

Congress of the United States
Washington, DC 20515

June 21, 2010

The Honorable Barney Frank
Chairman
House Financial Services Committee
2129 Rayburn House Office Building
Washington, DC 20515

The Honorable Christopher Dodd
Chairman
Senate Banking Committee
534 Dirksen House Office Building
Washington, DC 20515

Dear Chairman Frank and Chairman Dodd,

In December, we offered a bipartisan alternative to the Consumer Financial Protection Agency (CFPA) that was narrowly defeated in the House by a vote of 208-223. As the Conference Committee considers the provisions of the financial reform legislation relating to a new consumer protection “regulator”, we believe there are important improvements to the consumer protection title – similar to those found in our amendment - that should be adopted. The goal of this provision should be to ensure the most effective and efficient use of available resources to strengthen the safety and soundness of our financial system and to maintain healthy and vibrant credit markets that consumers and small businesses desperately need.

We urge you to improve upon the currently flawed framework in the House and Senate versions of the CFPA and CFPB to include the following key elements that will help promote consumer protection:

1) Strengthen Coordination Between existing Prudential Regulators

It has been widely recognized that a significant weakness within our regulatory system is insufficient coordination among the multitude of federal financial regulators, resulting in fraudulent and abusive practices slipping through the cracks. Reform legislation should include a robust provision for coordination amongst the current regulatory agencies responsible for keeping our depository institutions, and the financial system as a whole, safe and sound. Specifically, prudential regulators, consumer regulators and state regulators should be given meaningful input and latitude in the rule-writing, supervisory and enforcement processes to ensure that consumer protection is consistent with promoting safety and soundness. These goals are and should be consistent and interlinked, and they will lead to a regulatory system that is more accountable, more responsive to emerging issues and more comprehensive in its approach.

For example, while the House and Senate bills both provide a mechanism for consultation between consumer and prudential regulators with respect to supervision of the activities of entities, there seems to be little coordination with regards to potential enforcement actions to truly protect consumers in the most appropriate manner possible, without further limiting an already scarce access to capital.

2) Incorporate a Governance Structure That Will Foster Consistency in Decision Making

We, along with the group of bipartisan Members who supported our alternative, would prefer replacing the CFPB proposal with a multi-member council/commission upon its creation, rather than transforming its governance structure from a single director to a commission after 30 months. This will reduce the uncertainty and complexity of reestablishing the structure and ensure they can more quickly and smoothly get to the business of strengthening and streamlining consumer protection. This will prevent diversions from the core mission of protecting consumers based upon the appointment of a single director.

3) Sharpen the Mission of any New Consumer Regulator by ensuring it Remains Focused on the Products and Practices that Pose Risks to Consumers

In giving the proposed new regulator broad responsibility for protecting consumers, the legislation should not unnecessarily impose duplicative regulatory costs on nonfinancial and small businesses that are not primarily in the business of providing consumer financial products, and that are already regulated by the Federal Trade Commission. Oversight by the new regulator should be focused on protecting consumers from abuse and fraud by banks and bank-like institutions that offer consumer financial products, not businesses that do not participate in these fields, pose little risk, and would ultimately be negatively impacted by this type of overregulation. The FTC and the new regulator should enter into an enforcement coordination agreement so that government resources are used with maximum efficiency and duplicative activities are avoided.

Any new regulator and the FTC should be required to negotiate an agreement with respect to enforcement actions that clarifies that any new regulation authority should be directed to banks and other financial institutions and leaves the FTC responsible for nonfinancial businesses. Additionally, it should be clarified that attempts to increase protections for consumers need not inherently conflict with those attempts to increase capital and lending from financial institutions at this time.

To be sure, we believe our approach to create a Consumer Financial Protection Council that equally weighs the potential effects of a new regulation on both the well being of the consumer and the solvency of the institution is a more prudent, cost-effective solution than creating a new government agency or bureau. We also recognize the need to substantively improve the underlying bills and try to achieve workable solutions for small businesses and financial institutions in our districts – and that protects the well-being of our constituents. Taken together, we believe these important elements could go a long way in making a regulatory body more effective, accountable and focused on protecting consumers from fraud and abuse. We urge you to incorporate these provisions into the final conference report.

Sincerely,



Walt Minnick



Aaron Schock



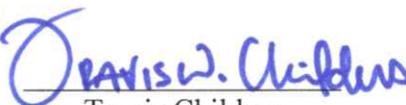
Heath Shuler



David Reichert



Bobby Bright



Travis Childers



Betsy Markey