



August 18, 2009

MADIGAN PUSHES FOR FEDERAL CONSUMER FINANCIAL PROTECTION AGENCY

Attorney General Urges Congress to Create an Independent Agency to Confront Financial Industry Excesses that Spurred Current Economic Crisis

Chicago—Attorney General Lisa Madigan today voiced her support for Congressional legislation that would create an independent, federal Consumer Financial Protection Agency (CFPA) to promote consumer protection and sound credit practices on the national level as an effective check on the recent excesses of the financial industry.

"The current financial crisis has demonstrated the need for comprehensive and effective consumer protection oversight and enforcement at the federal level," Madigan said. "The creation of an independent federal regulator is essential for helping to root out unfair and deceptive practices by the financial services industry."

Madigan joined 23 other Attorneys General in a letter to the U.S. Senate Banking Committee and the U.S. House Financial Services Committee, voicing strong support for the Consumer Financial Protection Agency proposed by the Obama Administration. The letter also underscored Madigan's conviction that legislation creating the CFPA should explicitly preserve the states' authority and ability to fight unfair and deceptive practices and should foster the states' role in collaborating with the new federal agency.

"We appreciate the fact that this legislation recognizes the key role that state Attorneys General serve in spotting new frauds and abuses, responding to citizen concerns, and enforcing state laws. The preservation of our role is critical to fighting fraud in the financial marketplace and a crucial factor in our support of this legislation," the letter said.

In general, the CFPA would have broad authority over consumer-oriented financial products, such as mortgages and credit cards, with the power to write rules and levy fines based on a wide range of existing statutes. The introduced legislation also gives state regulators authority to enforce their consumer protection laws against federally-chartered institutions.

"There is clearly a need for effective regulation of consumer financial products that crosses existing regulatory lines," the Attorneys General wrote to the Congressional leaders. "We look forward to forging an alliance with a federal regulator that has the protection of consumers and the promotion of sound credit practices as its central agenda. . Because of our local presence, Attorneys General are well-positioned to identify new trends, and we have long served an important role in finding innovative responses and solutions to these practices."

The letter cited the explosion of "mortgage rescue scams" to underscore the states' lead role in combating fraud. In Illinois, Attorney General Madigan has filed 24 lawsuits against mortgage rescue scams and drafted and helped to pass the Illinois Mortgage Rescue Fraud Act, which prohibits the practice of charging consumers upfront payments for loan modification services. Twenty-six other states have enacted similar laws to outlaw "rescue" schemes. In addition, Madigan has pursued two of the nation's largest mortgage lenders and servicers in the wake of the subprime mortgage crisis. In 2008, Madigan reached a landmark \$8.6 billion agreement with Countrywide Home Loans, establishing the first mandatory loan modification program in the country. Last month, Attorney General Madigan filed a lawsuit against Wells Fargo for discriminatory lending practices that targeted African-American and Latino borrowers and for consumer fraud.

"Unfair and deceptive practices, by their nature, are constantly evolving," according to the states' letter. "Because of our local presence, Attorneys General are well-positioned to identify new trends, and we have long served an important role in finding innovative responses and solutions to these practices."

In addition to Madigan, the Attorneys General of the following states and jurisdictions also signed on to the letter to Congress: Arizona, California, Connecticut, Hawaii, Iowa, Louisiana, Maine, Massachusetts, Minnesota, Mississippi, Missouri, Montana, Nevada, New Jersey, New Mexico, North Carolina, Ohio, Oklahoma, Oregon, Tennessee, Vermont, West Virginia and Guam.

-30-

[Return to August 2009 Press Releases](#)

