

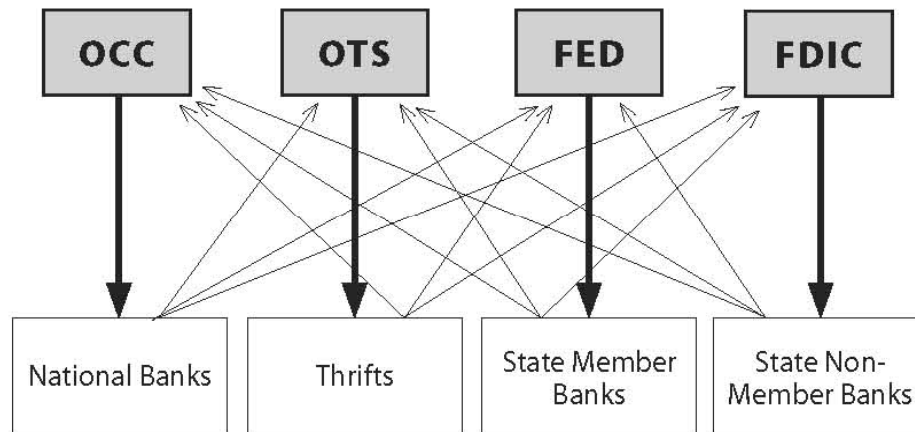
The Consumer Financial Protection Agency:

High standards and a level playing field for the
financial services industry

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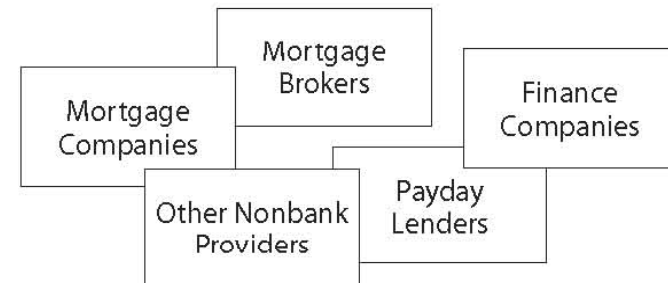
Financial Services Reform Roundtable
Aurora, Illinois | Palatine, Illinois | Chicago, Illinois

The status quo: weak standards, no oversight



Banks can switch charters to pick their own primary federal supervisors based on who will be most permissive.

NO FEDERAL REGULATOR



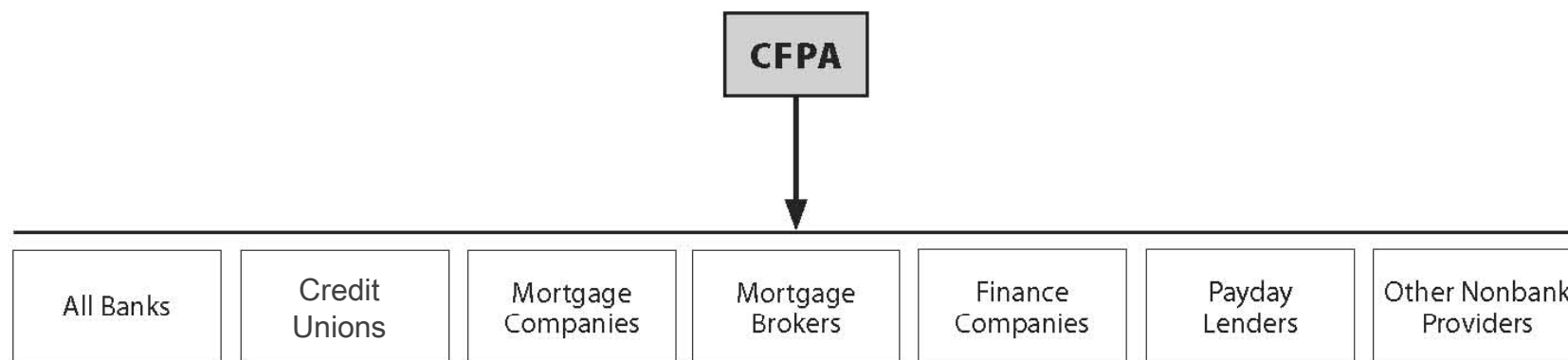
No federal regulator examines nonbank institutions and collects comprehensive information.

