

# Banks Vow to Fight Consumer Protection Agency

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Banking lobbyists are already working to curb or eliminate the Consumer Financial Protection Agency proposed by President Obama. The Agency could be empowered to curtail or ban a host of lucrative bank practices, such as ballooning mortgages, excessive credit card interest, and surprise overdraft fees.

The Associated Press reports that the Obama administration believes such safeguards could have minimized the damage of the recent financial meltdown. A concerned banking industry, however, is taking aim at the proposed watchdog agency, stating that they are being unfairly cast as villains. Banks fear that a new agency would create conflicting layers of regulation and give outsiders broad sway over their products and services.

According to Wayne Abernathy, head of financial institutions policy at the American Bankers Association, “We think this agency is a mistaken piece of the overall program and not something that needs to be done. This agency is going to be deciding what products we should offer instead of our customers telling us what they want.”

Abernathy said that his group, which represents most of the nation’s 8,000 banks, would push the administration to “replace” the agency with another entity. However, about 200 consumer protection groups are joining forces to defend the proposed agency. Their success could determine how sweeping and long-lasting the financial overhaul turns out to be.

Most industry objections ignore the problems exposed by the financial crisis, said Harvard Law School Professor Elizabeth Warren, head of a congressional panel overseeing the financial bailout and a key

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architect of the consumer agency. “The government makes sure the products that are sold are readable and it makes sure the products that they are sold are understood by the people who want them. I’m not sure why the banking industry would be resistant to that,” Warren said.

The proposed bill was sent to Congress by President Obama on June 30, 2009. Rep. Barney Frank, D-Mass., chairman of the House Financial Services Committee, called the proposal one of his highest priorities and said his panel would consider it in July as part of a broader effort to overhaul federal regulations on the entire financial industry.

Sen. Christopher Dodd, also vowed to steer the proposal through the Senate Banking Committee he chairs, despite staunch opposition from the banking industry. “It is unbelievable that some of the same irresponsible actors that helped create the current financial mess would argue that we are doing too much for consumers,” said Dodd, D-Conn.

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