

**Consumer Financial Protection Agency (CFPA) Teleconference
Remarks
February 9, 2010**

At this point, no one disputes that predatory practices and unsafe products in the subprime mortgage market led to the near-collapse of our financial system.

From the 1st day I became attorney general, my consumer fraud bureau has been focused on protecting Illinois homeowners from unfair, deceptive and at times discriminatory mortgage lending practices that grew rampant over the last decade.

Since the late 1990s, my office, along with other state AG's, has investigated some of the largest subprime lenders in the county—including Household, Ameriquest, Countrywide, and Wells Fargo.

And, after uncovering and documenting their predatory lending practices, we've either sued or settled with them for putting people into loans that they didn't understand and they couldn't afford.

The states responded not just with lawsuits but also with laws to prevent lending abuses from continuing to happen to our residents.

Over the last decade, state attorneys general and state banking regulators were truly the only ones combating predatory lending and sounding the alarm about the oncoming crisis.

Meanwhile, federal regulators did nothing to prevent the collapse and in fact, they blocked state efforts to protect homeowners, even though federally regulated banks played a central role in creating the conditions for this crisis.

According to the Center for Public Integrity, large national banks and thrifts (and their affiliates) were the largest funding sources for nonprime mortgages between 2005 and 2007.

And yet the OCC, which oversees our nation's largest banks, pursued just 11 enforcement actions in the last 9 years.

By comparison, states brought close to 8,000 enforcement actions against mortgage lenders, banking regulators and brokers in 2008 alone.

Because federal regulators failed to respond to the impending crisis, American taxpayers—the same people who are losing their jobs and losing their homes—had to bail out the financial services industry to the tune of \$700 billion last year.

So, I think the need for a strong and independent Consumer Financial Protection Agency has never been more apparent.

Consumers are demanding, and they deserve, a federal regulator that protects *their* interests, instead of only protecting the banks' interests.

Amazingly, many of the lenders whose reckless actions caused the economic meltdown are now spending tens of millions of dollars to kill the Consumer Financial Protection Agency.

If the banks can't kill the CFPB, they've suggested housing it with one of the existing federal regulators, effectively doing away with the President's vision of an independent agency.

And I can tell you, that is a recipe for another disaster, because federal banking regulators have a dismal track record when it comes to protecting consumers and quite frankly our economy.

They have shown no interest in or ability to protect consumers in the past, so none of them should be entrusted with that crucial mission now.

The CFPB must be a stand-alone agency, with consumer protection as its sole mission.

In addition, limiting the ability of states to respond when our residents are being defrauded and harmed by financial institutions remains unacceptable.

State attorneys general need to have the authority to bring lawsuits and to pass tougher laws to stop abusive practices.

And on that topic I want to leave you with two points:

1) The final CFPA bill must allow all states to enforce the federal law against all lenders.

As we've seen, state enforcement is vital when federal regulators fail to act, as they did in the decade leading up to this crisis.

Further, the bill must not set up a regime where federal banking regulators are allowed to continue protecting lenders who violate the law and jeopardize our economy by deciding whether or not states can bring lawsuits.

They failed to do their job; we don't need them continuing to hamper ours.

2) The final bill must allow states to pass stronger legislation to protect our residents when there is a clear problem.

We at the state level can detect abusive new lending practices as they emerge and we can act more quickly to address them.

In 2006, we passed the Mortgage Rescue Fraud Act in Illinois; in 2007, we passed the Homeownership Preservation Act; and in 2008, we passed the Homeowners' Rights Act.

It is now 2010 and Congress is finally talking about protecting consumers from abuses in the financial services industry.

If we are going to recover fully from this crisis, we must restore responsibility and accountability to our financial system.

I believe that creating a strong and independent Consumer Financial Protection Agency is an essential part of that effort.

We must ensure that our financial system works in the interests of hard-working families and individuals, and not just those of the banks.

Thank you.