

Wisconsin Public Interest Research Group: WI members of congress move to dismantle Dodd-Frank, predatory lending protections

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The Financial CHOICE Act is a Cruel Choice for Wisconsin Consumers, Students
MADISON – A wave of attacks on consumer protections and financial regulation is coming through Congress this week, some led by Wisconsin legislators. Consumer advocates and faith leaders highlighted the impacts these attacks would have on Wisconsinites, should they move forward.

On Wednesday, the House Financial Services Committee will hold a hearing on the so-called Financial CHOICE Act. Under the guise of returning “freedom” and “choice” to financial markets, this sweeping proposal to undo the 2010 Dodd-Frank Wall Street Reform Act takes aim at consumer protections put in place after reckless bank practices and regulatory failures led to the 2008 financial collapse. The Great Recession that followed caused millions of people to lose their homes, their jobs and their savings. In particular, the CHOICE Act would gut the federal Consumer Financial Protection Bureau (CFPB), a centerpiece of Dodd-Frank. Congressman Sean Duffy (WI-7) has strongly supported previous versions of the bill, and Senator Ron Johnson has sponsored additional legislation to dismantle the CFPB.

“It’s shocking that a bill like this is being seriously considered just nine years after the second-worst financial collapse in our nation’s history,” said Peter Skopec, Director at WISPIRG. “If the CHOICE Act passes, the consequences for millions of people could be devastating. This reckless piece of legislation makes the wrong

choice for consumers and the economy, and it would embolden corporate wrongdoers and predatory lenders.”

Since opening its doors in 2011, the Consumer Bureau has brought \$11.8 billion in refunds and relief to 29 million people who have been wronged by financial institutions and predatory lenders. The CFPB also operates special offices to protect veterans, students and seniors from financial abuse.

“The Consumer Financial Protection Bureau is an incredible resource and advocate for student loan borrowers,” said Analiese Eicher, Program Director at One Wisconsin Institute. “That Representative Duffy and Senator Johnson want to take those protections away from student loan borrowers, and that the house is holding a hearing on dismantling the CFPB the day after the 5th anniversary of student loan debt in America topping \$1 trillion, is beyond disappointing.”

The Consumer Bureau’s [latest monthly complaints report](#), released today, shows a critical need to better protect students and student loan borrowers. The report finds that Wisconsin’s complaints about student loan companies have surged by 160 percent over the last year. 49 of 50 states saw complaint increases of 50 percent or more. In January, the Bureau sued Navient (formerly Sallie Mae), the country’s largest student loan servicer, for “illegally cheat[ing] many struggling borrowers out of their rights to lower repayments, which caused them to pay much more than they had to for their loans.”

The CHOICE Act would also prevent the CFPB from issuing highly anticipated new rules on payday and car title lending. Payday loans are pitched as a one-time, quick financial fix for people who need cash, but they often end up trapping low-income borrowers in a spiral of growing debt.

“Payday loans are like quicksand,” said Ted Sperduto, President of the faith group NAOMI in Wausau. “The business model is designed to trap people who are in dire financial straits in debt they can’t escape, with average interest rates over 500 percent in Wisconsin. We need strong protections from these predatory loans.”

Finally, Senator Johnson, Representative Duffy and Representative Mike Gallagher (WI-8) have also sponsored bills to stop the CFPB’s basic fraud and fee disclosure protections for prepaid debit cards from going into effect. More than 221,000 Wisconsin households, or 9.1 percent of all households in the state, used prepaid cards in 2015, [according to the FDIC](#).

“It’s outrageous that members of Congress, including three in Wisconsin, are trying to block the CFPB’s basic fee disclosures and fraud protections for prepaid and payroll cards just so that one company can keep charging overdraft fees on prepaid cards,” said Lauren Saunders, Associate Director of the National Consumer Law Center.

NetSpend, the only major prepaid card company that charges overdraft fees, is also the only prepaid company that has asked Congress to block the rule. Prepaid cards are used primarily by low-income consumers who have lost their bank accounts, by employers who use them to pay wages to workers without bank accounts, and by government agencies and colleges to pay government benefits and financial aid, respectively.

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