

Opening Statement of Ranking Member Spencer Bachus at the Hearing on Improving Federal Consumer Protection in Financial Services-Consumer and Industry Practices

July 25, 2007

Thank you, Chairman Frank, for holding this important hearing on improving consumer protections in financial services. 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 of financial products and services.

The U. S. financial system sets the gold standard for economies across the world. Thanks to innovations ranging from credit cards to Internet banking, American consumers have more choices and options available to them than ever before.

While these innovations have helped fuel a period of unprecedented economic growth, not all consumers have benefited. For the financially illiterate, more choices can mean greater opportunities to make bad decisions. This has underscored the importance of developing strategies that will empower consumers by providing them with the information and tools they need to protect themselves.

Although our consumer protection system is robust, I believe there is room for improvement. The Federal banking regulators and the states should work cooperatively to promote uniformity in oversight and stronger consumer protection regulation and enforcement, steps which will ultimately improve banks' ability to serve their customers.

The agencies have begun making a number of strides in enhancing regulatory cooperation and cooperation, including 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. Other constructive initiatives in this regard include the new website that the OCC has developed for consumers to lodge complaints, and the announcement last week by the federal agencies and state regulators that they will collaborate on an innovative pilot project to conduct targeted consumer-protection compliance reviews of selected non-depository lenders with significant subprime mortgage operations.

Even with these developments, it is my belief that there may be areas where legislative action is necessary. For example, in light of recent problems in the subprime market, it has become clear that we need a national registry and licensing system for mortgage originators so that bad actors don't move from state to state, victimizing consumers with impunity. The legislation that I introduced two weeks ago with other Republican Members of the Committee would establish just such a system, promoting accountability and professionalism among mortgage originators and addressing a gap in the current regulatory framework. Another proposal that deserves this Committee's serious consideration is the suggestion by Comptroller Dugan and FDIC Chairman Bair at our last hearing on consumer protection that their agencies be given "Unfair or Deceptive Practices Act" authority under the Federal Trade Commission Act.

Mr. Chairman, I look forward to hearing the perspectives of our witnesses on this and other consumer protection issues, and I thank you again for holding today's hearing.

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