



Congressman Jim Jordan (R-OH), RSC Chairman
Congressman Randy Neugebauer (R-TX), FSWG Chairman
Congressman Jim Renacci (R-OH), FSWG Vice-Chair

WEEKLY UPDATE

May 11, 2011

The Financial Services Working Group (FSWG) is comprised of Representatives Randy Neugebauer (TX), Jim Renacci (OH), Jeb Hensarling (TX), Sean Duffy (WI), Tim Scott (SC), Randy Hultgren (IL), Francisco Canseco (TX), Joe Walsh (IL), Tim Griffin (AR), Ed Royce (CA), Peter Roskam (IL), Bill Huizenga (MI), Steve Pearce (NM), and Steve Stivers (OH).

The RSC Financial Service Working Group Hosts Interchange Debate

On Tuesday, May 24, 2011, Members and staff are invited to attend a debate on the Fed's interchange fee proposal with experts from both sides of the issue presenting their case and responding to each other's points. This is an off-the-record discussion and you will have plenty of opportunity for Q&A.

- **When:** 4:00pm-5:00pm
- **Where:** 2226 RHOB
- **To RSVP** please email Ja'Ron K. Smith at ja'ron.smith@mail.house.gov.

Guide to "The Consumer Rental Purchase Agreement Act" (H.R. 1588)

- This bill is being offered in order to provide regulatory certainty to the rental-purchase industry in the United States, which is a vital option for consumers around the country and is a key source of employment in several communities, and to ensure adequate disclosures and consumer protections for rent-to-own customers in all states.
- Similar legislation was offered in the 111th Congress, and it gained 126 co-sponsors in the House.
- The rental-purchase industry provides a valuable service that meets the demands of many consumers. Each year approximately 4.1 million US households enter into rental-purchase agreements. Competition among the rental-purchase industry will be enhanced by the strengthened information and definition provided in the bill.
- The bill amends the Consumer Credit Protection Act (CCPA) to explicitly define a "rental-purchase agreement" (i.e. states that this is not a credit sale nor a consumer lease as defined in the Truth in Lending Act).
- Requires that merchants make meaningful disclosures to customers at the consummation of a rental-purchase agreement that include but are not limited to: the total cash price that is the subject of the agreement; the amount and timing of periodic payments; the total amount the customer would have to pay in order to obtain ownership of the product; and a description of any fee or penalty that could be paid by the consumer under the agreement.
- Allows consumers to voluntarily terminate an agreement at any time without penalty.
- Requires the Federal Reserve to write rules not already defined in the bill to govern rental-purchase agreements.
- Designates the Federal Trade Commission (FTC) to handle enforcement of the provisions in the Act, and of any rules written by the Federal Reserve.
- Defines a rental-purchase agreement as an agreement with an initial term of four months or less.

- Explicitly states that a rental-purchase agreement shall permit, but not obligate, consumers to obtain ownership of the products they use through the agreements.
- The provisions in the bill apply only to consumer transactions and not to rental-purchase contracts entered into by businesses or other entities.

For more information or to co-sponsor, please contact Brian O'Shea (Canseco) at brian.oshea@mail.house.gov.

The Asset-Backed Market Stabilization Act of 2011 (H.R. 1539)

The Dodd-Frank Act included section 939(G) which required strict liability for Credit Rating Agency statements with regard to asset-backed bonds. That provision would raise the cost of rating bonds from approximately \$100,000 per rating to approximately \$1 million, and it could result in some bonds not getting a rating, which would prevent those bonds from coming to market. This provision has a devastating effect on auto manufacturers and others who use asset-backed bonds to finance their business. This provision threatens the 8 million automotive related jobs in the United States. In fact, this provision paralyzed the asset-backed bond market in 2010. Only after the SEC issued a no action letter which suspended this provision was the market able to function. The Asset-Backed Market Stabilization Act of 2011 (H.R. 1539) would repeal section 939G of the Dodd-Frank Act. It will protect jobs and allow companies to finance inventory or sales of products. This bill does not eliminate liability for the rating agencies or undo other provisions of the Dodd-Frank Act with regard to rating agencies, including:

All of these Provisions are still in effect	<ul style="list-style-type: none"> Section 932 which implemented conflict of interest regulation on rating agencies Section 933 which subjects rating agencies to legal liability for faulty ratings Section 934 which requires rating agencies report violations of the law by issuers Section 935 which requires rating agencies to use outside information in ratings Section 936 which regulates training and competence at rating agencies Section 937 which requires the SEC to issue rules for rating agencies Section 938 which creates universal rating symbols Other provisions in Section 939 which remove ratings from the statute
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Repealing Section 939(G) simply removes a portion of the law which is being enforced and a provision which does not work. This bill supports jobs and economic growth as well as capital formation. It gives more information to investors than any alternative solution. It does not remove liability from rating agencies. To co-sponsor the Asset-Backed Market Stabilization Act of 2011 contact Lindsay Vogtsberger in Congressman Steve Stivers office at 202-225-2015 or by emailing Lindsay.vogtsberger@mail.house.gov.

Rep. Duffy Seeks Co-Sponsors to Strengthen Oversight of the CFPB

The Consumer Financial Protection Bureau (CFPB) has broad, far-reaching powers and these powers are all assigned to one individual, who is a political designee. Representative Duffy has introduced H.R. 1315, "The Consumer Financial Protection Safety and Soundness Improvement Act." H.R. 1315 would amend Section 1023 of the Dodd-Frank Act to streamline the review process for considering CFPB regulations. The legislation would change the vote required for the Financial Stability Oversight Council (FSOC) to set aside a harmful CFPB regulation from two-thirds to a simple majority. Also, to ensure the objectivity of the vote, the legislation would exclude the CFPB Director from voting on whether to set aside his or her own regulation. Furthermore, H.R. 1315 amends Dodd-Frank to require the FSOC to intervene if a CFPB regulation is inconsistent with the safe and sound operations of U.S. financial institutions. This legislation is intended to bring checks and balances to the CFPB. For more information or to co-sponsor H.R. 1315, please contact Sentell Barnes at sentell.barnes@mail.house.gov or Bryan Blom at bryan.blom@mail.house.gov or (202)225-3365.

Question or comments regarding RSC Financial Services Working Group items can also be directed to Ja'Ron K. Smith, Ja'Ron.Smith@mail.house.gov.