THE BROOKINGS INSTITUTION

A DISCUSSION WITH RICHARD CORDRAY

CONSUMER FINANCIAL PROTECTION BUREAU DIRECTOR

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P R O C E E D I N G S

MS. DYNAN: Good morning. Thank you all for joining us today, which officially marks our guest's first day on the job. Richard Cordray is the chief of the Consumer Financial Protection Bureau, a new federal agency that began operation about six months ago. The agency was created in the Dodd-Frank Wall Street Reform and Consumer Protection Act after the recent financial crisis.

The bureau's role is to regulate consumer financial products and services, including mortgages, credit cards, and the like. In its first six months, the bureau has started to take steps to make consumer financial products more transparent, including the Know Before You Owe campaign, which has focused on improving disclosures and making the costs, risks, and benefits of financial transactions easier to understand.

In addition, the bureau has launched its bank supervision program with examiners now on the ground at the nation's largest banks. But the bureau has been without a head since its founding due to Senate Republican opposition to the way it was set up in the law, namely what they believe to be a lack of congressional oversight in terms of both accountability and funding. Director Cordray's recess appointment yesterday has ignited controversy with some congressional leaders raising questions about whether the appointment will stand up in court.

Prior to the appointment, Director Cordray had been at the bureau serving as head of its Enforcement Division. Prior to this, he served as attorney general of Ohio, where he recovered more than $2 billion for retirees, investors, and business owners, and took major steps to protect consumers from fraudulent foreclosures and financial predators. Before that, Director Cordray spent two years as Ohio's treasurer and four as the treasurer of Franklin County, Ohio.

Earlier in his career, Director Cordray was an adjunct professor at the Ohio State University College of Law, served as a state representative in Ohio, was the first solicitor general in Ohio's history, and was in private practice. He's a graduate of Michigan State University, Oxford University and the University of Chicago Law School.

I will leave you with one interesting tidbit that is not on Director Cordray's official White House bio. He has the distinction of being an undefeated five-time champion on *Jeopardy*. (Applause)

There you go. With that, please welcome Richard Cordray. (Applause)

MR. CORDRAY: That was unexpected. 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 that we have been 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 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 to 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 a 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're not talking about some impersonal abstraction, not about somebody else, we're 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 and could not borrow the money? 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 of people. 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 that they're treated fairly in the financial marketplace. The new Consumer Bureau was created to make sure these things are achieved for all Americans.

The good news is that we've already gotten started. Importantly, in our first six months, our team has been answering calls and collecting e-mails from American consumers. Their stories illustrate the kinds of issues people are facing 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 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's so afraid of losing her home.

In just a short time, we 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 pour over reams of fine print. So we launched our Know Before You Owe campaign to provide consumers with easy to understand disclosures that make clear 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 easy to compare aid packages and understand the payments students will be facing after graduation.

Last month we received 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.

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 until now was that without a director, we were unable to address all the problems that 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 non-banks 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 non-banks. 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 they pay roughly $7.4 billion in fees every year.

Many subprime loans during the housing bubble were made by non-bank 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 fairing.

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 and financial markets against those who deceive customers or otherwise break the law. We are confident that if the public understands our job, they will help us play our important role of safeguarding consumers, as well as the broader American economy. We have been extremely fortunate to have strong leadership at the bureau, beginning with my friend and colleague Elizabeth Warren, who conceived 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, now the deputy director of the bureau, whose thoughtful leadership has set a strong tone that will forever guide our approach. Because of the qualities each of them brought to our team, we will be passionate and caring about the real-life problems of consumers even as we're 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. (Applause)

MS. DYNAN: Thank you, Richard. I'm going to ask you questions both about your appointment and also about your work with the bureau.

MR. CORDRAY: Okay.

MS. DYNAN: So I'm going to start with the big one that I think is on everyone's minds, which is, how would you answer your critics to say your appointment is illegal?

MR. CORDRAY: I have been appointed as the director of the bureau. It's a valid appointment, but I will leave those details to others. This is a big job to protect consumers across this country, and I'm going to be 100 percent focused on doing that job.

