Rebalancing Consumer Protection in the Trump Era

By Ingo Walter

Before and after enactment of the Dodd-Frank legislation in 2010, concerns were raised that consumers often lacked the knowledge to evaluate and make informed decisions about important and sometimes complex financial services. Today, households are mostly on their own when it comes to home mortgages, car loans, asset management, retirement planning, household credit, and many more such services including life and nonlife insurance to keep a family secure. At the same time, some financial products have become more complex and less transparent—with a bewildering array of options to wade through.

Although Dodd-Frank was mainly about financial stability and systemic risk, it did include the creation of the Consumer Financial Protection Bureau (CFPB), an independent unit within the Federal Reserve System. In an effort to aid consumers in understanding relevant financial information and to shield them from abuse, deception, and fraud, the CFPB was formed to ensure that disclosures for financial products were easy to understand and reflected in the associated financial contracts.

The Financial CHOICE Act seeks to pare-away some of the Dodd-Frank provisions considered superfluous or counterproductive, and to increase the accountability and budgeting process of the CFPB in order to align it with governance of other important Federal agencies—all while increasing its accountability to elected officials. In this essay, we discuss the two major themes in this proposed CFPB revision: (i) governance and accountability and (ii) consumer choice and cost.

We conclude that the CFPB should move away from product bans - as recommended in the CHOICE Act - while retaining its authority to protect consumers. We believe that the CHOICE Act, as proposed, would result in limiting the flow and public dissemination of information to consumers and impede sensible financial decisions on the part of US households.