

Sen. Brown Opening Statement at Banking Committee's Hearing on Consumer Finance Regulation

April 5, 2016

WASHINGTON, D.C. — U.S. Sen. Sherrod Brown (D-OH) – ranking member of the U.S. Senate Committee on Banking, Housing, and Urban Affairs – released the following opening statement, as prepared for delivery, at today’s hearing entitled, “Assessing the Effects of Consumer Finance Regulations.”

Brown’s remarks, as prepared for delivery, follow.

Senator Sherrod Brown - Opening Statement
Hearing: “Assessing the Effects of Consumer Finance Regulations”
April 5, 2016

Thank you, Chairman Shelby for holding this important hearing on consumer finance regulation.

Nine years ago this week, New Century Financial, once the second-largest subprime mortgage originator in the country, filed for bankruptcy.

This marked the beginning of the worst financial crisis this country has seen since the Great Depression.

Over the next three years, the crisis ravaged the country, resulting in over 9 million homes in foreclosure between 2007 and 2010.

Billions of dollars of household wealth disappeared overnight.

Estimates on the costs of the crisis on the American economy are at least \$10 trillion and could be as high as \$25 trillion.

We learned that large companies had gambled with the retirement savings and homes of everyday Americans – that millions of people were put into predatory mortgage products they could not afford.

As that happened, the regulators were too often looking the other way.

In response, Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act, which created the Consumer Financial Protection Bureau.

The crisis revealed that Americans needed a federal watchdog that would put their interests first.

The CFPB has been a success.

The agency has taken strong actions in a number of consumer finance markets that previously had no federal oversight, including credit reporting, debt collection, payday loans, student loan servicing, and auto finance.

The benefits of the CFPB are clear: its actions have resulted in \$11.2 billion being returned to over 25 million consumers.

Over and over, the CFPB has exposed unfair and abusive behavior by financial companies – such as companies adding on hidden fees to credit cards, attempting to collect on debt that has already been paid off, discriminating against minorities, or deceptively marketing financial products.

The CFPB has made consumer financial products safer and better for consumers – but its work is not done.

The Bureau is working on rules to rein in payday loans, prepaid cards, and debt collection.

It is also working to limit forced arbitration clauses in consumer financial products, which deny consumers the right to litigate when they are harmed.

It is critical that the CFPB be allowed to finalize and implement these rules.

It is also critical for the agency to be vigilant against new threats to consumers.

Americans have a record \$3.5 trillion in consumer debt, which does not include mortgage debt. This number – which includes over a trillion dollars in student loan debt and a trillion dollars in auto loan debt – is a full trillion dollars more than in 2010.

Those who say that credit is not available to consumers today are not paying attention. Credit is available and it is growing month after month.

We are seeing increasing levels of lending to subprime borrowers in mortgages, credit cards, and auto loans.

We are seeing non-bank lenders expanding their role in consumer lending, from fintech companies to non-bank mortgage originators.

It is vital that the CFPB exists to watch these developments and take action when needed.

It is our duty in Congress to resist collective amnesia and ensure that the same bad practices that led to the crisis are not repeated by a new set of players.

This is why I continue to be troubled by Republican efforts to undermine, and even eliminate, the CFPB.

Three years ago, Director Cordray said that he wants the Bureau to “make sure we stay in touch with the people who need us most to do our work.”

That is why I am pleased that Reverend Willie Gable could be here with us today from New Orleans.

Dr. Gable, I understand you’re a graduate of United Theological Seminary in Dayton.

Dr. Gable has seen first-hand the effects of too little financial regulation on communities.

I note that Dr. Gable is the only witness on this panel representing consumers and everyday Americans. The other three witnesses represent the views of the financial industry. I regret that today’s panel is not more balanced.

Dr. Gable is by no means alone. I ask consent to enter eleven statements I received from consumer advocacy organizations into the record.

I look forward to hearing from Dr. Gable about what he saw during the crisis and what still remains to be done.

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