MS. DYNAN: If you could speak up a little bit.

MR. CORDRAY: Okay. As I said, the appointment is valid. I'm now the director of the bureau. The important thing for us, without me trying to delve into details of that, is that we now have the ability to protect consumers across this country on both bank and non-bank issues and we are going to be 100 percent focused, I personally, on doing so.

MS. DYNAN: Great. Being able to work effectively with the

Congress seems critical to fulfilling the bureau's mission. How will you be able to work with the Congress that doesn't seem to like particularly the structure or powers of the bureau, not to mention your appointment?

MR. CORDRAY: Well, I have always had success at the state and local levels of working across the aisle with leaders from both parties on some hard issues, some financial issues, some difficult issues, so I expect I will be able to do that here. Our bureau intends to do that. I had personally committed to legislative leaders in both parties and both chambers that we will give them the information and input that they need to help us do our work, and I'm committed to doing that.

MS. DYNAN: Let me now turn to the work of the agency. I thought your discussion of the Know Before You Owe campaign was really interesting. To what extent do you believe that the agency should alter the design of products offered by financial institutions as opposed to efforts like the Know Before You Owe campaign, where you're making sure that their characteristics are properly and understandably disclosed?

MR. CORDRAY: Well, I think we begin with a financial marketplace that we believe was flawed in various respects, and it helped lead to a financial crisis that harmed this country greatly. So we begin from an instinct that we want to make prices and risks clearer for consumers so that they can make better decisions for themselves, better informed decisions, and take greater responsibility for preparing for their future. So that is our initial focus. But as we go, we will deal with situations as they arise. We will carefully analyze the facts and circumstances. We have an entire research and markets team that's committed to not only assessing problems in the short run, but looking at market trends in the long run, and that's how we will approach our work.

MS. DYNAN: So you do think there is a role for altering the design of products as opposed to just making consumers better informed?

MR. CORDRAY: I think that consumers need to be better informed. There are some practices that occurred in the market that are unacceptable and need to be fixed and we will deal with those as they arise.

MS. DYNAN: Opposition from small banks to your appointment was reportedly mitigated by the belief that your efforts would be targeted towards larger financial institutions. I think the number I saw in the press was something like 50 billion. I was wondering if you could comment a little bit on that. Is that right?

If it's not right, you know, is there some number that you're looking at in terms of who you're targeting? And more generally, how should one think about the relationship between the size of an institution and the need to regulate and supervise that institution?

MR. CORDRAY: Well, I can speak best, Karen, from my own experience, and that was experience as a financial officer/treasurer at both the state and local levels in the run up to the financial crisis. In my view, it was not our community banks, not our credit unions who created the problems that led to that crisis. They tend to have a community-based business model. They know their customers, they work with them on a long-term repeat basis. It's the best understanding of what a customer is, someone who is willing to give you their custom and come back to you again and again to do business with you.

The problems in the market were created elsewhere. They were created significantly by having non-bank institutions not subject to any meaningful regulation, not subject to any meaningful standards, and they led a race to the bottom. There's no question that that was true in the mortgage market and in some of the other markets, as well.

So, in my view, it was not community banks and credit unions that created the crisis. In many ways it was them being pushed aside by unregulated non-banks that created a lot of the problems. And so going forward, we will be mindful of that as we approach our job.

MS. DYNAN: Do you want -- still having trouble hearing? We're trying to address that problem, and for now, probably just speak up. So do you care to comment on the 50 billion number, you know, whether there is like a line in terms of, you know, what financial institutions you're going to be focusing your efforts on?

MR. CORDRAY: Well, Dodd-Frank drew a line that we will only be supervising and enforcing the law on banks and financial institutions with assets of $10 billion or more. So, that's a line that the law draws. We're not looking to draw additional lines, although we will tailor our supervision program to the needs of different institutions and particularly today, as we launch our non-bank supervision program, there will be different exigencies and different demands in that sector than there were in the bank sector. But it's very important for us to get underway. This is a very important step forward for us, and I think that level playing field that we can attain between banks and non-banks, that was a central promise of the statute. It has been thwarted until now. Now we can move forward and fulfill that.

