

# U.S. DEPARTMENT OF THE TREASURY

## Press Center



## Remarks by Special Advisor to the Secretary of the Treasury on the CFPB Elizabeth Warren to the National Association of Attorneys General

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### *As Prepared for Delivery*

Thank you, Roy, for that introduction, and thank you to NAAG for inviting me to speak with you about the Consumer Financial Protection Bureau. Last fall in Florida, I had the chance to meet many of you. I appreciated the good conversation, the thoughtful ideas, and the good food – so I'm back for more.

Just last month, Rich Cordray, the former Ohio Attorney General and now the CFPB's Assistant Director for Enforcement, spoke with you at NAAG's 2011 spring meeting. He discussed the five main objectives that Congress set for the consumer bureau. Rich usually heads in smart directions, so I thought I'd follow his lead and pick up where he left off by discussing in greater detail how the CFPB can continue to work with the attorneys general to accomplish those objectives.

Our mission is simple: Make the consumer financial markets work for American families. As Rich discussed last month, we're taking a two-pronged approach to fixing these broken markets.

First, the consumer bureau is working to make it easier for a family to see the costs and risks of a product up front, not buried somewhere among pages and pages of fine print. We believe consumers should be able to compare one product to two or three others. Where regulations are outdated, unnecessary, or provide little or no benefit to consumers, the consumer bureau can streamline the rules. Where regulations allow consumers to fall through the cracks, or businesses to gain unfair advantage, the CFPB can plug those holes to protect consumers and to level the playing field.

Second, the consumer bureau will help enforce the law. Let me say that again: The consumer bureau will help enforce the law. I emphasize this second point because I think everyone in this room is aware of the deep structural problems that impeded both state and federal cooperation and effective federal enforcement of consumer protection laws in the years leading up to the 2008 financial crisis.

Under the Dodd-Frank Act, federal authority to enforce the laws for most of the consumer financial marketplace will soon be consolidated into one agency: the CFPB. Because of that consolidation, there will now be an agency that is fully accountable for getting the job done. And because we will be accountable, we plan to put in place a rigorous program of consumer compliance supervision coupled with strong enough enforcement to ensure compliance. Law enforcement will be foundational to our success.

We believe that Congress is behind us on this mission. As part of Dodd-Frank, non-bank mortgage lenders and payday lenders will be subject to significant federal law enforcement for the first time ever. As a result, we can eliminate the sort of patchwork of rules and enforcement that permitted some lenders to hit-and-run as they shifted locations and charters. Now we will have the tools to deal effectively with some of the worst abuses. On the issue of law enforcement, we are putting our money where our mouth is. We are planning for more than half of the consumer bureau's resources to be devoted to ensuring consistent compliance with the law.

Even with these new federal resources, I don't need to tell you that our mission will be a substantial undertaking. This is why we view the state attorneys general as indispensable partners to the task at hand. You have been on the front-lines in so many areas, and surely since 2008, your skills and experience are needed more than ever.

Attorneys general are natural partners for the CFPB in our enforcement work, just as state banking supervisors are natural partners in our supervision work. Indeed, you are indispensable partners. You are the states' chief law enforcement officers. You are also on the front lines of consumer protection, and you are intimately familiar with the range of problems that hit American families the hardest. You have a valuable vantage point from which to see and understand problems in the marketplace. None of us should ever forget that attorneys general were among the first to sound the alarms that foreclosure processes were riddled with flaws – long before the stories of robo-signing and false affidavits began to appear in headlines across the country, and even longer before the nation's chief banking regulator concluded that the practices violated both state and local laws and damaged the mortgage market and the larger economy.

Collaboration between the CFPB and the attorneys general offers tremendous promise. By working together, we can make the whole greater than the sum of our parts. In the Dodd-Frank Act, Congress authorized attorneys general to enforce certain regulations that the CFPB writes, and in many cases to enforce our statute directly. These provisions are critical. While the value of shared law enforcement goals between federal and state officials is obvious to many of us in this room, we also know that federal banking regulators often have acted at cross-purposes with the attorneys general and state regulators in the past. We look forward to our close working relationship yielding the best results for American families and the marketplace.

Moving forward, consistent and effective enforcement of consumer financial laws will require our sustained collaboration. That is why we are already trying to determine how the CFPB can be a resource for you. If we can coordinate our resources and knowledge, we can get the most from our efforts. And if we take seriously our responsibility to ensure that our rules will be interpreted consistently across all relevant state and federal supervisory and enforcement agencies, we can protect consumers as efficiently and effectively as possible and can ensure fair and consistent enforcement of the law.

