Newsroom

CRAPO STATEMENT AT CONSUMER FINANCIAL SERVICES HEARING

September 18, 2014

WASHINGTON – U.S. Senator Mike Crapo (R-Idaho), Ranking Member of the Senate Banking, Housing and Urban Affairs Committee, today delivered the following remarks during a Banking Committee hearing titled "Assessing and Enhancing Protections in Consumer Financial Services":

Thank you, Mr. Chairman. Consumer protection is an important part of a well- functioning and safe financial marketplace. However, consumer protection cannot happen in a vacuum. Our regulators must consider the impact of regulatory actions on both consumers and financial institutions. Without taking these factors into account, regulators risk negatively impacting the cost and availability of credit and increasing the regulatory burden on financial institutions, especially community banks and credit unions.

Increased regulatory burden manifests itself in two distinct ways: either consumers pay more for products and services, or small depository institutions have to exit the market, leaving many rural areas with no banking presence to the detriment of local communities.

During the two most recent Committee hearings, I have highlighted the increasing regulatory burden that small- and mid-sized financial institutions face. These institutions are experts at relationship banking in communities across America, especially rural communities where long standing consumer relationships are critically important.

The annual privacy notice requirement is an example of a policy that sounds good in theory, but ends up causing great confusion and ultimately becomes an unnecessarily burdensome regulation. Millions of dollars are spent on privacy notices that are neither read nor readily understood. As was heard in the past two hearings, Senator Brown and Moran's bill to repeal this requirement has widespread bipartisan support with over 70 Senate co-sponsors. I fully support its quick passage in the Senate.

Regulations are not the sole reason for confusion and overreaction. In March 2013, Federal banking regulators, led by the Department of Justice, began an operation to prevent fraud in the payments system. Operation Choke Point, while commenced to make sure that fraud stays out of our payment system, has morphed into an attempt to shut down entire industries of law-abiding merchants.

Small businesses, banks, and payments processors have all been targets of this expansive regulatory approach. Just this week, I heard from two Idaho business owners involved in the guns and ammunition business who experienced difficulty finding essential banking services as a result of Operation Choke Point. While federal regulators have reissued some guidance in this area, unfortunately, greater clarity is necessary for bank examinations so that law abiding businesses are not denied banking services.

Regulators also have a duty to be fair and transparent when they do change the rules. In March 2013, the CFPB issued a bulletin on their website, the Indirect Auto Lending Bulletin, which suggested that auto lenders move from a risk-based, competitive pricing model, to a flat fee model. Because this significant policy change did not go through the traditional rulemaking nor have a public

notice and comment period, no cost-benefit analysis was completed.

Such an approach could remove any assessment of a borrower's credit risk, and dissolves any competition in the marketplace. Without a cost-benefit analysis on this policy change, we have no idea how many consumers will be denied auto credit and we have no idea how this will effect competition. As the CFPB proceeds with its rulemaking agenda on items such as payday lending, overdraft protection, auto financing and arbitration, I once again urge the Bureau to complete a thorough quantitative and qualitative cost-benefit analysis for each rule.

Regulation has real costs to our consumers and businesses. It is incumbent upon the agencies to understand the cost of each regulatory action and to promulgate balanced and tailored regulations that provide market certainty.

September 2014 Minority Press Releases

Current record

September 16th CRAPO STATEMENT AT SMALL DEPOSITORY INSTITUTIONS HEARING

September 9th CRAPO STATEMENT AT HEARING ON WALL STREET REFORM

U.S. Senate Committee on Banking, Housing, and Urban Affairs
534 Dirksen Senate Office Building
Washington, D.C. 20510
P: (202) 224-7391
F: (202) 224-5137