no clear mission to protect consumers Existing banking regulators have a primary mission of keeping banks safe and sound, and put consumers at a distant second.

weak standards, no level playing field The absence of consistent supervision for nonbanks drives down standards and tilts the playing field to bad practices — making it especially hard for small, community banks to compete. Within the banking sector, banks can switch their charters to pick their own regulator, lowering standards for all.

divided authority Supervision and enforcement for financial services are divided across multiple agencies. Rulewriting is fragmented and often separated from supervision and enforcement, causing inefficiencies and delays. *Too little, too late: the banking agencies took years to issue joint guidance on subprime mortgages.*

Solution: one agency, consumer mission, marketwide coverage

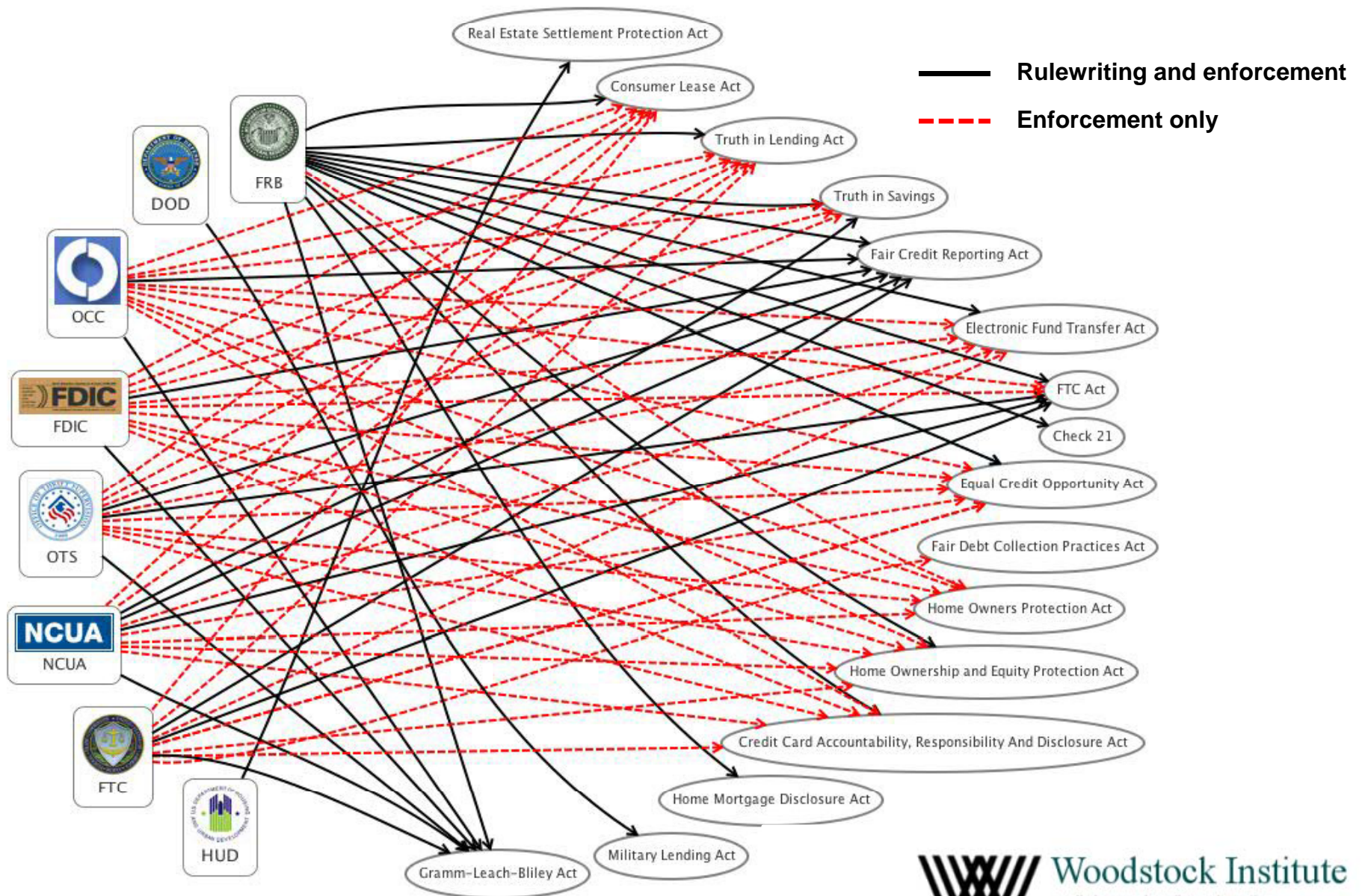


consumer mission The agency will put consumers first, protect them from abuse, and preserve consumer choice.

high standards, level playing field The agency's marketwide coverage will curtail opportunities for abuse. Institutions will no longer be able to game the system by choosing a weaker regulatory.

