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Committee on Oversight and Government Reform Subcommittee on TARP, Financial Services and Bailouts of Public and Private Programs Hearing on: "Who's Watching the Watchmen? Oversight of the Consumer Financial Protection Bureau"

May 24, 2011

I thank Chairman McHenry for calling today's hearing on one of the most important improvements made by Congress in response to the recent U.S. financial crisis—the creation of the Consumer Financial Protection Bureau. I also thank our witnesses for being here today, and I would like to particularly recognize Professor Elizabeth Warren for her extraordinary public service and dedication to the well-being and security of American consumers.

Before Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act last year, there was no true accountability for consumer financial protection throughout the Federal government. Instead, there was a fragmented system that was splintered across several agencies. It was this regulatory failure that enabled the financial crisis to occur. Even today, despite the devastation that continues to plague families and communities across the nation, the financial industry is failing to do right by consumers.

Professor Warren has stated:

No one has missed the headlines: Haphazard and possibly illegal practices at mortgage-servicing companies have called into question home foreclosures across the nation. ...

The practices now under investigation took root and grew because there was no single federal regulator with both the responsibility and the tools to look out for consumers.

Had it existed, the new consumer agency could have stopped these problems before they multiplied. Many of the failures already admitted were not sophisticated scams that had been carefully concealed. ...

If those servicers decide it is cheaper or faster to circumvent federal law, the consumer agency will have the tools to hold them accountable.

The creation of the Consumer Financial Protection Bureau consolidated into a single independent agency the core consumer financial protection duties that existed across multiple federal agencies. The Bureau has consumer protection as its first priority, and it will have the tools and authority to ensure integrity in the consumer financial markets and close the gaps that allowed predatory actors to rule and ruin the marketplace.

Recently, some have expressed concerns about the Bureau's structure and suggested that the Director of this agency "will have unprecedented reach and control over individual consumer decisions—but an unprecedented lack of oversight and accountability." These concerns are without merit.

When Congress passed the Dodd-Frank Act, it took key steps to ensure meaningful oversight and accountability. The Bureau is subject to many of the same restrictions as other federal agencies, including the Administrative Procedure Act, and congressional and judicial review. But the Bureau is also subject to other provisions. For example, it has a budgetary cap that no other federal bank regulator has. Its rulemaking power can be vetoed by the Financial Stability Oversight Council, a check that is unique to the Bureau. And it must make particular findings to exercise its rule-making authority and consult with other banking regulators when issuing proposed rules.

After millions of people lost their homes to foreclosure, trillions in wealth disappeared due to the financial crisis, and taxpayers were left with hundreds of billions of dollars in potential bank losses, it is long past time to stand-up this essential agency, which will help ensure that the products and services offered to consumers will not lead them down the road to financial ruin, but instead are fair, transparent, and competitive.

I look forward to hearing from today's witnesses, and I thank the Subcommittee Chairman for holding this hearing.

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