

Testimony of Richard Cordray
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Before the House Financial Services Committee
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Chairman Hensarling, Ranking Member Waters, and Members of the Committee, thank you for the opportunity to testify today. I am glad to work with you to strengthen our financial system.

As we are all aware, just a few years ago disruptions in the housing market preceded a financial crisis that caused significant damage to our people and our economy. The ensuing deep recession caused millions of Americans to lose their jobs and millions of families to lose their homes. Many saw their retirement savings diminished as Americans lost trillions of dollars in household wealth. Severe deficiencies in the loans supporting mortgage-backed securities, in particular, shocked and upended the financial system.

In the aftermath of the crisis, Congress passed financial reform legislation to address the problems that led to the crisis and help ensure they would not happen again. Among the steps taken were the creation of the Financial Stability Oversight Council and the Consumer Financial Protection Bureau.

The creation of the FSOC provides, for the first time, a means of comprehensively monitoring the stability of our nation's financial system. Prior to the crisis, the U.S. financial regulatory framework focused more on individual institutions and markets in isolation from one another. No one regulatory body was responsible for monitoring and addressing overall risks to financial stability, which too often involve different types of financial firms operating in complex and intertwined ways across multiple markets. The potential for supervisory and regulatory gaps were viewed as creating blind spots in important parts of the financial system.

After the crisis, Congress recognized the need for a mechanism to bring financial regulators together to monitor the financial system, share information and expertise, and coordinate their regulatory efforts to respond effectively to emerging threats to financial stability. One approach that Congress specified to address these issues was to designate certain financial institutions and financial market utilities as systemically important to the stability of the U.S. financial system, for the purposes of applying enhanced prudential standards and supervision.

As you know, the FSOC includes the Consumer Bureau, which is the first federal agency solely focused on protecting consumers in the financial marketplace. Products such as mortgages and credit cards are involved in some of the most important financial transactions in people's lives. These products are often funded through complex financial markets, and they may constitute the underlying assets for more complex and highly leveraged securities. As the crisis made clear, financial stability, market discipline, and consumer protections are closely interrelated.

Part of the mission of the Consumer Bureau therefore is to help ensure that the recent economic meltdown is not repeated. The practices that led to the financial crisis are inconsistent with the principles of fairness, transparency, and competitiveness in markets. We are exercising the authority Congress gave us to ensure balanced oversight and prevent harmful practices in

consumer financial markets. When honest and innovative businesses can succeed on their merits, fair competition drives growth and progress and the entire financial system rests on stronger and sturdier foundations.

As the Director of the Consumer Bureau, I look forward to continuing to fulfill Congress's vision for our agency and my role on the FSOC. All of us here today are working together to identify risks to financial stability, promote market discipline, and respond to emerging threats to the stability of the financial system. All of this work should help us better avoid the problems that so nearly caused this country to face economic collapse.

Thank you for the opportunity to testify today. I look forward to your questions.