MS. DYNAN: Great. I'm going to turn to an issue that's near and dear to my heart. Some analysts are very concerned that limited access to credit is holding back the economy right now. So, for example, the Federal Reserve released a report yesterday saying that the effectiveness of monetary policy had been blunted by limited access to housing credit.

I was wondering whether you're worried that some of the bureau's upcoming actions could restrain credit supply in a way that harms the economic recovery and slows the speed at which unemployed American workers are put back to work?

MR. CORDRAY: So, my experience gives me a different worry. I think that the single event that has limited credit most substantially for Americans in my lifetime was the financial crisis of 2008/2009. And a lot of the community banks and credit unions we're talking about were hurt badly by that and a lot of businesses and individuals have been hurt by the restricted access to credit. That was caused by the financial meltdown. That meltdown was caused, in turn, by some of these problems and failing to regulate parts of markets and, therefore, the bad drove out the good. And so it's my view that if we do our job well, we will improve these financial markets, they will work better, we will help to prevent that kind of catastrophe from occurring again, and that will be better for the economy and better for individuals and businesses as well.

MS. DYNAN: Do you have procedures in place such that you can assess whether a given rule that you're thinking about making is going to be restricting credit in a way that you don't intend?

MR. CORDRAY: Well, there's two things about that. Number one, we've inherited a number of regulations from other agencies and one of our projects that we're committed to is reassessing those regulations. Some of them may not have been thought about for years. What is their cumulative effect? Where can we streamline regulations? Deliver as good or better value for consumers with less burden for institutions? We think there is an opportunity to do that.

The other thing is that as we engage in rulemaking over the years ahead and decades ahead, there is regular provision in our statute for us to review the effective rules after five years, or perhaps sooner in some cases. We will do that. We are very committed to a dialogue with the people that we work with, not just consumers but also the businesses, to understand the real-life effects, the practical effects of what we do. We've hired a number of people at the bureau who have that kind of real-life, practical experience of working within industry and understand how these rules have an effect. It's not an abstract thing, and that will help guide us so that we deliver the best value for the least cost.

MS. DYNAN: Okay. So actually this raises another issue I wanted to ask you about. There has been concern expressed about overlap between the work of the bureau and the work of other federal agencies. I mean, people are worried about redundancy, they're worried about turf wars, they worry about bureau investigations will get in the way of investigations being done by primary regulators. So I'm curious as to whether -- you know, what degree of overlap do you think there is and how do you plan to deal with it?

MR. CORDRAY: Well, I think this bureau represents a significant step forward in a positive way on that. We have consolidated the consumer protection functions of multiple agencies into one agency now with a singular focus on that aspect of the financial marketplace. So, we feel and we know that we have a special responsibility, a primary responsibility to do that, and we will.

But, at the same time, we work in a context with other prudential regulators. They have authority over some of the same institutions that we have authority over, and they have some of the same authority that we have over other institutions, smaller ones that we do not supervise or enforce the law against. So, it makes sense for us and it will be our approach to consult regularly with our fellow agencies, to work closely with them, to make sure that we're not overlapping or not delivering value for the public that we serve.

We have established a tremendous sense of teamwork in our relationship with the Federal Trade Commission, in particular in the non-bank sector. That's one of the reasons we're eager to be able to move forward fully in that sector now, so that we can carry our weight with them. Both of us have limited resources and there are a lot of problems to address out there, so we are going to be coordinating closely and already are, and we hope that we will be a model in this respect.

MS. DYNAN: And before I turn things over to the audience, I have one more question. This gets back to something that you said earlier as well about engaging your stakeholders. So, you talked in your remarks about engaging the public and ways to hear from the public about what challenges they're facing in the credit area, and you just spoke a little bit about ways to engage the financial institutions. I think that's terrific. I think it's a lesson from the last few years that the world is a far more complicated place than our textbook theories tell us they are. And I think, you know, some of the disappointing performance of some of the foreclosure prevention programs reflected the fact that people didn't understand -- that the people designing the policies didn't understand the constraints that these firms were actually facing.

