

Tool for today's economy: An independent consumer financial protection agency

Written by Charlene Crowell, NNPA Financial Writer
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(NNPA) - For most Americans, the Better Business Bureau (BBB) is the private sector's gold-standard of objectivity and fairness. Founded in 1912, this nonprofit organization today has 123 offices in the United States and Canada that monitor more than four million local and national businesses and charities.

So when this advocate for fairness and transparency issues a written warning against deceitful activity, it is time to take note. After receiving a deluge of complaints, the BBB recently told buyers to beware. The warning also came following an independent investigation and lawsuit by the West Virginia Attorney General.

The culprit: online payday loans.

According to Stephen A. Cox, President and CEO of the Council of Better Business Bureaus, "Desperate times are leading people to the Internet to apply for payday loans and many are falling deeper into debt after getting tangled up with a lender who has zero regard for the law."

As with traditional payday store loans, online payday lenders quickly give consumers a painful lesson. These consumers also quickly find out that what was intended to be a small, one-time loan turns on a debt spigot that is far more difficult to turn off. Often operating without state licenses and with no geographic boundaries, online lenders are given access and information on borrower bank accounts that siphon off funds with each lending cycle, leaving fewer available funds and no legal protections under state laws. Funds deducted from most bank accounts wind up paying fees and interest -- but not the principal borrowed.

Ironically, the consumer alert issued by the BBB came during the annual observance of National Consumer Protection Week, March 1-7. When President Barack Obama signed the proclamation on February 27, he said in part, "Consumers should know their rights and should learn about goods and services before they buy."

From the perspective of many consumer groups, including the Center for Responsible Lending, becoming an informed consumer is just not enough. The plague of financial problems that today affect families, governments, and businesses alike is a systemic ill fueled by inherently unfair and irresponsible financial practices, made worse by the deceptive way products are marketed. Scant regulation and enforcement, more than uninformed consumers, are the twin reasons for the myriad of problems incurred from payday loans, credit cards, overdraft fees, and toxic mortgages.

Late last year, the U.S. House of Representatives passed legislation to create a new and independent Consumer Financial Protection Agency (CFPA). For several months, the measure has lingered in the U.S. Senate Banking Committee, whose members bicker over the need to create a new federal agency while stooping to partisan threats of filibuster.

So while America's people are resorting to desperate measures, like online payday loans to sort through their own financial wreckage, Capitol Hill has yet to demonstrate a sense of urgency that could provide solutions in proportion to the real problems people suffer -- like depleted family finances or lack of health care.

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The theme of this year's national consumer observance is "Nuts and Bolts: Tools for Today's Economy". It seems that an effective federal regulator, like a CFPA, could be the 'tool' America needs.

Charlene Crowell is the Center for Responsible Lending's Communications Manager for State Policy and Outreach. She can be reached at Charlene.crowell@responsiblelending.org.