

Opening Statement of Richard Cordray
Nominee for Director of the Consumer Financial Protection Bureau
Before the Committee on Banking, Housing, and Urban Affairs
United States Senate
Tuesday, September 6, 2011

Thank you, Chairman Johnson, Ranking Member Shelby, and members of the Committee. I am honored to be here today as the nominee for the position of Director of the Consumer Financial Protection Bureau.

I am glad to have my wife Peggy and my twins Danny and Holly here with me today. I deeply appreciate the confidence that President Obama has shown by nominating me to serve as the first Director of the Bureau. I thank Professor Elizabeth Warren for all her painstaking and thoughtful work to turn the Bureau from an abstract idea into a tangible, vibrant new agency. And I am grateful to the Committee members for all your personal courtesy and advice over the past month.

From childhood, my parents taught me the value of work that seeks to improve the lives of others. My Dad, Frank, now 93, spent his entire career in programs that served children and adults who have developmental disabilities. My Mom, Ruth, who died of cancer when I was in college, founded the first foster grandparent program for the developmentally disabled in Ohio, in addition to doing all the things that a mother does to raise three rambunctious boys.

After completing degrees in political theory, economics, and law, I worked for years as an attorney in the private sector with individual and business clients, and was in and out of public service, including a brief stint in the Ohio legislature. In 2002, however, my life took a different direction when I became the Franklin County Treasurer.

The job required me to develop managerial skills and the knowledge needed to run a financial office and safeguard public funds. But there was also another, very significant dimension of the county treasurer work. From the beginning, I set out to collect millions of dollars of unpaid property taxes. The people who evade their taxes take advantage of all the law-abiding taxpayers and businesses who meet their obligations. I thought that was wrong, and I tried to fix it by leveling the playing field.

As I went about that task, I was deeply impressed by the importance of consumer finance issues and the growing difficulties they pose for families and households. Although I found that many delinquent taxpayers were not willing to pay their share until we moved aggressively to enforce the law against them, I also found something different and noteworthy: many individuals did not want to be in trouble, and wanted to pay their share, but were in tough circumstances through no fault of their own. Sometimes it was because of the loss of a job. Other times I would find that it was because of a death or serious illness in their family or because of a divorce that heaped on the added expense of running two households instead of just one.

Out of these experiences, I developed a strong resolve to address these kinds of financial difficulties that confront our communities. I quickly learned that there is no such thing as a one-

size-fits-all solution as we seek to aid those who want to do the right thing and, when necessary, to thwart those who seek to take advantage of others. On a variety of issues, we experimented with new approaches, and we always sought to find new partners. We successfully pushed for a new law requiring high school students to receive personal finance education before they could graduate. As we saw the foreclosure crisis wreaking havoc in many neighborhoods, we created a “Save Our Homes” task force to bring together businesses and banks, nonprofits, and government, to work together in assisting people who were just frantic not to lose their homes.

Later I became the State Treasurer. In that position, it was my primary duty to protect the public’s money during the financial crisis, a job I fulfilled by steering clear of risky investments. In addition, I continued to work on consumer issues. We expanded the “Save Our Homes” program into a statewide effort, and I co-chaired a task force to work with mortgage servicers on a voluntary basis to seek fair treatment of their customers. The Chief Justice of the Ohio Supreme Court and I teamed up to start a foreclosure mediation program in the courts. And we implemented the new personal finance education law by developing a curriculum and training hundreds of teachers.

Another major initiative we undertook during my time as Treasurer was the dramatic expansion of a low-interest loan program to help small businesses create jobs and to help farmers obtain needed funds on an affordable basis. We went out of our way to make this initiative available to the community banks that make credit available to borrowers and form the backbone of our smaller and medium-sized towns. All of this work reinforced for me how imaginative strategies can benefit both consumers and honest businesses, who share many common interests.

Before coming to the Bureau as the chief of Enforcement, I also served as the Ohio Attorney General. There too, with a different set of tools, my main objectives in consumer protection were to help empower people to make sound financial decisions in managing their affairs. To protect seniors, we took on sweepstakes scams and other frauds targeting the elderly. We pursued many actions against foreclosure rescue scammers who were reaching into the pockets of desperate people in an effort to steal what little remained as they sought to keep their homes. And where necessary, we pursued those mortgage servicers who, despite strong warnings, repeatedly violated consumer protection laws.

At every stage of our work, I believed – and I believe today – that law enforcement which is evenhanded, fair, and reasonable not only protects consumers, but it also supports what I call the honest businesses in two key ways. First, the businesses that cheat can gain a significant and unfair advantage, and law enforcement protects honest businesses against the cheaters. Second, keeping the marketplace clean makes sure consumers are treated fairly and gives them confidence they need to participate in that market.

These are the experiences that brought me to the Consumer Financial Protection Bureau, where I have found that Congress provided us with both a range of tools and the resources to analyze and address the problems that consumers face. As Ohio’s Attorney General, when I saw something wrong I typically had only two options to choose from: do nothing, or open an investigation that might lead to a lawsuit. We used that tool when it was necessary, though I deliberately instituted an early warning policy of notifying parties and giving them a chance to tell us their side of the

story before we filed a lawsuit. On a number of occasions, this policy allowed us to resolve issues without going to court.

At the Bureau, our bigger and more flexible toolbox includes research reports, rulemaking, market guidance, consumer education and empowerment, and the ability to supervise and examine both large banks and many nonbank institutions. I know from my own experience that lawsuits can be a very slow, wasteful, and needlessly acrimonious way to resolve a problem. The supervisory tool, in particular, offers the prospect of resolving compliance issues more quickly and effectively without resorting to litigation. We are continuing to build our capacity to make effective use of this entire range of tools.

Enforcement, of course, will still have an important role at the Consumer Bureau. If people are ignoring or evading consumer protections laws – and seeking to gain an unfair advantage over their law-abiding competitors – then litigation is an essential tool, and we will use it judiciously.

I also am convinced that the Bureau will find many opportunities to streamline regulations and disclosures. Our “Know Before You Owe” project is working to combine the mortgage disclosure forms required under two distinct but overlapping statutes to make the costs, risks, and responsibilities of a home loan clearer to consumers and at the same time to reduce paperwork burdens for lenders – which is a true win-win. We are looking to find the same sweet spot in the thicket of other regulations we have inherited from other agencies.

In closing, Chairman Johnson, Ranking Member Shelby, and members of this Committee, I very much appreciate your consideration. If I were to have the privilege of being confirmed as the first Director of the new Consumer Financial Protection Bureau, I promise that you will have one person who will always be accountable to you for how we are carrying out the laws laid down by Congress and I will be eager to hear your thoughts about how we should do our work. Thank you again, and I will be pleased to answer your questions.