So, I think another group of stakeholders that you didn't talk about is consumer groups. You know, that's another group that you probably need to hear from when you're trying to design your rulings. So, I think there are all sorts of reasons why you need to have contact with these people. On the other hand, people worry about capture by these various stakeholders.

So I was wondering if you could just talk a little bit about that and how to get the balance right?

MR. CORDRAY: Well, I think as I described it, and it's clear, that the Consumer Bureau has a big job ahead of them, and I view it as a very important job in improving life for the American people, the kind of people I talked about, which are all the people that we know and all the people across this country. Everybody is a consumer.

So, we will do our job better -- any big job is done better when you get a lot of input who have insights that you may not have or who see it from a different angle than you, and that includes in our case both financial firms and the trade associations, it involves consumers and consumer groups. But to me, the thing that helps us avoid regulatory capture in the long-run, or any kind of capture, is having that direct pipeline to the individual consumer who feels free to talk to us about the problems they face, the individual problem they experience today or this week or this month, and they tell us what the problem is, how it affected them, and then we think about whether there's something we can do to help that.

I think as long as we can maintain that direct link that we're building now, all the other links are important but it also provides a corrective so that we don't end up with a skewed view of how we're actually doing.

MS. DYNAN: Thank you. We're going to open things up now, take some questions. And just to get things started, let me say if you would stand up, if you would say your name, and say where you're from after I call on you. And also, since we have a limited amount of time, just make sure you get to your question quickly. That would be terrific.

So, let's see, can I -- that question there. Blue shirt in the fourth row on the left.

MR. CORDRAY: That's you, Carter.

MR. DOUGHERTY: Hi, Rich. My name is Carter Dougherty with *Bloomberg News,* a devoted follower of your agency and your work since you joined it.

MR. CORDRAY: I noticed that.

MR. DOUGHERTY: Yeah. Well, it's not last September -- last November, I guess it was.

As regards enforcement, I mean, one of the striking things about the work so far has been that you've been an enforcer for much of your public career and yet this is one thing that you haven't yet gone public with. If I were a betting man I would bet there are things called strategic plans or enforcement memos or things like that on your desk that sort of outline where you're going with this. Could you give us a little more sense of how you see that shaping up? I mean, you're a Michigan State guy. Are you going to go after people from Ann Arbor? Or I mean, what are your feelings here? (Laughter) What sort of categories do you think in?

MR. CORDRAY: You might want to dramatize that by saying that I grew up and live near Columbus, Ohio, so. (Laughter)

We have been, as you know, Carter, building the bureau and that's something that we've been doing actively over the past year, both choosing staff, training staff, and moving forward.

At this point, you know, we are still close to the cradle. We have not issued a single substantive rule, we have not brought a single enforcement action, we have not issued a single examination report, but we have lots of work in the pipeline which will be toward, then, that regular production of product. So, I'm not going to try to make news on any of those things today. Those will be reported publicly when we're ready to report them.

And the work is like -- it's like putting a cake in the oven. You put it in and it takes some time before it's baked. But we are actively moving forward on all fronts and we'll have more to say as these things ripen.

MS. DYNAN: Great. If I could take third row, red tie right here.

MR. TAYLOR: Thank you. My name is John Taylor. I'm with the National Community Reinvestment Coalition. Thank you, Mr. Cordray, and congratulations on your appointment.

I wanted to get back to a question that Karen asked and you answered in part about this bipartisan issue and how you had had good success in working across the aisle with different parties. I'm trying to understand -- I'm really trying to understand -- given what's happened to the American economy very much rooted in all these maleficent bad lending that got a lot of people into trouble, I don't understand elected officials standing in the way of a public agency that's going to clean that up so that the good actors, the good players in the financial services sector will prevail, and not those who are cajoling or trying to produce product that is unsustainable. Could you help me understand that? (Laughter)

MR. CORDRAY: Well, what I said was -- and it's very much the case -- that I have had good success over the years in working across the aisle on a lot of hard issues. Doesn't mean that I always had success on every issue, but we always maintained a good working relationship, and I fully expect to be able to do that with the leaders in Congress of both parties. They, after all, represent the same constituents that we are serving. They are hearing day-in and day-out the same stories from their constituents who are asking them for help because they're losing their home or they are drowning in debt or they have other problems that they don't understand or things weren't adequately explained to them and some of them are referring those issues over to us.

