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Wall Street Lobbyists Fight to Stop State Attorneys General From Holding Wrongdoers Accountable

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Already Weak Enforcement of Consumer Rules in S. 3217 May Get Weaker

Lobbyists have already succeeded in weakening the power of the Consumer Financial Protection Bureau to ensure that everyone complies equally with its rules. Victims have no power to hold wrongdoers accountable directly or to get remedies for the harm they suffer, and in the Senate bill enforcement against all but the largest institutions is left to the agencies that did little in the past decade to curb financial abuses.

Lobbyists now have their sights on the last remaining backstop against weak federal enforcement: the state attorneys general (AGs). The current bill permits AGs to bring enforcement actions to address violations in their states. Lobbyists are pushing to gut the AGs' enforcement authority.

Any wrongdoer who violates CFPB rules should expect to be held accountable. Even a strong federal agency will not have the resources to bring enforcement actions against a majority of violators and needs the resources of state AGs.

- Foreclosures will affect 13 million consumers. Triple-digit payday loans trap 12 million Americans in a cycle of debt. Even strong federal agencies cannot come close to fixing every problem.
- The CFPB does not have full enforcement powers against smaller actors, the very ones likely to escape enforcement by the federal bank regulators and the FTC.

Consistent enforcement against financial crimes everywhere levels the playing field.

- States are critical to making sure that violations are caught wherever they occur, and that all consumers are protected against reckless Wall Street practices.
- AGs must consult with the CFPB before filing suit and the CFPB can intervene, appeal, and issue interpretations of its rules. Whether cases around the country are filed by the CFPB or an attorney general, courts will ensure that rules are interpreted evenly.

States, closer to the ground, can deal with problems that do not get attention in Washington.

- Consumers are much more likely to complain to, and get a response from, state-based enforcement agencies.
- States are the most appropriate first line of defense against transgressions by smaller institutions, before the problems spread nationally, and against state-regulated players like mortgage brokers, payday lenders and debt collectors.

Strong enforcement of existing rules could have prevented much of this crisis. The states have traditionally been our first responders on consumer protection.

We should not take our state cops off the beat.