

November 19, 2013

To: Members of the Committee on Financial Services

From: James Ballentine, Executive Vice President, Congressional Relations and Political Affairs

Re: Views on CFPB Reform Legislation

On behalf of the members of the American Bankers Association (ABA), I am writing to express our views on legislation that the Financial Services Committee will consider on Wednesday, November 20, 2013.

H.R. 2446, the Responsible Consumer Financial Protection Regulations Act, introduced by Committee Chairman Emeritus Spencer Bachus (R-AL), would replace the position of Director of the Bureau of Consumer Financial Protection (CFPB) with a bipartisan five-member commission. ABA has long supported the commission concept and believes that a commission structure is appropriate to address the extremely broad authority of the Bureau's Director. We believe that the commission approach would broaden the perspective on any rulemaking and enforcement activity of the Bureau, and it would provide needed balance and appropriate checks in the exercise of the Bureau's authority.

We urge the Committee to consider perfecting the legislation by requiring the commission to include members with consumer finance business experience and direct safety and soundness regulatory expertise. We believe this expertise provides an important and necessary perspective as standards are set and enforcement activities are undertaken.

ABA supports H.R. 3193, the Consumer Financial Protection Safety and Soundness Improvement Act. This legislation is nearly identical to a measure that passed the House of Representatives in the 112<sup>th</sup> Congress. It would change the voting standard established for the Financial Stability Oversight Council (FSOC) from the two-thirds majority vote currently required to a simple majority vote.

ABA believes that it should be sufficient to set aside a Bureau rule if a simple majority of the nation's top regulators believes the Bureau has acted in a manner that adversely impacts the safety and soundness of the American banking or financial system. The very purpose of the FSOC is to avoid problems that could lead to risks that threaten the economy. To ignore the viewpoint of the regulators with this responsibility is counter to the mission of the Council.

Additional legislation that establishes the CFPB as an independent agency is worthy of consideration. The Bureau has been given extraordinary power that can alter financial markets, but it lacks accountability that comes from budget oversight. Funding for the Bureau comes not from Congress, but from the Federal Reserve as a fixed portion of its total operating expenses. Oversight by Congress would allow the very consumers who the Bureau was designed to protect to hold it accountable through their elected officials.

There are several specific measures that the Committee will consider that address the CFPB's collection of consumer information and the issuing of annual information disclosure reports. These bills are a few of many options to address concerns about the role of the Bureau and its exercise of power. An important principle that underlies these and other bills is that there needs to be an effective check and balance on the Bureau's authority. ABA strongly supports the principle of accountability and balance, and commends the sponsors of these measures for working to improve the accountability of the Bureau and the Director.

We appreciate the Committee taking our views into consideration.