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OCC Again Chooses Interests of Banks Over Consumers and States

Consumer, Civil Rights Groups Attack New Proposed Rule Preempting State Consumer Protection Laws

WASHINGTON, DC—A broad coalition of more than 250 consumer advocacy and civil rights groups are protesting yesterday's announcement by the Office of the Comptroller of the Currency (OCC) that it will largely ignore a key mandate of the Dodd-Frank Wall Street Reform Act passed by Congress last year in response to the financial scandals that brought on the worst economic downturn since the Great Depression. Instead, the OCC will continue to give national banks a blank check to violate state rules against unfair and predatory practices.

“As the current financial crisis so painfully demonstrates, the entire economy is at risk when unfair and predatory banking practices receive immunity from state consumer protection rules,” said Lauren Saunders, Managing Attorney for the National Consumer Law Center. “As one example, states attempted to curtail abuses in the mortgage markets, but they were halted in their tracks by the OCC. The Wall Street Reform Act told the OCC to stop standing in the way of laws that stop unfair and abusive practices, but in this proposed rule the OCC ignores that clear direction, and lays out plans to continue business as usual.”

The OCC is the federal agency that regulates national banks. In 2004, it issued a series of sweeping regulations that preempted state consumer protection laws in the areas of mortgages, credit cards, overdraft fees, and other financial areas. In the Dodd-Frank Wall Street Reform and Consumer Protection Act, Congress effectively overturned the 2004 regulation for new mortgages and other products, and imposed strict new standards on when the OCC can preempt state laws. Yesterday, the OCC proposed to make only superficial changes to the 2004 regulation while continuing to give national banks immunity to violate state laws. The OCC did implement other parts of Dodd-Frank that eliminated preemption for bank subsidiaries and permit states to enforce nonpreempted laws.

“The OCC's failure of oversight over the mortgage market was a significant cause of the financial crisis,” said Lisa Donner, Executive Director of Americans for Financial Reform. “It is deeply troubling that it appears to have learned nothing from this crisis, and wants to continue to put consumers in the back seat behind a narrow short term view of bank profits.”

The new U.S. Consumer Financial Protection Bureau, which begins work in July, will have the ability to enact new federal consumer protection rules, but “we still need the states to act as ‘first responders’ to stop new bank abuses while they are small and local, before they spread and become a national problem,” said Ed Mierzwinski, Consumer Program Director, U.S. PIRG.

AFR is a coalition of over 250 national, state, and local groups who have come together to advocate for reform of the financial industry. Members of the AFR include consumer, civil rights, investor, retiree, community, labor, religious and business groups along with prominent economists and other experts.