

Obama plan won't vacation

In the closing weeks of July, House Financial Services Committee Chairman Barney Frank tipped his hat to the industry by acknowledging at a press conference that the strength of the banking industry's opposition to the proposed Consumer Financial Protection Agency, a major component of the Obama Administration's massive regulatory restructuring plan, had surprised him. He postponed markup of the CFPA legislation until September, in part to allow supporters of the new agency time to counter bankers' strong objections.

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- The industry, led by ABA and the state associations, moved quickly after having been regarded by many as the underdog in this fight.

Round one to the bankers.

Round two, however, is not in September. It's right now—during the August break. In fact, as you read this, there are only a few weeks left.

Chairman Frank is a formidable player in this high-stakes contest. He is intelligent, very knowledgeable about financial services, well-respected on the Hill by all sides, and, as he has shown already, willing to get out of step with the Administration on things he thinks don't make sense. On the latter point the industry has been pleased with his support of preserving the thrift charter, among other issues. Even with the CFPA, Frank remarked recently regarding the plan to have the agency design "plain vanilla" financial products that financial institutions must offer, "I don't think you can force people to offer such products. That's good news.

But he still strongly supports the creation of the new agency, and essentially issued the industry a challenge at his July press conference. As mentioned in Briefing, page 5, Frank said, "I accept the fact that they [banks] want to have a big national debate over this, so that's what we are going to have. I welcome a national debate. Frankly, if I were the bankers, I would not invite a debate over whether or not I'd been all that great in the consumer area."

No one on the ABA government relations staff underestimates Chairman Frank. Neither should any banker. To stave off what the industry believes would be a huge policy mistake, each banker has to jump into the ring on this one—RIGHT NOW—in Round Two. There might not be a Round Three, otherwise.

The whole issue is fast moving and continually shifting, so it would be wise to check the ABA website (www.aba.com) for the latest developments. Also, check in with your state bankers association. The state groups are in constant touch with ABA on all aspects of the regulatory reform proposal. Check ababj.com, as well, which we frequently update with new content related to the reform proposals.

To us, creating yet another bank regulatory agency makes no sense. The Treasury has acknowledged that by far the most abusive practices that led to the subprime mortgage collapse occurred outside the regulated banking industry. So why create a new agency with a heavy focus on regulated institutions? If nonbank players were the problem, which they were, then why not create regulations for them?

And if any regulated banks and thrifts skated close to the edge, and the banking regulators missed it, wouldn't it make more sense to adjust the existing structure or policies rather than ripping out the whole consumer regulatory apparatus—in place for decades—and transferring it elsewhere?