

56 Diverse National, State Organizations Support Financial Product Safety Commission

March 10, 2009

The Honorable Richard J. Durbin
Majority Whip, United States Senate
Washington, DC 20510

The Honorable Charles Schumer
United States Senate
Washington, DC 20510

The Honorable William Delahunt
United States House of Representatives
Washington, DC 20515

The Honorable Brad Miller
United States House of Representatives
Washington, DC 20515

Dear Senators Durbin and Schumer and Representatives Delahunt and Miller:

The undersigned organizations strongly support your legislation to create a federal Financial Product Safety Commission (FPSC) that would ensure the fairness, safety and sustainability of credit and payment products. It is now widely accepted that the current international economic crisis was triggered by the failure of federal regulators to stop abusive lending, particularly in the housing sector. By creating a separate agency focused exclusively on credit safety, your legislation will not only better protect consumers, but the entire economy.

Under this legislation, the FPSC would be empowered to ensure that credit and payment products do not have predatory or deceptive features that can harm consumers or lock them into unaffordable loans, such as pre-payment penalties, unjustified fees, or hair-trigger interest rate increases. The agency would also conduct ongoing research and investigation into credit industry products and services. In addition, it would provide consumers with high-quality information about how to avoid abusive lending or credit problems. This approach offers two crucial improvements over the current splintered, ineffectual regulatory system:

- **A FPSC would put consumer protection first.** Federal regulatory agencies have often treated consumer protection as less important than or even in conflict with their mission to ensure the safety and soundness of financial institutions. In addition, the independence of regulators like the Office of the Comptroller of the Currency and Office of Thrift Supervision has been threatened because they are directly and almost entirely funded by the institutions they oversee. As a result, federal agencies dithered for years in implementing regulations to stop unfair and deceptive mortgage and credit card lending practices, finally producing only after the current foreclosure and consumer debt crisis took hold. Regulators have left other types of dangerous products completely untouched, such as high-cost “overdraft” loans that are triggered without consumer permission. The FPSC would be required to make consumer protection its top priority, which will also better ensure the soundness of financial institutions.
- **A FPSC would stop regulatory agencies from competing among themselves to lower standards.** Right now, financial institutions freely switch charters between federal and

state regulation, and between various federal charters, in order to reduce the level of oversight and the costs associated with it. Under a FPSC, regulated institutions could not choose the agency that regulates them. The FPSC would be empowered to establish federal minimum standards for all credit products and the institutions that offer them, so that competition between state and federal regulators would only exist to improve the quality of consumer protection.

Unless the structure of financial services regulation is realigned to change not just the focus of regulation but its underlying philosophy, it is unlikely that consumers will be adequately protected from unfair or dangerous credit products in the future. The ultimate result of this crucial legislation would be an agency designed to protect consumers from the corrosive effects of unsafe credit, which has a regulatory perspective that is truly independent of the institutions it regulates. Just as importantly, this agency would not be under constant pressure to keep protection standards low. You have created a template for regulatory modernization that will protect consumers, financial institutions and the economy for years to come.

We applaud your leadership on this issue and look forward to working with you to enact this proposal.

Sincerely,

Gregory L. Jefferson, Sr., Legislative Representative, American Federation of Labor and Congress of Industrial Organizations (AFL-CIO)
Jim Campen, Executive Director, Americans for Fairness in Lending
Linda Sherry, Director, National Priorities, Consumer Action
Mike Calhoun, President, Center for Responsible Lending
Travis Plunkett, Legislative Director, Consumer Federation of America
Rosemary Shahan, President, Consumers for Auto Reliability and Safety
Pamela Banks, Policy Counsel, Consumers Union
Tamara Draut, Vice President of Policy & Programs, Demos
Alan Reuther, Legislative Director, International Union, United Automobile, Aerospace & Agricultural Implement Workers of America (UAW)
Wade Henderson, President & CEO, Leadership Conference on Civil Rights
Hilary O. Shelton, Vice President for Advocacy / Director, NAACP Washington Bureau
Ricardo C. Byrd, Executive Director, National Association of Neighborhoods
John Taylor, President and CEO, National Community Reinvestment Coalition
Lauren Saunders, Managing Attorney, National Consumer Law Center
Sally Greenberg, Executive Director, National Consumers League
Janis Bowdler, Associate Director, Wealth-Building Policy Project, National Council of La Raza
Shanna L. Smith, President and CEO, National Fair Housing Alliance
David Arkush, Director, Public Citizen's Congress Watch
Alison Reardon, Director of Legislation, Service Employees International Union
Ed Mierzwinski, Consumer Programs Director, U.S. PIRG

