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Dodd-Frank's protections long overdue

DELAWARE VOICE

In the song "Where have all the Flowers Gone?" Pete Seeger's haunting lyrics beseech us to learn from mistakes of the past. The song ends with the eerie refrain, "When will they ever learn, when will they ever learn?" When will they ever learn, indeed!

In 2008 our nation's financial system was on the verge of collapse, with the failure of Lehman Brothers leading the way. Our nation's leaders took decisive action with taxpayer [assets](#) to stem the crisis and bolster our precarious financial industry.

And how has the American taxpayer been repaid for its unprecedented generosity? Repaid, indeed! Our media reports bonuses by financial institutions that would fund small nations. Bloomberg News uncovered \$1.2 trillion in Federal Reserve loans to domestic and foreign banks, with stocks as security. Applications by Goldman Sachs and Morgan Stanley to become bank holding companies were approved by the Fed. Warren Buffett invested \$5 billion into preferred Bank of America shares at an amazing 6 percent annual [dividend](#). For brevity, these examples underscore my larger point: In America, it pays to have friends in high places.

My friends do not have access to these high places; yet without the faith of my friends, social chaos can emerge. My friends come from many smaller constituencies: the communities that vote, work, pay its debts, and obey the law. My friends in the low-income community must address the same issues as others, e.g. earning a salary, getting access to health care, keeping the kids in school, putting food on the table. Yet my friends do so in markedly different ways than others because the money they earn is lower and less

predictable of attainment. In the low-income community, unemployment carries the certainty that life is unreliable and presents the additional challenge of uniting the right income with emerging necessities. (See Borenstein, Grameen Bank and the Public Good, New York Times, March 24, 2011.) Beset with such uncertainties, my friends are vulnerable to extortion-like lending practices such as direct deposit loans -- payday loans in disguise, to name one of many.

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As a backdrop to all this unseemly profiteering by financial institutions lies the misery visited upon my friends in the low-income community, and, for the first time in our nation's history, even many in America's middle class. Families have been torn apart and their homes and an entire generation of savings have been lost to foreclosure and financial calamity.

But hope is at hand. Congress has passed a federal law, Dodd-Frank, containing tools that offer consumers some measure of protection against future deprivations by the banking industry and financial markets. The stated aim of the Dodd-Frank legislation is: To promote the financial stability of the United States by improving accountability and transparency in the financial system, to end "too big to fail" with an orderly liquidation process, to protect the American taxpayer by ending bailouts, to protect consumers from abusive financial services practices, and for other purposes.

Dodd-Frank establishes the Bureau of Consumer Financial Protection, within the Federal Reserve. The new Bureau, headed by an independent director, regulates consumer financial products and services in compliance with federal law. The Fed is prohibited from interfering with matters before the director, directing any employee of the bureau, modifying the functions and responsibilities of the Bureau or impeding an order of the Bureau.

President Obama has nominated former Ohio Attorney General Richard Cordray to head the CFPB. Mr. Cordray will be the counterbalance that we all need to offset the considerable influence of the banking industry. As Mr. Cordray approaches his Senate confirmation hearing, he must be aware that one of his first items of business may be the merger of Capital One with ING Direct. His independence is desperately needed on a host of issues surrounding this merger. Among them, Capital One, with a slew of consumer complaints against it, is teed up to address these complaints as part of the merger review.

We already know what kind of friends Capital One will have on its side. My friends now await the news to learn what kind of a friend they have in Mr. Cordray.

In Mr. Seeger's song, all things are gone to graveyards everyone. I can't accept that fate for our financial future. I write on behalf of a law-abiding yet beleaguered community in support of our expectation that Mr. Cordray will indeed be a friend, and he will champion consumer protection issues as part of all bank mergers.

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Rashmi Rangan, executive director, Delaware Community Reinvestment Action Council, Inc.

<http://www.delawareonline.com/article/20110905/OPINION07/109050310/Dodd-Frank-s-protections-long-overdue-?odyssey=mod|newswell|text|Opinion|s>