REMARKS OF CHAIRMAN CHRISTOPHER J. DODD
U.S. SENATE COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS
***MARKUP:* RESTORING AMERICA'S FINANCIAL STABILITY ACT**
THURSDAY, NOVEMBER 19, 2009

Good morning.

I'd like to begin by thanking my colleagues and our respective staffs for all of the work they have done so far.

Over the last year, we have undertaken a thorough examination of the American economy.

There were days last fall when it seemed that the very foundation of our economy would crumble.

Basic things many of us had always taken for granted – the flow of credit, the survival of major firms, the integrity of our markets – were thrown into doubt.

The total collapse of the American economy was averted only by the emergency infusion of hundreds of billions of taxpayer dollars.

We have pulled our economy back from the brink.

But our examination found that the underlying problems in our financial sector leave us vulnerable to a relapse.

I will say it as plainly as I can: I don’t know that our economy can survive another shock.

And as we sit here today, with gaping holes in our regulatory structure, we cannot tell our constituents that we’re ready to prevent another shock.

The government’s principal role in our economy is to ensure that its foundation is strong, secure, and sound, so that businesses can flourish and create jobs, investors can have confidence in our markets, and ordinary Americans can make good decisions about their family finances without fear of fraud and abuse.

But, as we have found during this past year of hearings, our financial regulatory system, created piece by piece over decades with little thought given to how it would function as a whole, is simply unable to prevent staggering greed and unthinkable recklessness from threatening our economic security.

In fact, our system enabled the era of profound irresponsibility stretching from Wall Street to Main Street that caused this crisis.

As a result, American families are suffering through the worst economic crisis since the Great Depression. Millions have lost their jobs, their homes, their retirement security – and their faith in our markets.

They watch some of the people and institutions that caused this mess collect million dollar bonuses and receive billion dollar bailouts. They find themselves unable to find jobs, unable to find credit.

And they wonder: who is looking out for us?

Our approach should begin by answering that question.

That’s why our plan creates an independent Consumer Financial Protection Agency with one mission: standing up for consumers.

Whether taking out a mortgage, getting a credit card, or investing for retirement, Americans deserve to receive the clear and accurate information they need to make wise decisions, to be protected from hidden fees and abusive terms that have become too common in the marketplace, and to know that the financial products they’re being offered are safe.

This proposal has been the focus of well-funded, well-orchestrated attacks by lobbyists from the very entities that created these problems.

They argue that the CFPA is a new bureaucracy – but, in fact, it reduces bureaucracy by combining the disparate and ineffective functions of five different agencies.

They argue that it will limit credit availability. Well, the abusive lenders and their Wall Street enablers have pretty well shut down the credit markets all by themselves.

By creating a consumer agency, we will make sure credit becomes available again on a fair, affordable, understandable, and transparent basis.

I understand that anytime something new and significant like the Consumer Financial Protection Agency is proposed, there is uncertainty, and uncertainty breeds a certain amount of fear.

So let me assure my community banker and credit union friends that little will change for them.

They will see the same examiners, even if another agency signs their paychecks, and they will not pay a penny more in additional assessments.

On the other hand, for the first time, their nonbank competitors will be subject to the same kind of routine examination and enforcement regime to which depository institutions have long been subject.

Moreover, these finance companies will be forced to pay fees to support the Agency's activities, another first. The playing field will be leveled.

Of course, no American family has economic security if our economy as a whole isn't secure.

We simply cannot allow the collapse of a few firms to threaten our entire economy ever again. We must end "too big to fail."

Our plan will create an independent council of regulators to identify risks, so that government can act to prevent a crisis. We will have a mechanism in place to safely shut down large failing companies without destabilizing the financial system.

No longer will the Federal Reserve's emergency lending authority be used to prop up a failed institution.

Our regulatory system was created in bits and pieces over decades. And it shows.

Gaps and overlaps have allowed firms to choose their own regulator, while some risky practices have been allowed to take place in the shadows, with no regulation whatsoever.

Our plan will replace the myriad government agencies that failed to rein in risky schemes of large banks and Wall Street firms with a single, empowered, competent federal banking regulator.

For firms that do play by the rules, this single prudential regulator will provide clarity, cut red tape, and make it easier to compete.

But those institutions that would undermine the security of our economy will no longer be able to evade accountability by "shopping" for the weakest regulator.

I want to emphasize two things about this proposal.

First, it will protect the dual banking system that has served our country well. I believe in the dual banking system. And it will endure.

Second, it takes into consideration the fact that community banks, who too often are grouped in with huge financial institutions, have never posed, and do not now pose, the same risks.

They can be safely regulated separately from their larger counterparts.

But the overlaps that have allowed a "race to the bottom" must be eliminated.

Meanwhile, regulatory gaps have allowed risky practices to fly beneath the radar – including over-the-counter derivatives, hedge funds, and asset-backed securities.

Our plan will eliminate those gaps. And we will demand transparency from credit rating agencies, holding them accountable for the quality of their ratings.

To restore confidence in our markets and encourage investment, we will require companies that sell products such as mortgage-backed securities to keep “skin in the game” – a 10 percent stake – so that they won’t sell worthless securities to investors.

And, because public companies are owned by their shareholders, we will give those shareholders a greater say in how those companies are run, including how executives are compensated.

Our plan already includes good ideas from a number of my colleagues, and I encourage other members of the committee to share their ideas and concerns as the process moves forward.

It is not a coincidence that I have chosen to hold this markup in the Kennedy Caucus Room, named for the three brothers who did so much to rally our country to act in times of historic importance.

I chose it because it is here that the Senate has wrestled with critical issues at so many pivotal moments in our nation's history. Today we find ourselves at just such a moment.

Today, we face a crisis that has threatened the underpinnings of our nation's economy, and the economic security of millions of American families.

Today, we meet in the shadow cast by decades of inaction in which Washington has failed to deliver the substantial reform the American people need.

Today, we confront a problem whose broad scope demands a comprehensive solution, and one whose deep impact on American families demands that we be bold in our approach.

Our bill reflects the painful lessons we've learned over this past year. But in addition to fixing mistakes in our outdated regulatory system, we need to look forward.

The financial industry is constantly changing, and our regulatory system needs to be ahead of the game, not racing to catch up. We need a 21st century architecture, and that's what our bill is designed to provide.

This is a thorough and carefully constructed plan that promotes the kind of innovation that has long fueled America's prosperity – while protecting consumers and our economy as a whole.

I welcome the discussion that will begin today.

But let me be very, very clear. The security of our economy is at stake. This is one of those moments in our nation's history that compels us to be bold.

It's the kind of moment the brothers whose name this room now bears confronted throughout their careers in this body.

Then, as now, the status quo was simply unacceptable – and inaction not an option.

Failure to take strong action to reform our system would be an act of legislative negligence. We cannot, and will not, protect a broken status quo.

The American people have been through a lot over the past year. There is not a Senator in this room who doesn't hear the stories every day.

They are business owners forced to shutter their doors and lay off workers because their credit dried up.

They are senior citizens who have delayed their retirement because their 401(k) vanished.

They are ordinary Americans who did nothing wrong, but are paying a steep price.

They deserve an economy in which Americans can find jobs, manage their money, and build better futures for their families.

They deserve real and meaningful change.

They are counting on us.

Senator Shelby?