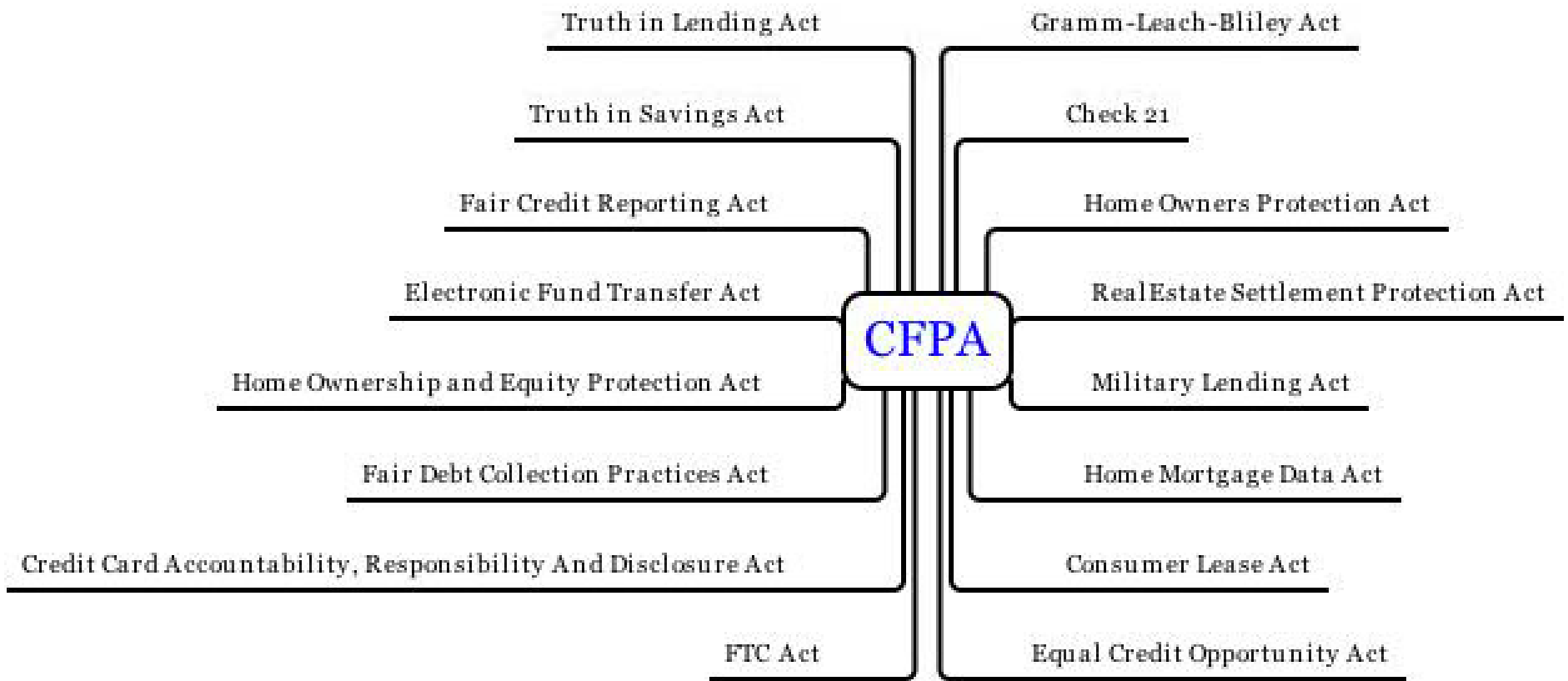
consolidated authority Placing rulemaking, supervision, and enforcement in one agency better protects consumers, improves effectiveness and reduces inefficiencies.

