

The Consumer Financial Protection Agency: Wrong for Small Businesses and Consumers

- **CFPA is the wrong approach to consumer protection.**

Congress needs a new approach that will protect consumers *and* the economy.

- **The CFPA would regulate nonfinancial businesses that had nothing to do with the financial crisis or the consumers that were harmed.**

Ill-defined terms, vague regulatory standards and an unprecedented regulatory overreach leave many small businesses subject to CFPA regulation. These are businesses that don't offer financial products to consumers, but could be subject to CFPA regulation because they provide goods and services to financial firms, or because of the way they manage their billing process. These are small businesses that are already suffering under the consequences of the financial crisis; they shouldn't have to pay for it twice through an overreaching government response that will subject them to new and onerous regulations.

- **The bill takes a one-size-fits-all approach that ignores the differences between small business owners and consumers.**

Particularly in tight credit markets, small business owners may supplement inadequate commercial credit through consumer credit products, such as personal credit cards, home equity lines of credit, and even title loans. If the CFPA bans or restricts access to certain financial products deemed "too risky" for consumers – it will deny informed and

sophisticated small business owners access to those products that they rely on for short term capital needs and use differently than consumers.

- **The CFPA would subject businesses to a complex and confusing maze of regulations and liability.**

The bill would expose small business owners to a vast and confusing new regulatory maze. Rather than a uniform national standard, the CFPA sets the floor, not the ceiling for consumer protection mandates. This means the CFPA (under federal law) and each state regulator (under its state law) would adopt their own sets of rules – and businesses would have to comply with all of them. Also, each state regulator could adopt its own interpretation of the CFPA. Companies and their customers would be lost in a maze of overlapping and conflicting mandates. In addition, the bill gives State Attorneys General the ability to take action against businesses claimed to have violated the State’s interpretation of vague federal law standards or of the CFPA’s regulations – a responsibility that can be outsourced to the trial bar by State AGs.

- **The CFPA Would Restrict Access to Credit for Small Businesses and Consumers at Exactly the Wrong Time.**

For the reasons stated above, the CFPA creates significant disincentives and makes it much more expensive for financial institutions, particularly smaller institutions, to lend. This will result in reduced access to credit, and bring a higher price to the credit products that are available. In addition, the CFPA would have the authority to prohibit certain products, require only “safe” products, and ultimately limit small business owners’ -- and their customers’ -- options and choice among financial products.