

Ranking Member Spencer Bachus Opening Statement at the Hearing on "Improving Federal Consumer Protection in Financial Services"

June 13, 2007

Thank you, Chairman Frank, for holding this important hearing. In light of the Supreme Court's recent decision in the Wachovia v. Watters case, it is important that this Committee reexamine the current legal framework as it affects consumers and the dual banking system.

Since the 19th century, one of the signature features of the U.S. banking system has been its scheme of dual chartering, in which institutions can choose to be national banks, subject to regulation primarily by the OCC, or State-chartered banks, subject to the regulatory authority of State agencies, with additional oversight at the Federal level by the Federal Reserve Board or the Federal Deposit Insurance Corporation (FDIC). Currently, there are approximately 1,750 national banks operating in the U.S., holding more than 67 percent of the nation's banking assets. State-chartered banks number approximately 6,200.

The Supreme Court's decision in Wachovia v. Watters preserves the ability of national banks to conduct their business under a uniform Federal standard. For financial institutions that operate nationally, adhering to one set of rules instead of 50 creates obvious efficiencies, significantly reducing their costs and enhancing their competitiveness in the global financial services marketplace. Critics of OCC preemption have expressed concern, however, that the Supreme Court's decision provides national banks with an unfair competitive advantage over state-chartered banks, and have questioned the adequacy of the OCC's regime for enforcing consumer protections. Recent questionable practices by national banks which adversely affect customers raise these concerns.

To address these concerns, the OCC must work cooperatively with states and the other Federal regulators to promote uniformity in oversight and stronger consumer protection regulation and enforcement, steps which will ultimately improve banks' ability to serve their customers. In this regard, the recent memorandum of understanding between the OCC and the Conference of State Banking Supervisors to facilitate prompt referral of consumer complaints to the Federal or State agency with the regulatory authority to obtain redress for the consumer is a welcome development.

For well over a century, our dual banking system has served as an underlying source of strength for the U.S. financial system, fostering industry and regulatory innovation that has benefited consumers while also promoting safety and soundness. All of us — legislators, regulators, and industry and consumer groups — need to recommit ourselves to policies and practices that ensure the continued vitality of this unique American creation for the next century.

Today's hearing is an important step in that process. Let me welcome our witnesses — who bring a wealth of experience and expertise to bear on this subject — and look forward to their testimony.

Mr. Chairman, I yield back the balance of my time.

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