

October 12, 2010

Professor Elizabeth Warren
Assistant to the President
Counselor to the Secretary of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Dear Professor Warren,

Thank you once again for the valuable listening session that you held for representatives of the banking and financial services industry on Thursday, October 7. An open door for sharing views and discussion of important issues will be central to the success of the new Bureau of Consumer Financial Protection (BCFP). It is a great practice to set at the outset, and we appreciate very much your commitment to establishing that practice.

By way of memorializing this important meeting and furthering the discussion, please permit me to touch further on some of the points raised. The first and foundational point that I would make is that ABA is eager to see the promise of the BCFP realized. Most especially we support—

- A greater focus on enduring consumer benefits. This is in the interest of bank customers as well as of banks, since banks prosper from long-term, enduring customer relationships. That is a key element that differentiates banks from firms whose business models rely on random point-of-sale encounters with customers rather than long-term relationships of trust.
- The full application of all consumer standards to all providers of comparable services, which in many cases means bringing non-bank standards up to the level of bank standards. We would like to see an end to the pattern where standards are seemingly written for all but in practice are applied only to banks.
- Consumer standards that meet genuine consumer needs, interests, and preferences, and that are sustainable, in effect enhancing the ability of banks to serve their customers. Regulations that limit customer choices or make those choices unaffordable do not help consumers.

We believe that the realization of these important goals of consumer service requires frequent and in-depth research into consumer needs, interests, and preferences in order to understand what they are today and, just as important, how they are evolving. We believe that success in serving consumer needs will also require close consultation with businesses that provide those services. Bankers, for example, dedicate enormous amounts of time and resources to asking these very questions, because banking success relies upon correctly knowing our customers and predicting what services they want and how they want them provided. That is to say, no one knows banking customers better than bankers do.

As the trade association for all elements of the banking industry, ABA has devoted major resources to consumer interests and compliance issues. We hope that the BCFP will look to us as a valuable and important information source, both for our own expertise as well as for our ability to draw upon the real-world experience of banks of all types and sizes from all parts of the United States. Moreover, as a founding member of the International Banking Federation, we can add a global perspective to the consideration of consumer needs and interests.

As we discussed at the Treasury meeting, we recommend notice and disclosure simplification as a field of endeavor that can produce the most immediate and recognizable benefit to consumers. No one is satisfied with the current disclosures, neither banks nor our customers.

We would emphasize that notice and disclosure simplification does not require dumbing down products and services or reducing the variety that customers want. A beauty of a free market system is its ability to meet the preferences of even small minorities of customers, whose interests are missed by mass standardization produced by economies subjected to more heavy-handed government controls. We believe that notice and disclosure simplification requires finding out directly from consumers what they really want to know and providing that information in words with which they are familiar.

Food nutrition labels may be a good example, providing important information to consumers in a format that they can use in the time that they will likely devote to the information, without constricting the variety of choices available to customers. Government agencies helped design those notices and continue to help to insulate from predatory lawsuits those who comply with those standards. That has been central to keeping the information simple and usable.

As we all know, consumer interests and preferences vary greatly, and service providers actively try to accommodate those variations. Not everyone wants the same cell phone, and the same is also true for financial products. So that the value, quality, or availability of services to consumers is not degraded, ABA believes that proposed regulatory standards should be developed in the context of broad consultation and exposed to full and ample public discussion to help identify and address any unintended consequences.

We also appreciate very much the comments that Secretary Geithner and you have made about the importance of using this opportunity to remove unnecessary regulatory burdens. There are regulations that do not work as intended, that do not help consumers, that raise costs or foster inefficiencies, that do not add net value for customers and those who serve them. We believe that such regulations need to be altered or repealed.

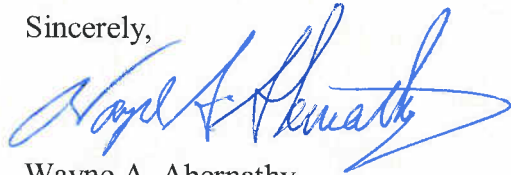
Similarly, we should avoid adding new regulations that miss the mark, that may actually be harmful to consumer interests. For that reason, new regulatory proposals and rules should be publicly subjected to a rigorous cost-benefit analysis that takes into account all relevant factors and implications.

We would also emphasize, as does the statute, the importance of coordination with the other regulatory agencies. We see at least two important purposes for that coordination. The first is to ensure that consumer protections and prudential regulation are supportive and do not work at cross purposes. The second is to ensure that those industries excluded from BCFP supervision—securities and insurance, for example—are subject to comparable consumer protection standards.

Many securities and insurance products directly compete with products offered by banks. Without adequate coordination, regulation in one jurisdiction may unintentionally serve merely to shift business into another.

I wish to close by reaffirming ABA's commitment to the success of the mission of the BCFP as envisioned by Congress. We stand ready to lend our expertise, our information, and our hard work to see that mission realized in banking customers receiving high value and quality from the broad range of services that banks have to offer them, now and for the long term, and we look forward to working closely with the BCFP to that end.

Sincerely,



Wayne A. Abernathy
Executive Vice President
Financial Institutions Policy
and Regulatory Affairs