



Consumer Federation of America



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CONTACT:
Travis Plunkett, Consumer Federation, 202-387-6121
Ed Mierzwinski, U.S. PIRG, 202-546-9707
David Arkush, Public Citizen, 202-550-0107
Pamela Banks, Consumers Union, 202-462-6262
Lauren K. Saunders, National Consumer Law Center,
202- 452-6252
Kathleen Day, Center for Responsible Lending, 202-
349-1871
Linda Sherry, Consumer Action, 202-544-3088

PRESIDENT PROPOSES NEW CREDIT SAFETY AGENCY FOR CONSUMERS
Consumer Organizations Urge Fast Action to Create Strong, Independent Regulator

National consumer protection organizations applauded President Obama's proposal to create a new federal Consumer Financial Protection Agency to ensure the safety, fairness and sustainability of credit. The agency would have broad powers to ensure that credit and payment products do not have predatory or deceptive features that can harm consumers or lock them into unaffordable loans.

"The international economic crisis was triggered by the failure of federal regulators to stop abusive lending, particularly in the housing sector," said Travis Plunkett, Legislative Director of the Consumer Federation of America. "If the President's proposal had been in place five years ago, this

agency would have been able to better protect consumers, financial institutions, and the entire economy.”

Currently, seven federal regulatory agencies are charged with protecting consumers in the financial services marketplace. Five of these agencies also oversee the soundness of financial institutions. The President’s proposal would consolidate most federal consumer protection efforts into a single agency.

“Too often, captive federal banking regulators have treated consumer protection as less important or even in conflict with their supposed primary mission to ensure the safety and soundness of financial institutions,” said Ed Mierzwinski, Consumer Program Director of U.S. PIRG. “The President’s proposal would streamline and dramatically improve the current splintered, ineffective federal financial regulatory system because the new agency would be required to make consumer credit protection its top priority.”

Under the President’s proposal, the new agency would oversee all credit and payment products, no matter what kind of financial institution offers them. It would be charged with setting high federal minimum standards, which would allow the states to impose tougher requirements if warranted.

“The days of allowing financial institutions to shop around for the weakest form of regulation are over,” said Pamela Banks, Senior Policy Counsel with Consumers Union. “Under the President’s proposal, the only regulatory competition that would exist would be to increase consumer protections.”

The President’s proposal is very similar to legislation to establish a Financial Products Safety Commission proposed by Senator Richard Durbin and Representative William Delahunt (S. 566/ H.R. 1705). Both Senate Banking Committee Chairman Christopher Dodd and House Financial Services Chairman Barney Frank have endorsed the concept as well.

"The economic crisis has caused a painful loss of confidence in financial products and institutions. It appears that no one was minding the store," said Linda Sherry of Consumer Action. "We support the creation of a new agency with powers to cut through the web of financial regulations and strengthen consumer protections. We need a watchdog to restore consumer confidence and increase the availability of innovative financial products to promote wealth building and access to capital for all communities."

“We need to get back to old fashioned values like safe, affordable products that the good old Main Street banker used to offer. Consumers should not have to fear that the fine print of their mortgage or credit card is loaded with hidden tricks and traps that will explode on them,” said Lauren K. Saunders, Managing Attorney of the National Consumer Law Center.

Kathleen Keest of the Center for Responsible Lending said, "This plan represents a leap forward in addressing regulatory failures that led to today’s financial crisis. By having a strong agency with the explicit mission of preventing abusive lending, we’ll ultimately build a stronger economy and restore confidence in the credit markets."

“We urge Congress to act quickly on the President’s proposal so a strong, independent agency is in place to protect consumers in the financial services marketplace by next year,” said David Arkush, Director of Public Citizen's Congress Watch division.