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Thank you Karen and thanks to Brookings for hosting me to discuss the work of the new Consumer Financial Protection Bureau. I am honored to serve as the first Director of the Bureau and to work with the talented and committed team we are building there. I will be seeking to answer three questions today. First, why does this Bureau matter – not just to me, as its first Director, but to people all across this country? Second, what have we already been doing for our first six months? And third, what does it mean for the consumer bureau now to have a director, and how will we use our full authorities to protect consumers?

To the first question: why does this Bureau matter? Consumer finance is a big part of our economy – and it plays a large role in the daily life of almost every American. Whether it is to pay their bills or finance larger investments in their futures, most people use credit. Credit cards give us quick access to money when we need it. Student loans help us obtain a college education. Mortgages make it possible to buy a home and spread the payments over many years. No doubt about it: consumer financial products can make our lives better and create opportunities to make something of ourselves.

But these same financial products can also make life harder. When I served as Treasurer in Ohio at both the state and local levels, I saw good people with good intentions drowning in debts they could not afford. Some people just have tough breaks in life. Nobody ever plans on losing their job or being laid up by serious illness or injury, but these hard blows can be devastating. Sometimes people make the wrong choices and get in over their heads. Others get swindled by scams. I have seen senior citizens defrauded of their savings. And I have seen families bankrupted by complex mortgages with spiraling interest costs they did not understand and could not afford.

These things can happen to anyone. We need to understand that we are not talking about some impersonal abstraction, not about somebody “else.” We are talking about each one of us: our mothers and fathers, our sisters and brothers, our sons and daughters. People who simply want to make the right choices for themselves and their families. Picture the faces of your own extended family. Did any of them ever have money troubles? Opportunities they could not pursue because they lacked the means? What about our children? What will happen to them when they have to fend for themselves in the financial marketplace?

We are rightly concerned about these things because consumer finance clearly has become more complicated and more risky in recent years. Hidden fees and exploding interest rates have infected

more products and services. Novel and exotic mortgages battered housing markets and triggered the financial crisis that wrecked the economy and hurt millions. Aggressive debt collection and wide-ranging credit reporting magnify the money problems people experience, which now follow them around for many years. Bad credit can bar people from getting a job, cost them more money on car loans and home loans, or even block them from borrowing money at all.

With the stakes so high, consumers need better information about the costs and risks of borrowing. And they need to be able to comparison shop for a good deal. Consumers also need the peace of mind that comes from knowing that the deal they were promised is the deal they are actually getting, not just tomorrow, but next month and next year as well. Consumers deserve to have someone who will stand on their side, who will protect them against fraud, and who will ensure they are treated fairly in the financial marketplace. The new consumer bureau was created to make sure these things are achieved for all Americans.

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The good news is that we have already gotten started. In our first six months, our team has been answering calls and collecting emails from American consumers. Their stories illustrate the kinds of issues people are dealing with around the country.

We heard from Mary in Louisiana, who took out a payday loan – a short-term, high-cost loan – that turned into a long-term, exorbitantly expensive loan when she was unable to pay it off. Mary simply wanted a reasonable chance to repay. Instead, the payday lender told her that her only option was to file for bankruptcy.

We also heard from Rebecca in North Carolina. She told us she missed a mortgage payment nine months after her husband lost his job. In the two years since, her mortgage servicer has increased her monthly payments even though she believed that a trial modification was supposed to reduce them. She said she was charged for inspections and appraisals she did not ask for and that have never occurred, leading to increased debts and repeated threats of foreclosure. Rebecca says she has been frantically complying with these demands because she is so afraid of losing her home.

In just a short time, we have heard thousands of these kinds of stories. Some are outrageous. The problems are welling up everywhere, from small towns to big cities, from coast to coast. These nightmares are happening to people from all walks of life – from people who have fallen on hard times to people who still consider themselves financially secure. They do not expect any special favors. They just want a fair shake. They want a consumer financial system that actually works for consumers. That is exactly what the consumer bureau is here to do.

One of our primary objectives is to bring clarity to the financial markets. People have a hard time understanding the terms of a deal when they have to pore over reams of fine print. So we launched our *Know Before You Owe* campaign, to provide consumers with easy-to-understand disclosures that make clearer the prices and risks of financial products right up front. After all, two basic premises of a well-functioning market are: first, that buyers and sellers understand the terms of the deal, and second, that buyers are able to compare possible alternatives. Honest businesses want to compete in such a market, and they are satisfied to win market share based on fair competition and excellent customer service, not through deception or fraud.

