

Consumer Financial Protection Agency

- The bill creates an independent Consumer Financial Protection Agency (CFPA) with the sole mission of protecting consumers when they borrow money, make deposits, or obtain other financial products and services.
- CFPA will finally put consumer protection on par with “prudential” safety and soundness regulation after years of playing second fiddle, and address regulators’ past failures to impose effective consumer protections for subprime mortgages, credit cards, overdraft fees, and many other financial products.
- CFPA will write rules under existing consumer finance laws like the Truth in Lending Act and the Equal Credit Opportunity Act, and have authority to stop unfair, deceptive and abusive consumer financial products and services that may develop in the future.
- CFPA’s rules will cover all financial providers, including banks, thrifts, credit unions and non-bank financial institutions – consumers will not face different levels of protection because of the provider they choose. Non-bank institutions, like subprime mortgage companies that contributed significantly to the current crisis and payday lenders and money transmitters that are the source of many abuses in consumer finance, will be brought under comprehensive federal supervision for the first time with this legislation.

The legislation provides CFPA with a comprehensive toolkit ranging from consumer education to the power to bring suit and seek damages against abusive companies.

Reducing the Burden on Small Banks:

- The bill acknowledges the responsible role small banks and credit unions play in their communities by ensuring that they are not subject to undue regulatory burdens.
 - Banks and thrifts under \$10 billion in assets and credit unions under \$1.5 billion in assets will continue to have their consumer protection examinations done by their existing regulators.
 - CFPA will play a backup role unless the primary regulators fail in their oversight, and these institutions will not see their assessments for consumer protection exams change under this bill.

Enhancing the Power of State Regulators:

- The bill dials back the broad authority the Comptroller of the Currency has exercised to exempt federally chartered banks from state consumer protection laws.

- It also empowers state attorneys general and bank supervisors to enforce state laws against banks and thrifts when they violate CFPB regulations and their own state consumer protection laws.

Merchant exemption:

- Merchants, retailers and other nonfinancial businesses will be excluded from the regulation and oversight of CFPB when they extend credit directly to consumers for the purchase of goods or services. Merchants and retailers can continue to provide credit and layaway plans without becoming subject to new regulation as long as they do not choose to resell the credit.
- Also, doctors and other businesses that bill their customers after a service is provided will be excluded.