

REMARKS OF CHAIRMAN CHRISTOPHER J. DODD
U.S. SENATE COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS
*CREATING A CONSUMER FINANCIAL PROTECTION AGENCY: A CORNERSTONE OF
AMERICA'S NEW ECONOMIC FOUNDATION*
TUESDAY, JULY 14, 2009

Good morning. Thank you all for being here today.

This morning, we are taking an important step in our efforts to modernize our financial regulatory system. The failure of that system in recent years has left our economy in peril and caused real pain for hard-working Americans who did nothing wrong.

The important work we do on this Committee is often complex and painstaking in its detail.

And so, I'd like to start by reminding everyone that the work we do here, the details, matter to real people, the men and women in my home state of Connecticut and across America who work hard, play by the rules, and want nothing more than to make a better life for their families.

These families are the foundation of our economy and the reason we're here in Washington working on this historic and critically important legislation.

That's why the first piece of the Administration's comprehensive plan to rebuild our regulatory regime and our economy is something I have championed: an independent agency whose job it will be to ensure that American consumers are treated fairly and honestly.

Think about the moments when Americans engage with financial service providers. I'm not talking about big-time investors or financial experts, just ordinary working people trying to secure their futures. They're opening checking accounts, taking out loans, building their credit, trying to build a foundation upon which their family's economic security can rest.

These can be among the most important and stressful moments a family can face.

Think of a young couple. They've carefully saved up for a down payment. It might be a modest house – but it'll be their home. Before they can move into their new home, however, they must sign on the dotted line for that first mortgage with its pages and pages of complex and confusing disclosures.

Who's looking out for them?

Think of a factory worker who drives thirty miles to and from work every day in an old car that's about to give out. He needs another one to make it through the winter, but his wages are stagnant and the family budget is stretched to the max. He's got no choice but to navigate the complicated world of auto loans.

Who's looking out for him?

Think of a single mother whose 17-year-old son just got into his top choice of colleges. She's overjoyed for him, but worried about how she'll pay the tuition. Financial aid might not be enough, and she knows that even as her son begins the next chapter in a life filled with promise, he might be saddled with debt.

Who's looking out for them?

These moments are the reason we have invested so much time and money to rebuild our financial sector even though some of the very same institutions the taxpayers have propped up are responsible for their own predicaments. These moments are the reason we serve on this Committee.

And these moments are the reason I and many of my colleagues were enraged at the spectacular failure of consumer protection that destroyed the economic security of so many American families.

In my home state of Connecticut and around the country, working men and women who did nothing wrong have watched this economy fall through the floor – taking with it jobs, homes, life savings, and the cherished promise of the American middle class.

These folks are hurting, they are angry, they are worried. And they are wondering: Is anyone looking out for me?

Since the very first hearing before this Committee on modernizing our financial regulatory structure, I have said that consumer protection must be a top priority.

Stronger consumer protection could have stopped this crisis before it started.

And where were the regulators? For fourteen years, despite a clear directive from Congress, the Federal Reserve Board took no action to ban abusive home mortgages. Gaping holes in the regulatory fabric allowed mortgage brokers and bankers to make and sell predatory loans to Wall Street that turned into toxic securities and brought our economy to its knees.

That is why I called for the creation of an independent consumer protection agency whose sole focus is the financial well-being of consumers; an agency whose goal is to put an end to unscrupulous lenders and practices that have ripped off far too many American families.

And I'm pleased that the Administration has sent us a bold and thoughtful plan for that agency.

You would think financial services companies would support protections that ensure the financial well-being of their customers – if not out of concern for their own bottom-lines, then out of simple common decency.

But now I read that various industry groups are planning a major PR offensive in an effort to kill this consumer protection agency.

To those who helped create this mess and now plan to flood the airwaves with misleading propaganda, I have just two words for you:

Get real.

The forces of the status quo can run as many “Harry and Louise” ads as they want. But Harry and Louise are exactly why we’re moving forward on this proposal.

We can’t have a functioning economy if Harry and Louise can’t safely invest and borrow without fear of being cheated by greedy banks and Wall Street firms. And we will not have a financial regulatory modernization bill that doesn’t provide the protections American families need and deserve.

An independent consumer protection agency can, and should, be good for business.

It can, and should, protect the financial well-being of American consumers so that businesses can rely on a healthy customer base as they seek to build long-term profitability.

It can, and should, eliminate the regulatory overlap and bureaucracy that comes from the current balkanized system of consumer protection regulation.

It can, and should, level the playing field by applying a meaningful set of standards, not only to the highly regulated banks, but also to their nonbank competitors that have slipped under the regulatory radar screen.

Financial services companies that want to make an honest living should welcome this effort to create a level playing field.

Indeed, the good lenders are the most disadvantaged when fly-by-night brokers and finance companies set up shop down the street. Then we see bad lending pushing out the good.

No Senator on this Committee wants to stifle product innovation, limit consumer choice, or create regulation that is unnecessary or unduly burdensome.

And I welcome constructive input from those in the financial services sector who share our commitment to making sure that American families get a fair shake.

But I do not view as constructive the opposition to the creation of this agency by some industry groups in order to, as Bloomberg News reported, “protect their fees.”

We all want financial services companies to thrive and succeed, but they will have to make their money the old fashioned way -- by developing innovative products, pricing competitively, providing excellent customer service, and engaging in fair competition on the open market.

The days of profiting from misleading or predatory practices are over.

The path to recovery of our financial services companies and our economy is based on the financial health of American consumers.

We need a system that rewards products and firms that create wealth for American families, not one that rewards financial engineering that generates profits for financial firms by passing on hidden risks to investors and borrowers.

The fact that the consumer protection agency is the first legislative item the Administration has sent to Congress since it released its white paper on regulatory reform last month tells me that our President's priorities are in the right order.

I wish I could say the same for everyone in the industry.

Nevertheless, with the backing of the Administration, with the support of many in the financial community who understand the importance of this reform, and, most of all, with a mandate from the American families who count on a fair and secure financial system, we will push forward.

I thank you all for being here today. Now let's get to work.