We started our *Know Before You Owe* campaign by tackling the good faith estimate you get when you apply for a home loan. Then, together with the Department of Education, we released a “Financial Aid Shopping Sheet” that makes it easier to compare aid packages and understand the payments students will be facing after graduation. Last month, we released a sample credit card agreement that is short and written in plain language to explain the key prices and terms. We strongly believe that financial institutions can speak to their customers more simply and more clearly. This kind of straightforward transparency promotes responsible decision-making by consumers.

But transparency alone is not enough. Another key objective is making sure that financial institutions are playing by the rules. When we launched in July, our Bureau inherited the responsibility of supervising the largest banks in the country to make sure they are following the law. In practical terms, that means we have examiners on the ground today with broad authority to review loan documents, ask tough questions, and make a bank fix problems that come to light.

The consumer bureau will make clear that there are real consequences to breaking the law. We have given informants and whistleblowers direct access to us. We took over a number of investigations from other agencies in July, and we are pursuing some investigations jointly with them. We have also started our own investigations. Some may be resolved through cooperative efforts to correct problems. Others may require enforcement actions to stop illegal behavior.

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My last question is – now that we have a director – how will we use our full authorities to protect consumers? One of the difficulties we faced up to now was that, without a director, we were unable to address all the problems we were created to tackle. The twin promises of the Dodd-Frank Act, which established us, are that the bureau will have a singular focus on protecting consumers in the financial marketplace, and that we will make sure that large banks and nonbanks are held to the same standards. In the run-up to the financial crisis, many unsupervised firms led a race to the bottom that pushed aside responsible businesses, including community banks and credit unions, and greatly harmed consumers.

Now, for the first time, we can exercise the full authorities granted to us under the new law. That is the specific difference that having a director makes. Today, we are launching the Bureau’s program for supervising nonbanks. We will begin dealing face-to-face with payday lenders, mortgage servicers, mortgage originators, private student lenders, and other firms that often compete with banks but have largely escaped any meaningful federal oversight.

These are important markets. Many provide valuable services to customers who lack access to other forms of credit. And they are big markets. Nearly 20 million American households use payday lenders, and pay roughly \$7.4 billion in fees every year. Many subprime loans during the housing bubble were made by nonbank mortgage brokers. Since most of these businesses are not used to any federal oversight, our new supervision program may be a challenge for them. But we must establish clear standards of conduct so that all financial providers play by the rules.

With our full authorities in hand, we now have a variety of tools to address the problems facing consumers. We will succeed in our job if financial markets become more fair, more transparent, and more competitive. To make that happen, we need to consult the best data and information we can to really understand what is happening in the market and how consumers and businesses are faring.

We are building a direct relationship with the American consumer. The “Tell Your Story” function on our website lets people tell us about their personal experiences – that is how we heard about the stories of Mary, Rebecca, and others. Our team is taking complaints about credit cards and mortgages, with other products to be added as we move forward. We deeply believe that we must hear from Americans about their experiences in the marketplace because, as John Dewey once observed, “The man who wears the shoe knows best that it pinches and where it pinches, even if the expert shoemaker is the best judge of how the trouble is to be remedied.”

We are determined to deliver positive results for American consumers. We want people to know what we are doing. Our work will support the honest businesses in financial markets against those who deceive consumers or otherwise break the law. We are confident that if the public understands our job, they will help us play our important role in safeguarding consumers as well as the broader American economy.

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We have been extremely fortunate to have strong leadership at the Bureau, beginning with my friend and colleague Elizabeth Warren, who conceived of the Bureau and began building it from scratch. For the past six months, the dynamic energy spurring our efforts has come from my friend and colleague Raj Date, whose thoughtful leadership has set a strong tone that will forever guide our approach. Because of the qualities each has brought to our team, we will be passionate and caring about the real-life problems of consumers even as we are analytical and data-driven in our approach to dealing with consumer financial markets.

As the new Director of the Consumer Financial Protection Bureau, and having been part of this effort for about a year now, I know what an extraordinary privilege it is to work with such a talented and dedicated team. I have to run very hard to keep up with them. They inspire me deeply, and as you get to know them and their work, they will inspire you also.

Think back again to the faces of your own family members, the ones you pictured earlier. Like all of us, they want to be able to use consumer credit to make their lives better, not worse. That is our goal as well. The financial marketplace can be a potent arena that helps people find and seize opportunity; it should not condemn them to bewildering failure. By working every day to protect consumers, we will do our part to help fashion a more resilient economy and a stronger country. Join us; work with us; help us make it so.

Thank you.

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