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STATEMENT OF CONGRESSMAN BILL DELAHUNT

Financial Services, Full Committee Hearing.

Regulatory Restructuring: Enhancing Consumer Financial Products Regulation

June 24, 2009

First of all, I want to thank Chairman Frank for holding this important hearing on President Obama's plan for regulatory restructuring and for inviting me to testify today.

I am here to express my full support of President Obama's plan to rebuild the regulatory framework of our country's financial system and to speak specifically about a proposal Congressman Miller and I have worked on. I want to thank you for your interest in this proposal and allowing us to speak before you.

As we all have seen, it has been the systemic dismantling of our regulatory system that led to the meltdown of our financial system. While the crisis began on Wall Street, it quickly spread, taking a devastating toll on all Americans. American consumers and investors have lost trillions in investment income and home equity. Investors from around the world have lost confidence in our markets.

If we are to restore trust in our markets and to fulfill our obligations on behalf of the American people, then this Congress must work expeditiously to move the President's plan into law. Today's hearing is an important first step.

Let me speak to the proposed Financial Product Safety Commission. We envision it as a consumer "watchdog", charged with ensuring that the financial products sold to consumers are safe, responsible, accountable and transparent. The Commission idea was originally conceived by Harvard Law Professor Elizabeth Warren – who we all know and admire – is designed to give consumers much-needed protection from unscrupulous creditors and risky untested products.

There are currently ten federal regulators that have some degree of responsibility for protecting consumers from predatory or deceptive financial products, but none have oversight as their single, sole objective. As a result, debt instruments have become far riskier than in the past. We have witnessed an explosion in interest rates coupled with increasingly tricky credit charges including teaser rates, heightened imposition of fees,

cross-default clauses, penalty interest rates and double-cycle billing. Families have been steered, often deceptively, into over-priced credit products including credit cards, car loans and subprime mortgages.

As a result, Americans are overwhelmed with debt. These levels of personal debt have not only played a significant role in the financial crisis that engulfed our nation, it is a major impediment to a full economic recovery. Today, one in four families says they are worried about how they will pay their credit card bills each month and nearly half of all credit card holders have missed payments in the past year. There are 2.1 million families who have missed at least one mortgage payment and about one in seven families is dealing with a debt collector. Not surprisingly, since 2000, American families have filed nearly 10 million petitions for bankruptcy. Aside from the astonishing numbers, it is important that we recognize the enormous human cost associated with this rise in debt.

Like other government agencies, the Financial Product Safety Commission would seek to shield the consumer from unreasonable risk. The Commission would review financial products for safety; modify dangerous products before they hit the markets; establish guidelines for consumer disclosure; and collect and report data about the uses of different consumer loans.

Specifically, the Commission will aim to:

- reduce consumer risk in using financial products;
- coordinate enforcement with other federal and state regulators; and
- report to the public regarding the state of consumer financial product safety.

The Commission will fulfill these goals by:

- preventing predatory and deceptive financial practices;
- educating consumers about the responsible use of financial products and services;
- establishing a regulatory floor for consumer financial and credit products; and
- recommending the steps that should be taken to improve financial products for consumers.

The Financial Product Safety Commission will not only give consumers renewed faith in our credit system, but will also ensure that the mistakes of our past will not be repeated.

The Congress has tried to enact reforms in the past – but to no avail. In each case, proposed restrictions were beaten back by private industries and special interests. Frankly, Congress has let the American people down by failing to create prudent regulations to protect the consumer from outlandish financial products. As a result, we are left in our current situation with fractured oversight of the nation's financial markets.

The Financial Product Safety Commission will change that. I believe this bill is the first step in making things right and beginning a new way of doing business and getting safe credit in America. The Financial Product Safety Commission will stimulate the markets and spur investment. With the knowledge that the credit products they are buying are safe, consumers will once again be able to enter the credit markets with confidence.

Credit helps make people's dreams come true. With it consumers can buy homes, cars and pay for a college education. When seeking a loan, however, consumers shouldn't have to understand the complicated nuances of sophisticated financial instruments – just as they don't need to understand how a toaster works or how drug interactions happen in their body. Like with other products that are crucial to a healthy life like food and medicine, consumers shouldn't have to worry whether they are being fooled or tricked into buying a subpar product. By alleviating Americans of this burden, we can help consumers again borrow with confidence, secure in the government's ability to protect them from fraudulent, unsafe products.

I am very pleased that the President has included the FPSC as a component of his plan for regulatory reform. I look forward to working with my colleagues – on both sides of the aisle – in efforts to shepherd this important proposal through the legislative process in the months ahead.