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MADIGAN, ATTORNEYS GENERAL CALL FOR FEDERAL CONSUMER FINANCIAL PROTECTION AGENCY

Advocate for Independent Agency to Protect Consumers from Excesses That Spurred Current Economic Crisis

Washington, D.C. — Attorney General Lisa Madigan today, joined by Attorneys General from around the country, called on the U.S. Senate to pass legislation being considered this week that would create an independent federal Consumer Financial Protection Agency (CFPA) tasked with promoting consumer interests and sound credit practices.

“More than a year has passed since American taxpayers had to put \$700 billion on the line to bail out the banks,” Madigan said. “And yet, average consumers continue to struggle. They’ve lost their jobs, their homes, and their faith in the financial system and our government. The Senate this week has the chance to restore some of that faith by supporting this legislation. Consumers deserve a strong federal regulator that will protect them, instead of looking out for the bailed-out banks.”

The CFPA would protect consumers by setting and enforcing national rules for the financial services industry. Overall, the new agency would consolidate authority in one place with the sole mission of protecting consumers. It would have broad authority over consumer financial products, including mortgages, credit cards and payday loans, and the power to enforce existing statutes and levy fines for violations.

“Of all the components of the proposed financial reform package, the CFPA would have the most immediate and beneficial impact on the lives of everyday Americans,” Madigan said. “A CFPA will ensure that every time a family takes out a loan—whether it’s for a home or a car or a financial emergency—they will be protected by basic rules of fair dealing.”

Madigan and the Attorneys General also argued that legislation establishing the consumer agency should explicitly preserve the authority of state regulators to enforce state consumer protection laws. To demonstrate the need to maintain strong state and local enforcement, Madigan cited the contrast between federal and state authorities’ efforts in 2008 to crack down on the mortgage industry. In just one year, state authorities brought close to 8,000 enforcement actions against unscrupulous mortgage lenders and brokers. In contrast, the federal Office of the Comptroller of the Currency, which oversees our nation’s largest banks, has pursued just 11 enforcement actions in the last 9 years.

“State enforcement is critical to helping rein in the banks’ abusive practices that have led to today’s economic crisis,” Madigan said. “We know from experience that consumers are much more likely to raise concerns with state and local law enforcement officials, who are better positioned on the frontlines to quickly identify and go after unfair practices. We must be allowed to continue investigating abusive practices by lenders who are doing business within our borders.”

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