

Consumer Financial Protection Agency

Fact Sheet

Financial reform has to include real consumer protection. We all know that financial oversight in the U.S. failed. As a result, we are all paying the price for the financial meltdown that started with bad mortgages, was magnified by “keep the fee, pass the risk” practices by lenders and Wall Street, and spread poison throughout our economy.

An essential piece of financial reform is the Consumer Financial Protection Agency (CFPA). This is a new agency whose only job is looking out for consumers in the financial marketplace – without pressure or interference from the banks or the banking regulators. The idea of the CFPA is to take the job of consumer protection away from the federal banking agencies who haven’t performed it properly, and give it to an agency which is independent of the banks, and has just one job – protecting consumers.

The CFPA will have the “authority and accountability to make sure that consumer protection regulations are written fairly and enforced vigorously.” Its job will be to “promote transparency, simplicity, fairness, accountability, and access in the market for consumer financial products and services.” The House has already passed the CFPA, in HR 4173. The Senate bill renames it the CFPB and makes it an independent entity within the Federal Reserve Board. That independence – of staff, budget, and authority, is absolutely critical to the success of this reform. The CFPA cannot be subject to control by one or more of the failed banking agencies.

The CFPA’s job: Write real consumer protection rules to protect you from practices like these:

- Mortgage features such as low “teaser rates,” skyrocketing future interest rates, and prepayment penalties that stop you from trying to refinance when the rate goes too high.
- Mortgage lenders who don’t bother to determine whether or not the loan that they are selling is one that you can afford to repay.
- Credit card banks who come up with the next sneaky practice to make your card cost more than you were promised.
- Car dealers who promise you one interest rate and then call you up after you’ve bought the car and tell you it will cost more.
- Car dealers who advertise one interest rate and then switch you into a higher interest rate once you choose the car.
- Banks that process the biggest checks first so that more of checks will bounce and more bounced check fees can be charged.
- Banks that promise “free checking for life” and then forget about that promise in a year or two.

- Banks that charge you a \$35 overdraft loan fee for a \$10 bounced check, or that charge you three \$35 fees in one day for three small bounced checks.
- Banks that trick you into signing up for expensive debit card overdraft loans that you would be better off without.
- Prepaid bank cards that are stacked against the customer with a confusing collection of monthly fees, usage fees, reloading fees, overdraft fees, dormancy fees and even fees to talk to customer service.
- New ways to pay, like pressing a button on your cell phone, that are convenient but lack basic protections like the ability to get your money back after an identity theft.
- Payday lenders that charge annual percentage interest rates of 400% to 700% or more and keep consumers in a cycle of debt because they have to keep taking out the same loan again and again since there is no payment schedule to pay down the loan.
- Lenders or brokers who try to convince your infirm elderly parent to take out a reverse mortgage when in fact that mortgage only makes economic sense for people in good health with years ahead of them to offset the cost of the upfront fees for that loan.

The CFPA's job: Enforce the rules against the big banks and all types of mortgage lenders

- The CFPA will have direct, primary enforcement authority over all of its rules and other consumer protection laws that apply to the biggest banks (over \$10 billion in size), and all non-bank mortgage lenders and mortgage related services. That means that the enforcement of your new credit card protections will finally be in the hands of an agency whose job it is to care about consumers, not just about the banks. Consumers Union and other consumer groups think that the CFPA also needs direct enforcement authority over banks under \$10 billion in size, and over non-bank providers of financial services who make car loans and other non-mortgage loans, or provide other types of financial service products.

The CFPA's job: Protect you

- The CFPA's job will be to ensure that credit, deposit and payment products and services are being offered in a fair, sustainable and transparent manner. (CK to House and Senate purposes language) The job will include **quick response to emerging harmful practices**, before they spread throughout the country or become large enough to undermine family finances or threaten the economy.
- The CFPA's **rules will cover all forms of credit, deposit, and payment products and services offered to consumers**. Competing financial products will be subject to the same rules, no matter what type of business provides them.

- The CFPA will have the **power to issue rules to respond to new developments**. This will protect honest competition, consumers, and the economy. We waited nearly ten years for the credit card reform law. The CFPA won't take so long.
- The CFPA will be **one federal agency with the job of writing consumer protection rules under most of the existing federal consumer money statutes**, and the job of writing rules for harmful or deceptive practices that the current laws never contemplated. Putting the job in one place builds accountability and will help to identify and close the gaps in oversight.
- The CFPA will have the **power to determine that products, features, or practices are unfair, deceptive, or abusive**.
- The CFPA **won't stop states from protecting their residents, or consumers from protecting themselves**. Individuals, State Attorneys General, existing state and federal financial regulators, and the new agency must each have the ability to enforce consumer protection rules and laws. States could also develop and apply new consumer protection rules.

The CFPA's job: Handle your complaint about financial products and services

- Both the House and the Senate financial reform bills require that the CFPA establish a toll free number to receive your complaints about consumer financial products and services. The Senate bill also requires that the agency handle your complaints. This means you will not longer have to figure out which federal agency oversees the company you need to complain about that your complaint won't go to a banking agency whose primary constituency is the banks it oversees.