State Organizations

Kimble Forrister, Statewide Coordinator, Alabama Arise
Leslie Kyman Cooper, Executive Director, Phyllis Rowe, President Emeritus, Arizona Consumers Council
Diane E. Brown, Executive Director, Arizona PIRG
Albert Sterman, Secretary/Treasurer, Democratic Processes Center, Arizona
H. C. "Hank" Klein, Founder, Arkansans Against Abusive Payday Lending
Alan Fisher, Executive Director, California Reinvestment Coalition
Jim Bliesner, Director, San Diego City/County Reinvestment Task Force, California
Lynn Drysdale, Managing Attorney, Consumer Law Unit, Jacksonville Area Legal Aid, Inc., Florida
Bill Newton, Executive Director, Florida Consumer Action Network
Brad Ashwell, Consumer & Public Health Advocate, Florida Public Interest Research Group
Dan McCurry, Coordinator, Chicago Consumer Coalition, Illinois
Lynda DeLaforge and William McNary, Co-Executive Directors, Citizen Action/Illinois
Brian C. White, Executive Director, Lakeside Community Development Corporation, Illinois
Rose Mary Meyer, Director, Project IRENE, Illinois
Larry M. McGuire, Field Missionary Coordinator, Community of Christ and Inter-Religious Council of Linn County, Iowa
Jason Selmon, Executive Director, Sunflower Community Action, Kansas
Richard Seckel, Director, Kentucky Equal Justice Center
Charles Shafer, President, Maryland Consumer Rights Coalition
Debra Gardner, Legal Director, Public Justice Center, Maryland
Paul Schlaver, Chair, Massachusetts Consumers' Coalition
Paheadra B. Robinson, Staff Attorney, Mississippi Center for Justice
Mike Cherry, President/CEO, Consumer Credit Counseling of Springfield, Missouri, Inc.
Dan L. Wulz, Deputy Executive Director, Legal Aid Center of Southern Nevada, Inc.
Peter Skillern, Executive Director, Community Reinvestment Association of North Carolina
Al Ripley, Counsel for Consumer and Housing Affairs, NC Justice Center
Jim McCarthy, President/CEO., Miami Valley Fair Housing Center, Inc., Ohio
Sue Berkowitz, Director, South Carolina Appleseed Legal Justice Center
Corky Neale, Director of Research, Memphis Responsible Lending Collaborative, Tennessee
Don E. Baylor, Jr., Senior Policy Analyst - Economic Opportunity, Center for Public Policy Priorities, Texas
Alex R. Gulotta, Executive Director, Legal Aid Justice Center, Virginia
Michael H. Lane and Ward R Scull, Co-Founders, Virginians Against Payday Loans
Irene E. Leech, President, Virginia Citizens Consumer Council
Janice "Jay" Johnson, Chairperson, Virginia Organizing Project
James W. (Jay) Speer, Executive Director, Virginia Poverty Law Center
Bruce D. Neas, Legislative Coordinator, Columbia Legal Services on behalf of clients, Washington
Catherine M. Doyle, Chief Staff Attorney, Legal Aid Society of Milwaukee, Inc., Milwaukee Wisconsin