



Brief Overview:

The Consumer Financial Protection Agency

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A PROPOSAL FOR IMPROVING OUR FINANCIAL SYSTEM

An essential component of the Obama Administration's proposal for improving oversight of our financial system would correct the current lack of adequate consumer protection standards that has plagued our financial system, and imperiled our economy. A new Consumer Financial Products Agency ("CFPA") would implement sensible protections and make sure that companies follow them. In addition to mortgages, the CFPA would protect consumers from out-of-bounds practices by mortgage lenders, credit cards, overdraft programs, and other credit and banking services. It will ensure that banking is safe for all Americans.

Improve federal oversight and protection for consumer financial products:

- Federal agencies gave too little importance to consumer protection, were too slow and reluctant to react to glaring abuses, and were not able to exercise the leadership needed to avert preventable pieces of our current economic crisis.
- CFPA would provide nimble, timely, targeted responses to emerging risks before they spread.
- CFPA would provide meaningful, timely federal consumer protection standards and ensure that they are capably enforced.

Reduce, streamline, and simplify existing regulatory sprawl:

- CFPA will eliminate redundancies and reduce unnecessary regulatory expense.
- CFPA will pull into one Agency all the consumer protection rule-making and enforcement functions currently spread over 17 statutes and seven different agencies.
- CFPA will bring into one agency all of the consumer protection supervisory examiners currently scattered across the OCC, OTS and FDIC.

Ensure that the same rules apply – and are consistently enforced – for all companies:

- Many of the abusive subprime lenders at the heart of the foreclosure crisis fell through the cracks of government oversight, and many abusive mortgage loans were made by companies that are not supervised by any federal regulator at all. National banks and thrifts invested heavily in these loans, thereby burdening the taxpayers with trillions of dollars in these "toxic assets" that damaged our entire economy. CFPA will eliminate gaps in government oversight by making sure that all companies that sell consumer financial products will be subject to the same oversight and consumer protections.

- CFPA will ensure that the rules are applied consistently to all companies that sell financial products to consumers.
- CFPA will ensure that responsible lenders and products are not crowded out of the market by irresponsible lending companies that do not play by the same rules.

Improve consumer free choice.

- Sustainable, lower-cost loans are frequently withheld from consumers because lenders and brokers stood to gain more by steering consumers into riskier and more expensive loans. Bad loans pushed good loans out of the market, dramatically reducing consumer free choice. CFPA will expand consumer free choice by making sure that consumers are offered the best available loans for which they qualify.

Respect the States' right to address abuses within their borders.

- States should not have to wait until local problems become a national catastrophe in order to protect their citizens. CFPA will preserve the ability of the States to address particular problems that arise within their borders, and to provide the protections that elected state representatives deem important.

About the Center for Responsible Lending

The Center for Responsible Lending is dedicated to protecting home ownership and family wealth by working to eliminate abusive financial practices. CRL is a national nonprofit, nonpartisan research and policy organization that promotes responsible lending practices and access to fair terms of credit for low-wealth families.

For additional information, please visit our website at www.responsiblelending.org.