Obama Administration Record on Reforming Wall Street and Protecting Consumers

"Finally, a strong middle class can only exist in an economy where everyone plays by the same rules, from Wall Street to Main Street. As infuriating as it was for all of us, we rescued our major banks from collapse, not only because a full-blown financial meltdown would have sent us into a second Depression, but because we need a strong, healthy financial sector in this country. But part of the deal was that we wouldn't go back to business as usual. And that's why last year we put in place new rules of the road that refocus the financial sector on what should be their core purpose: getting capital to the entrepreneurs with the best ideas, and financing millions of families who want to buy a home or send their kids to college."

-President Obama, December 6, 2011

The American free market system is the most powerful engine of economic growth and jobs the world has known and when it works right, the American middle class is strong and secure. But the free market was never meant to be a free license to take whatever you can get, however you can get it. As we have learned again, we need rules of the road to prevent abuses and ensure fairness, openness, and accountability. That's why President Obama has worked to restore our financial system to its core mission: helping entrepreneurs and businesses with the best ideas to create value and jobs and enabling families to buy homes, finance college for their children, and secure a dignified retirement. That's why he overcame a furious lobbying campaign to sign into law the most far reaching Wall Street reforms in history – new rules of the road to prevent abuses and ensure fairness, openness, and accountability in the financial system. These reforms put an end to taxpayer bailouts, hold Wall Street accountable, and ensure consumers are protected. The Obama Administration's record on reforming Wall Street and protecting consumers includes:

- **Putting in Place Tough New Consumer Protections:** President Obama fought for and won needed reforms to ensure banks and other lenders plainly disclose all fees, penalties, and interest rates they charge to consumers so that they know what they're signing up for and can make informed choices. These reforms are saving the average consumer real money per year by finally prohibiting banks from imposing unfair and deceptive fees, penalties, and interest rate increases on consumer credit cards.

    - **Establishing the Consumer Financial Protection Bureau:** Through the Wall Street Reform law, the President consolidated authorities from seven Federal agencies into a new bureau whose sole mission is to protect consumers from unfair, abusive, and deceptive practices—whether they are applying for a mortgage, choosing among credit cards, or using any number of other consumer financial products.

    - **Cracking Down on Fraud:** The President also signed the Fraud Enforcement and Recovery Act, which gives the Federal government more tools to investigate and prosecute fraud and creates a bipartisan Financial Crisis Inquiry Commission to investigate the financial practices that brought us to this point.

    - **Protecting Americans from Unfair and Deceptive Credit Card Practices:** The President signed the Credit Card Accountability, Responsibility, and Disclosure (CARD) Act to protect Americans from unfair and deceptive credit card practices.

The Act bans retroactive rate increases and allows consumers to clearly and plainly see fees they might be charged *before* they open an account. And once consumers have signed up, credit card companies are now required to conspicuously display fees that have been paid in periodic statements.

- **Reforming Wall Street and Putting in Place Clear Rules of the Road:** The President overcame a furious lobbying campaign and signed into law the Wall Street Reform and Consumer Protection Act, which contains the most sweeping financial reforms since the Great Depression. These new rules of the road are holding Wall Street accountable and putting an end to taxpayer funded bailouts. These reforms have created a more stable and responsible financial system in several ways:

  - **Making Sure Taxpayers Will Not Have to Bear the Costs of Wall Street's Mistakes:** Wall Street Reform requires banks to hold more capital so that when they make a bad bet they pay for it, not taxpayers.

  - **Ending Reckless and Irresponsible Risk-Taking:** Wall Street Reform led to the "Volcker Rule" which will ensure that banks are no longer allowed to make risky bets with their customers' deposits. The Act also is bringing the $600 trillion derivatives market – which was at the center of the financial crisis – out of the shadows by bringing needed transparency to this market.

  - **Ending Taxpayer Funded Bailouts:** Wall Street Reform requires big banks and risky financial institutions to write out "living wills" that detail exactly how they will pay the bills if they fail so that taxpayers are never on the hook again for Wall Street's mistakes. There are also limits on the size of banks and new abilities for regulators to dismantle a financial firm that is going under, without leaving taxpayers with the bill.

  - **Holding CEOs Accountable:** Wall Street Reform put in place reforms that take back bonuses and compensation from failing CEOs, giving shareholders a voice on CEO pay and protecting whistleblowers who speak out about wrongdoing on Wall Street.

- **Requiring the Financial Sector to Pay Back for the Extraordinary Benefits Received:** Many of the largest financial firms contributed to the financial crisis through the risks they took, and all of the largest firms benefitted enormously from the extraordinary actions taken to stabilize the financial system. President Obama proposed a Financial Crisis Responsibility Fee to be imposed on the financial firms to pay the American people back for the extraordinary assistance they provided to Wall Street.

- **Reforming the Student Loan Industry and Using the Savings to Help Students and Families Pay for College:** Over the opposition of big banks, President Obama ended taxpayer subsidies for private student lenders and used the $40 billion in savings to make college more affordable for families by expanding Pell Grants and making student loans more affordable.

- **Making Student Loans More Affordable:** Savings from ending these subsidies will be returned to students by making college loans more affordable. Student loan re-payments will be capped at 10% of income (down from 15%) and forgiveness will be granted after 20 years (down from 25 years) starting in 2014. And the President's new Pay As You Earn Plan will allow about 1.6 million students to take advantage of this option starting in 2012. The President also gave the 5.8 million borrowers who have loans from both the Family Education Loan Program and a direct loan from the government the opportunity to consolidate those loans and save up to half a percentage point on the interest rate on their loan. These changes will reduce the burden of student loans and keep more money in younger Americans' pockets.

- **Expanding Student Aid:** President Obama used part of the savings from ending subsidies to banks serving as middle-men in the student loan system to pay for an expansion of the Pell Grant program. The President has raised the maximum Pell Grant award to $5,550 and has increased the number of Pell Grant recipients by 3 million – a 50% increase in students served since 2008.