

Congress Moves Closer to Final Financial Reform Bill

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A conference committee comprised of members from both chambers of Congress has been meeting for the past two weeks to address differences between the House and Senate versions of financial reform legislation, with the [Senate bill](#) serving as the base text. Negotiators are trying to wrap up deliberations today in hopes of passing a final bill before the July 4 recess. This [Reuters piece](#) provides a summary of some of certain elements of the bill and how they are being addressed in conference. While some broad components have been resolved, several critical details regarding consumer financial protection remain unsettled.

Earlier this week the conferees reached agreement to accept the Senate bill's proposal to place a new financial reform regulator within the Federal Reserve Board, as opposed to creating a new stand-alone Consumer Financial Protection Agency envisioned by the House bill. Many congressional leaders have been critical of the Fed's role in consumer protection leading up to the financial crisis. The new regulator, however, would function independent of the Fed management.

While this agreement was a necessary first step in the negotiations, the scope of the consumer protection authority is still being defined. For example, no agreement has yet been reached on whether or not auto dealers should be exempt from the new regulator's oversight. The bill passed by the House exempted auto dealers but the Senate bill did not. The Senate conferees were asked by their chamber to pursue an exemption in conference negotiations. In doing so, Senate representatives have [suggested exempting auto dealers](#) from direct supervision by the new consumer regulator, but allowing the Federal Reserve to oversee such auto dealers with regard to truth-in-lending laws. Auto dealers, like GMAC, that provide their own financing would remain under the supervision of the new consumer regulator.

The fate of other non-traditional consumer financial service providers also has yet to be decided. The Senate conferees, in rejecting House proposals, have offered language to subject pawnbrokers and employee benefit plans to consumer regulatory oversight, while excluding payday lenders and check cashing agencies.

Finally, [negotiations continue regarding the power of the FTC](#). The House asked to remove existing requirements that the FTC provide notice to Congress and develop evidence in advance of proposing new rules governing unfair and deceptive trade practices. The House proposal would allow the FTC to operate under the standard Administrative Procedures Act processes that employ a notice and comment rulemaking. Senate negotiators rejected that House proposed language, which also would: 1) give the FTC authority to issue civil penalties for unfair and deceptive trade practices without involving the DOJ; and 2) allow the FTC to act against third parties found to be assisting in unfair practices. No final agreement had been reached as of this writing.

The conferees have addressed many other provisions of the bill. A [full rundown](#) of the offers and agreements by title is provided by the Senate Banking Committee.