



**DEPARTMENT OF THE TREASURY**  
WASHINGTON, D.C. 20220

March 1, 2011

The Honorable Shelley Moore Capito  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Carolyn B. Maloney  
U.S. House of Representatives  
Washington, DC 20515

Dear Chairman Capito and Ranking Member Maloney:

Tomorrow, the House Subcommittee on Financial Institutions and Consumer Credit will hold a hearing on “The Effect of Dodd-Frank on Small Financial Institutions and Small Businesses.” I thought it might be helpful to provide you with an update on our work standing up the Consumer Financial Protection Bureau (CFPB) established under the Dodd-Frank Act and how we have proceeded with small businesses foremost in mind.

In particular, I would like to highlight three points. First, the CFPB has made engagement with small businesses one of its top priorities. Second, the CFPB will promote transparency in the credit markets, which will help level the playing field between large and small financial institutions – an outcome that will also benefit consumers. Third, the CFPB will continue to assess how our actions will affect small businesses moving forward.

I have reached out to small businesses since my very first day with the CFPB implementation team, when I met with community bankers from my home state of Oklahoma. Since then, I have met or spoken with community bankers from nearly 40 states. We have also actively reached out to credit unions, and just this morning I spoke to the Credit Union National Association.

We have worked hard to build outreach to small providers into this new agency’s DNA. Whether in Washington or outside the Beltway, we aim to maintain an ongoing conversation with these companies to ensure that they are included from the beginning in all initiatives. One of our early senior hiring announcements was for an Assistant Director for Community Banks and Credit Unions, and we’ve taken every opportunity to let small companies know that this office is open to them.

Our interactions with small financial services providers have had real impact on the work we are doing. We’ve heard about duplicative and complicated paperwork and how often these small companies need to take employees away from serving customers in order to fill out more forms. We’ve heard about the high cost of regulatory compliance. We’ve heard about how hard it can be to determine what is required by unclear or duplicative regulations. We’ve heard a lot of frustration and deep concern over the future of small financial services providers.

Small businesses tend to build their businesses on long-term customer relationships. They worry about dissatisfied customers and reputational damage. But the small service providers with whom I have spoken must compete with lenders who have sometimes been less reluctant to use unscrupulous practices. When small businesses that make the true cost of their loans clear up front have to compete with lenders that use pricing tricks, the small businesses' offerings seem more expensive, and customers gravitate toward the less transparent credit products. This makes it almost impossible for good competitors to beat out bad ones, which is a serious problem in any market. Competition should revolve around who makes the best products at the best price, rather than who can conceal costs from consumers most effectively.

The CFPB is seeking to repair the market by introducing transparency across the board, which will enable consumers to comparison-shop and will permit small businesses to win customers through their better products. We believe in markets, but we know that markets work only when people can see the prices and risks up front and make apples-to-apples comparisons among products. We want consumers to have the information they need – upfront, not buried in the fine print – to make the choices that are best for them about mortgages, credit cards, and other financial products and services. This is a market that will allow small businesses to compete.

Small financial institutions are vitally important to this country's economy. They are a critical growth engine for our larger economy and an essential source of financial services for many consumers. This country needs a robust, diversified consumer financial services industry.

We are also in the process of making certain that small business concerns are factored into our processes moving forward. In particular, as required by the Dodd-Frank Act, we are laying the groundwork to ensure that Small Business Regulatory Enforcement Fairness Act (SBREFA) panels are an important component of the CFPB's broader ongoing efforts to assess the effectiveness and impact of its regulatory proposals.

In January, I traveled to Maine at the invitation of Senator Olympia Snowe to meet with groups of community bankers and small businesses and also to discuss our implementation of SBREFA panels. As you know, Senator Snowe co-authored the amendment to the Dodd-Frank Act that provides for these panels, and I have benefitted greatly from her past and continued guidance in this process.

I look forward to speaking with you in the weeks and months ahead so that I can learn from your experiences and incorporate your advice in the work of the CFPB.

Sincerely,

A handwritten signature in black ink, appearing to read "E. Warren", with a long horizontal flourish extending to the right.

Elizabeth Warren