPB FOR POLITICAL GAIN, WITHOUT SERVING A PUBLIC POLICY PURPOSE

The committee is also reviewing two proposals drafted by subcommittee chair Capito. Asserting that the CFPB cannot "ride along" with prudential supervisors on consumer examinations of big Wall Street credit card companies and other banks until the transfer date, and then extending the transfer date (currently July 21) until a director is confirmed are both politically-based, not policy-based, proposals. The OCC currently is operating without a Senate-confirmed director and has at numerous other times in its checkered past operated without a Senate-confirmed director, and yet the committee is not suggesting that its powers be limited.

- Delaying the CFPB transfer date serves the interests of Wall Street, not the interests of people living on Main Street.
- Linking the CFPB transfer date to the Senate confirmation of a director serves the interests of Wall Street, not the interests of people living on Main Street.
- Preventing the CFPB from "riding along" on prudential regulator examinations of the biggest banks – the same big banks linked to credit card abuses, overdraft abuses and mortgage servicing abuses -- serves the interests of Wall Street, not people living on Main Street.

Do we kneecap the CFPB and return to the system that failed us?

Or do we allow the CFPB to do its job?

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We are a coalition of more than 250 national, state and local groups who have come together to reform the financial industry. Members of our coalition include consumer, civil rights, investor, retiree, community, labor, religious and business groups as well as prominent economists.