AFR Americans for Financial Reform

<u>Save the Consumer Financial Protection Bureau:</u>
<u>Stop Wall Street's CHOICE Act</u>

This legislation would make it impossible for the Consumer Financial Protection Bureau (CFPB) to do the vitally important job of standing up for the public interest in the financial marketplace. If it became law, the Consumer Bureau would no longer have the authority and independence to stop bad actors from breaking the law. Wall Street banks and predatory lenders would be free to rip off consumers with impunity. The bill deserves to be called Wall Street's CHOICE Act.

<u>The CFPB has been an enormous success.</u> In less than 6 years, it has:

- Obtained $11.8 billion in relief from financial companies that cheated 29 million consumers, and created rules to stop tricks and traps that cost billions of dollars a year.
- Enacted a series of reforms to make mortgage loans fairer and simpler, and reduce the risk of default and foreclosure.
- Handled more than 1 million consumer complaints, requiring companies to respond directly to their consumers and, where necessary, issue refunds.

The bill would return to a dispersed, unfocused system of consumer regulation like the one that existed before the financial crisis, allowing abusive practices – like unaffordable mortgage loans that led to millions of foreclosures – to flourish. The changes proposed by the legislation only make sense if you want to weaken consumer protections and make it easier for Wall Street, and predatory lenders, to profit by cheating people.

<u>Wall Street's CHOICE Act would</u>:

- **End the Consumer Bureau's authority to supervise and enforce the law against large banks.** Instead, its powers would be split among the bank regulators.
    - Consumer protection takes a back seat at bank regulators with multiple missions; the consumer-focused agency was created to solve that problem
    - Spreading responsibility across multiple agencies allows firms to hunt for the weakest regulator, a game of regulatory arbitrage the CFPB prevents.

- **Limit supervision of non-bank financial companies.**

    - The bill would open growing gaps for non-banks to avoid supervision altogether, creating an unlevel playing field and opportunities for predatory tactics to escape detection.

- **Eliminate the tools the CFPB needs to police the financial services marketplace.**

    - The bill would take away the Consumer Bureau's core authority to take on unfair, deceptive and abusive practices. This power has enabled the Bureau to stop Wells Fargo from opening fake accounts in their customers' names; prohibit lenders from making false threats in debt collection; and refund consumers tricked into paying for worthless credit card add-ons.
    - The prohibition on abusive practices would be eliminated altogether.
    - The authority to stop unfair and deceptive practices would be dispersed out to five other regulators – a system that failed spectacularly in the pre-crisis years.

- **Destroy the Consumer Bureau's independence.**

    - Unlike other bank regulators, the director could be fired by the President without cause, effectively requiring the agency to answer to White House whims.
    - The Consumer Bureau (and other bank regulators) would lose their dedicated funding. Since the Civil War, bank regulators have had stable funding outside the politicized appropriations process. Reversing this would giving industry lobbyists the chance to push Congress every year to defund the agency and to bar spending for any rules or actions they don't like.

- **Stop the CFPB from solving major problems in consumer finance.**

    - The bill would eliminate all CFPB jurisdiction over payday and title loans stopping it from taking on the unaffordable lending at the heart of the payday debt trap. It would also prevent the CFPB from taking action against payday lenders for violating existing laws and expand preemption of state interest rate caps.
    - The Bureau would have no authority to stopped forced arbitration – a big-bank trick to stops consumers from banding together to demand banks follow the law.
    - The bill would create massive loopholes in the rules put in place to discourage the kind of unaffordable mortgages that were at the heart of the foreclosure crisis.
    - The legislation would make secret the public consumer complaint system that has been so useful in making financial companies more responsive to their customers.

<u>The bill includes other major gifts to Wall Street:</u>

- Repeals the fiduciary rule, which requires retirement investment advisers to act in the best interest of their clients. This rule alone could prevent Wall Street from siphoning more than $17 billion a year out of the savings of retirement savers and retirees.
- The legislation sharply limits the ability of regulators to ensure that banks are managed in a safe and sound manner, and have adequate funds available to absorb potential losses without turning to the taxpayer for a bailout.
- Exacerbates "Too Big To Fail" by stripping agencies of the power to wind down megabanks instead of bailing them out.