

The Dodd-Frank Wall Street Reform and Consumer Protection Act Brings the Strongest Consumer Financial Protections in History

“From now on, every American will be empowered with the clear and concise information you need to make the financial decisions that are best for you. This bill will crack down on abusive practices and unscrupulous mortgage lenders. It will reinforce the new credit card law we passed banning unfair rate hikes, and ensure that folks aren’t unwittingly caught by overdraft fees when they sign up for a checking account. It will give students who take out college loans clear information and make sure lenders don’t cheat the system. And it will ensure that every American receives a free credit score if they are denied a loan or insurance because of that score. All told, this reform puts in place the strongest consumer financial protections in history, and it creates a new consumer watchdog to enforce those protections.”

– President Obama, July 15, 2010

Promoting Transparency, Consistency, Accountability, and Fairness

- **Transparency:** The Wall Street Reform and Consumer Protection Act requires clear, plain language disclosures that will give families the information they need to comparison shop for consumer financial products and services that best meet their needs.
- **Consistency:** Financial reform provides consistent rules that apply across the marketplace. Consumers will receive strong protections regardless of whether they deal with a bank or a nonbank financial company.
- **Accountability:** In the past, responsibility for consumer financial protection was split among seven agencies, making it difficult for Americans to hold any one agency accountable. Now it is clear who is responsible because the Dodd-Frank Wall Street Reform and Consumer Protection Act consolidates most consumer financial protection authority under one roof – the Consumer Financial Protection Bureau (CFPB).
- **Fairness:** New rules will protect families from unfair, deceptive and abusive practices in the offering or provision of consumer financial products and services. Families will have fair and nondiscriminatory access to credit, because fair lending laws will be actively enforced.

Protecting Families from Abusive Consumer Financial Practices

- **Mortgages:** The piles of forms needed for a regular mortgage can be overwhelming, and many brokers have taken advantage of that confusion to give borrowers loans they didn’t need or couldn’t afford. The CFPB will take steps to combine and simplify two overlapping Federal mortgage forms. It will, for the first time, provide Federal oversight of both nonbank companies and banks in the mortgage market and protect borrowers from unfair, deceptive or other illegal mortgage lending practices.
- **Credit cards:** The CFPB will actively enforce the new credit card law signed by President Obama that bans rate hikes on existing balances and other unfair practices.
- **Overdrafts:** Many consumers have been hit with large and unexpected overdraft fees from their checking account – as much as \$39 for a \$2 cup of coffee. The CFPB will enforce rules that give consumers a real choice of whether to join expensive overdraft programs.
- **The shadow banking system:** For the first time, the Federal government will carefully monitor nonbank financial companies such as payday lenders, check cashers, money transmitters, credit bureaus, debt collectors, private student lenders, and mortgage lenders to make sure they are following the law. The CFPB will be able to write and enforce rules to combat abusive and predatory practices that harm consumers, helping families avoid hidden fees.

Ending the Mortgage Lending Practices that Helped Create the Financial Crisis

- **Mortgage originator payments:** Brokers and bankers will no longer be paid more for “steering” borrowers into higher cost loans than they otherwise qualify for.
- **“No doc” loans:** Mortgage lenders will be required to document and verify a borrower’s income or assets before making a loan, to ensure that the borrower can afford to repay it.
- **Prepayment penalties:** Prepayment penalties, which lock families into loans and often prevent refinancing into lower rate loans, will be banned for certain types of complex mortgages.
- **Risk retention:** Firms that buy mortgages and package them into securities will have an incentive to buy loans that borrowers can afford to repay, because they will have to keep skin in the game.

Ensuring Quick and Effective Responses to American Families

- **One place for consumers to bring complaints:** The CFPB will create a nationwide toll-free hotline and website for consumer complaints about abusive business practices relating to consumer financial products and services.
- **Rapid response:** In the past, Congress and regulators took too long to crack down on abuses. Now, the Federal government – through the CFPB – will have the authority and flexibility to respond quickly when unscrupulous lenders invent new ways to mislead their customers in the offering or provision of loans.

Providing Strong New Protections for Families that Invest for Retirement

- **Duty to act in individual investors’ best interests:** The Wall Street Reform and Consumer Protection Act authorizes the Securities and Exchange Commission to require brokers offering investment advice to act in the best interests of individual consumers, rather than in their own financial interests, just as investment advisers must today.
- **Better disclosure for mutual funds:** The Act requires mutual funds to disclose costs and risk factors to investors prior to selling a product, instead of after it is purchased.

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