The status quo: divided enforcement and rulemaking authority



Source: Consumer Federation of America

Solution: consolidated enforcement and rulemaking authority



— Rulewriting and enforcement

- - - Enforcement only

Solution: the CFPB would establish a floor, not a ceiling



States have varying degrees of consumer protections...

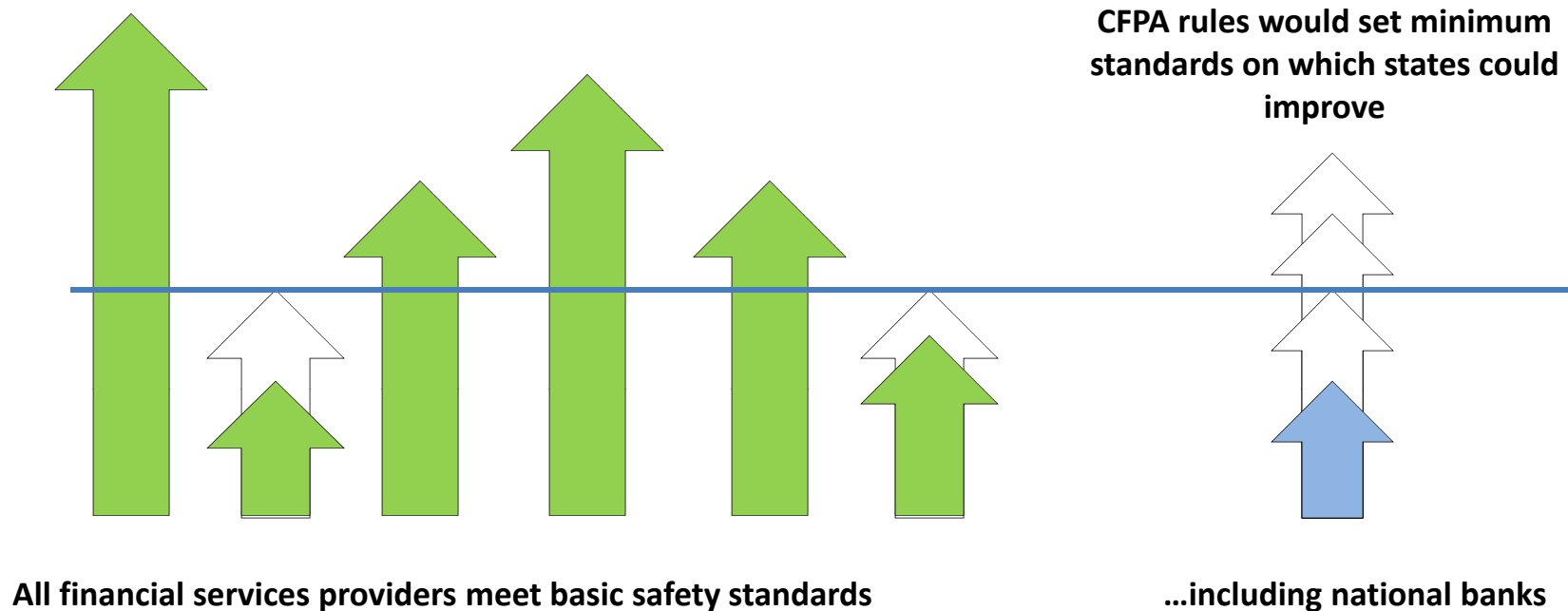
which do not apply to national banks

mortgages in 2006, national banks, federal thrifts, and their subsidiaries made over \$700 billion in risky loans. States were preempted from regulating any mortgage lender on the very terms that made many mortgages dangerous: balloon payments, negative amortization, variable rates, and other nontraditional terms.

credit cards common abuses – bait and switch rate increases, abusive fees, payment manipulations – were allowed to take off and grow due to preemption.

overdraft fees federal regulators preempted state laws and allowed lenders to collect \$27 billion in fees on account overdrafts.

Solution: the CFPB would establish a floor, not a ceiling



setting a floor not a ceiling would ensure minimum consumer protections in every state

adapts to local lending practices states could address problems that the CFPB has not considered

would not hinder innovation or dramatically increase compliance costs banks offer numerous niche products for many segments of consumers and are capable of accommodating variations in state laws. In 2005, it was estimated that the cost of complying with state predatory lending laws was only \$1/mortgage