So, we really have the same interests, I believe, at heart. And I'm not someone who impugns people's motives. That's not my way, I don't think that's helpful. I tend to assume that people are always trying to do what they think is right. We may just disagree at times on what that is.

So, I'm going to work forward and build that relationship with Congress. We will disagree on some substantive issues, that's to be expected, within the bureau. My friends and colleagues, we disagree all the time on substantive issues. We work through those things and we go forward, and that's the way we should as an agency develop our independent relationship with the Congress, and I'm personally committed to doing that and I think we will do that.

MS. DYNAN: Yeah, if I could get the second row right here?

MR. WILLIAMS: Hi, I'm Joe Williams and I'm with *Politico*. Congratulations.

And not to belabor the point, but I do want to go back at that because you have a Congress that is right now talking about legally challenging your ability to take power; that it's talking about we don't even think that this is a legitimate agency, we're going to go to court, we're going to try to sue. I mean, nothing personal, of course, but they're, like, really opposed to doing this.

What's your strategy for that? I mean, building relationships is one thing, but, you know, combating people who are dead set against this bureau even taking flight is another, and I'd like to hear you talk a little bit more about that.

MR. CORDRAY: Well, as you know, and somewhat surprisingly perhaps, the issues about my nomination have not become personal and I have never taken any of it personally. It's a process and that's what it is.

But let me just say that the most important thing we can do as a bureau is keep our nose to the grindstone and keep doing our work. I think the work that we're doing is so important and can make such a difference for people in this country that as we attack this problem, as we offer a solution or improvement to that problem, we will prove our own case both to the people who represent the public and to the public at large.

And I think there's already tremendous support among the public at large for a consumer watchdog. They get it, they understand why it's needed. Many of them have examples from their own lives that they're familiar with. Either them or, again, a family member or friend that they can see why this is important and necessary. And I think the leaders in Congress, even those who may have disagreed with some of the premises of the statute or the authorities of the bureau, will begin to see that over time if we do our work well.

So to me, the only issue here is doing our work, doing it as well as possible, making sure people understand what we're doing, and that they can appreciate it, and over time I think it will win its way.

MS. DYNAN: Okay, let's see. Go to the back of the room on the left back row. Yeah.

MS. McGRANE: Victoria McGrane with the *Wall Street Journal*. I just wanted to ask, given that there are -- you know, everyone is predicting there will be some sort of legal challenge and there is, you know, those out there who, you know, disagree with the legal reasoning behind doing the recess appointments this way. Will that have you hesitate or curb or proceed more hesitantly than you might otherwise given that there could be challenges in the future?

MR. CORDRAY: The answer to that question is no, and I don't say that in any sort of militant or challenging way. But the law of the land gives us certain responsibilities. They're important responsibilities.

They matter to the people of this country that we carry them out.

With a director in place -- and I believe validly in place -- we now have our full authorities to move forward. We will do that. And I think that as we do our work and focus on doing our work -- which is what I'm going to do with 100 percent of my energy and time and effort -- we will begin to demonstrate to people further, as I think we've already begun to demonstrate already, why this work is important and why it needs to be done.

And again, I think congressional leaders will see -- again, they represent the same people that we do. They speak to and hear from the same people who are talking to us about their problems. They see that. And as we can do better on those problems that help improve things, I think, again, that we will win our way forward.

MS. DYNAN: Okay. Just right behind you, Adriana.

MR. SMITH: Hi, Bruce Smith from Brookings. Two quick questions.

You have a state regulatory background. Now, it's concerned me that we have substituted weak federal regulation for potentially much more effective state regulation. I think something like the Countrywide mortgage could have been handled at the California level had we not preempted state regulation by the financial -- you know, the

Glass-Steagall legislation in the late ’90s. Could you speak to that briefly?

