

Oppose Creation of New Consumer Agency; Focus on the Under-Regulated

The banking industry fully supports effective consumer protection, but the Administration's proposal to create a new Consumer Financial Protection Agency ("the Agency") contains tremendous potential for unintended consequences. It would affect the ability of bank regulators to ensure a bank's safety, impose conflicting requirements, raise costs on community banks that did not cause the current economic problems, and reduce customer choice.

Improvements can and should be made to enhance consumer protections, but that should be done through existing laws and agencies, not by adding another layer of regulation onto an already heavily regulated industry. The creation of such an agency will only draw resources out of banks that could be devoted to consumers. Congress should focus more on effective regulation of the less-regulated financial players that caused the crisis. The new Agency is the wrong approach at the wrong time.

Some major problems include:

- **Consumer regulation should not be separated from safety and soundness regulation.** You cannot effectively separate a business from its products. FDIC Chairman Sheila Bair testified in March 2009 that consumer regulation and safety and soundness regulation are closely linked and "separating consumer protection regulation and supervision into different organizations would reduce information that is necessary for both entities to effectively perform their functions."
- **Close existing gaps.** The focus of change should be on closing existing gaps in supervisory oversight, not on adding another layer of regulation to banks and other financial institutions that are already heavily regulated at the federal level.
- **Restricting products and services.** The proposal would give the Agency unprecedented authority over the products and services offered by banks by mandating that banks offer specific products designed by the government. As a result, banks would be less likely to create new products and ultimately reduce customer choice.
- **Undermining uniform national standards.** Giving individual states expanded regulatory authority over national banks will make it much harder to offer financial products across state lines, which would add to customer confusion, increase the costs of banking products and spur litigation.
- **Paying for the new Agency.** The question of how to pay for the Agency is not clearly addressed and raises significant issues. Fees on community banks will almost certainly increase in order to fund a system the impact of which will fall disproportionately and unfairly on them.

Improvements can and should be made, and the banking industry stands ready to work with Congress to make such improvements.