



The Consumer Financial Protection Agency: What You Need to Know

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For more information, go to www.responsiblelending.org/cfpa

Why do we need the Consumer Financial Protection Agency?

First and foremost, we need accountability. The truth is, none of the responsible agencies took action to stop the reckless lending and bad risk management that triggered the economic crisis. When seven different agencies oversee financial institutions, it's easy to create loopholes and point fingers at someone else. The CFPA will make our financial system more streamlined, efficient, and focused on the interests of American families.

What will the CFPA actually do?

It consolidates responsibility for making and enforcing rules that apply to consumer lending—responsibility that is now scattered across multiple agencies. Several of these agencies focus on the safety and soundness of banks; the interests of consumers almost always take a back seat. When consumer spending drives 70% of our economy, we can't let consumers be an afterthought. The CFPA will be solely dedicated to the safety and soundness of ordinary people.

How will the CFPA affect product innovation and consumer choice?

These will increase under the CFPA. Lenders won't have limits on the types of products they can offer; instead the CFPA will rein in the false "innovation" of more complex and less transparent financial products like those that led to the current economic meltdown. The CFPA will increase consumer choice by ensuring that responsible products are not crowded out of the market and by making sure that consumers are offered a wider range of options—not just the option that is most lucrative for the broker or lender.

How will the CFPA affect business?

The CFPA will be good for business, particularly small business owners, who frequently use home equity credit and credit cards for financing. Businesses will benefit directly from the increased credit options and protections against abuse. In addition, responsible lenders will no longer be at a competitive disadvantage against firms that sell "cheaper" financial products with hidden tricks and traps. The very existence of the CFPA can help restore consumer confidence in the economy and stabilize shaky markets. Until ordinary people believe they can use credit cards, bank accounts and apply for car loans and mortgages without fearing financial ruin, we won't return to a thriving economy.

Will the CFPA interfere with my state's ability to make lending laws?

Industry opponents are trying to weaken the bill by taking away state rights to address their own local issues. Preserving state authority is critical, because new lending abuses will always arise, and the states often will be able to act more quickly than federal actors. Lenders say they don't want to deal with state laws that vary, but businesses of all kinds—including many financial institutions—already are required to comply with different state laws. The lending industry shouldn't get special treatment.