And secondly, I used to teach public administration. Now, perhaps I’m not correctly informed, but it used to be axiomatic that you do not run an operation function out of the Executive Office of the President. If you’re an agency of government you should be out away from the Executive Office of the President, have your relationships with the Congress, present your budget to the Congress, interact without being enmeshed in the central function of the Executive Office of the President. Could you speak briefly to that, too, please?

MR. CORDRAY: Sure. As I think you know, the thing that prevented us from developing as an independent agency up until now was that we were blocked from having a director. And without a director, we reported to the Department of Treasury. We have worked on establishing our relationship over the last six months, but as of today we’re now free of that. So, we are an independent agency and we will build that relationship with Congress, which is how all of the independent agencies do over time.

At the same time, we will work with officials on different issues. We work with members of Congress, we will continue to do so. We will work with the present administration, the Treasury Department, the Justice Department, and others where that’s appropriate and helpful. But we now have our own mission to chart and we will do that.

As to the federal-state relationship and cooperation you spoke of, you know, I actually know something about that. I was both a state attorney general and a state treasurer. I strongly believe that the states have a very meaningful role to play in enforcing the law to protect consumers.

At the same time, I can tell you that at the state level I often felt frustrated and the contours of my authority often blocked me from doing things that I thought could have been helpful to the citizens I represented. And so, having the authority that we now have as a federal bureau to address these issues I think is meaningful. I think it’s an important step forward. I think it was lacking before. There was not a focus on consumer protection at the federal level in the financial sector and such focus as there was, was often constrained by very limited resources.

So, we will have a partnership with state and local officials. We already are doing that in our supervision program. We’re coordinating with them. We will do it with our non-bank supervision program as well. We are working well and effectively with state attorney generals. Sometimes they will take the lead on some things, sometimes we will take the lead on some things. Sometimes we may jostle a bit, but it will be in a friendly way because we will have the same goal in mind, which is what helps the American consumer, what helps the American financial marketplace. If we serve both of those things, ultimately it will serve the American economy and make this country better, as I said in my speech and I firmly believe that.

MS. DYNAN: We just have time for -- I'm sorry, but Director Cordray's schedule is very busy, as you might imagine. We have time for just one more quick question. I'd like to take the front row right here.

MS. DIBBLE: Hi. My name is Kelly Dibble. I'm with Northern Trust, and I just want to ask a follow-up question to what Karen raised earlier about the intersection between the CFPB and the other regulatory agencies. We're concerned about potential regulators and the safety and soundness issues about rules that come out of the OCC and the Fed, et cetera, and how that's going to overlap with the rulemaking of the CFPB.

MR. CORDRAY: Well, look, it's a new relationship, so we're a new agency. We're the new kid on the block, if you will, so we're all trying to find our way, and I'm sure that the other agencies are as concerned about us as we are to try to develop this relationship.

The best answer for us that we're trying to build is good communication back and forth, and learning to work together so that we work through some of the awkwardness or the newness of this and we build a cooperative relationship that has our eye on the right ball, which is what we can do to fulfill our mission, what we can do to serve the public that we all represent together. I'm not saying that that is entirely uncomplicated. You know, there are difficulties in that. But if we communicate well we will avoid duplication, we will avoid overlap, and we will avoid disagreements that can be ameliorated. That's important for us to do.

I think everybody should expect that of us. I think we expect it of ourselves. But it'll take some time for us to develop that relationship so that everybody's comfortable with one another.

MS. DYNAN: Great. We're out of time. Richard, I'd like to thank you so much for coming today to speak to us.

MR. CORDRAY: Thanks. (Applause)

MS. DYNAN: I want to wish you really the best of luck with your new role. It is so important.

If I could get folks in the audience just to do me one favor, which is to stay in your seats while Director Cordray leaves so he can get out and get to work right away. That would be terrific.

MR. CORDRAY: Thank you.

MS. DYNAN: Thank you very much. (Applause)

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