If we get this right, I anticipate that our cooperation will have a profound effect on the consumer financial markets. Together, we can pose a greater deterrent to unscrupulous financial services providers. We can protect more consumers, and we can ensure that more institutions follow the rules. I often refer to the consumer agency as a new "cop on the beat." We are glad to join you, knowing that every day, you and your teams are walking that beat on behalf of the families you serve.

Attorneys general have made clear that looking out for consumers does not reduce the freedom or effectiveness of markets; rather, it permits honest competition to flourish. In the competitive marketplace, honest businesses should not be placed at a disadvantage because they follow the rules, while dishonest businesses are free to engage in unscrupulous practices. Fair and consistent enforcement ensures that competition can thrive.

In other words, ensuring compliance with the law through supervision and enforcement makes markets work better.

Rich Cordray understands this well and that's why he was one of the CFPB's very first senior hires. His earlier experiences enforcing the laws around foreclosure fraud and mortgage lending are representative of the important role that state attorneys general play. Rich's experiences also give him the knowledge base needed to build a partnership with you that will allow the consumer bureau to fulfill its mission.

The new consumer agency is not yet fully operational, but we already have taken steps to turn our partnership into a reality. The CFPB and the NAAG Presidential Initiative Working Group have prepared a Joint Statement of Principles, and I am pleased to report that this joint statement has been adopted. Our hard work is already taking tangible form.

Lasting relationships are built on strong foundations. We developed this statement together to articulate the principles of our shared goals. Our objectives are clearly stated and our plans are unmistakable. Together, we want to protect consumers from unlawful acts or practices. We want to provide clear rules that improve the marketplace for consumers and remove unfair competition for the benefit of law-abiding businesses. And we want to find ways to address concerns raised by consumers about financial products or services as efficiently and effectively as possible.

In our joint statement, we have laid out some principles to help us achieve these objectives. Together, we will develop joint training programs, and we will share information on developments in federal and state laws. We are setting up ways to communicate with each other what we learn every step of the way. To make certain that the CFPB is complementing, rather than duplicating, your efforts, we will engage in regular consultation to identify mutual enforcement priorities. We also hope to support each other, when it is appropriate, in enforcement actions, and to work together to prevent evasions of the law. We will coordinate to foster transparency, competition, and fairness in the markets. And we will coordinate collecting, investigating, and responding to consumer complaints. This will give us the opportunity to work together to develop protocols, processes, and procedures that will ensure we route complaints and information to the appropriate recipients. It is a lot about process, but it is good, solid process that can help us do our jobs as partners.

Our joint statement represents our collaboration, but even in this warm moment, I want you to know that the consumer bureau has no plans to overstep its welcome. We know that communication and collaboration do not always lead to agreement. You are independent state officials, and you are accountable to the people of your state. You enforce the laws of the state in the way that your individual state legislature intends for you to enforce them. You make your own decisions. We would not presume otherwise. But even when we might disagree, we believe that our relationship can still be productive. Maybe we will have some ideas and approaches that you will want to use. I sure hope so. But I am absolutely certain that this new agency can learn from every one of you – and that's why I hope we will keep those lines open all the time.

In the wake of the financial crisis of 2008, Congress created the consumer bureau so that there would be an agency in Washington that has consumer financial protection as its top priority. This is a welcome change from the time when consumer financial protection too often fell below other priorities.

We follow in a proud tradition: The state attorneys general have stood up for American families for decades, even centuries. In the run up to this terrible crisis, many attorneys general tried hard to protect the citizens of their states from a financial system that was promoting dangerous and deceptive products. But failures at the federal level left open loopholes and hamstrung the actions of state law enforcement. As a result, millions of families were hurt.

Too many families were steered into mortgages they could never hope to pay back. Too many consumers who worked hard and played by the rules were caught by surprise fees and interest rate re-pricing that turned family budgets upside down. What was the result of all those families falling through the cracks? Record postings for defaults, foreclosure, and bankruptcy filings, trillions lost in retirement savings, and an economy that teetered on the brink of collapse.

We can never forget that the economic crisis began one lousy mortgage at a time. And once it took hold, it brought down not only those who were directly snared in high-cost mortgages, but also those who lived next door, those who lost jobs, and those who watched their once-safe investments disappear.

This was a preventable crisis. If there had been stronger rules and consistent enforcement, we would not have fed into the system the raw material that became toxic assets that nearly brought us to our knees. Working together with you, "the people's lawyers" across our nation, I am convinced that we can do better. We can show families all around the country that, when they play by the rules, there's someone making sure the lenders they are doing business with are playing by the rules, too. That's good for families, good for honest businesses, and good for our entire economy.

Thank you for all you do for America's families, and thank you for forming this partnership with the new consumer agency so that, together, we can all do more.