

The New York Times



July 14, 2009

OP-ED COLUMNIST

## Chutzpah on Steroids

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Washington

What is up with the banks and the rest of the financial industry? The people running this system remind me of gangsters who manage to walk out of the courthouse with a suspended sentence and can't wait to get back to their nefarious activities.

These malefactors of great wealth (thank you, Teddy) developed hideously destructive credit policies and took insane risks that hurt millions of American families and nearly wrecked the economy. Then they were bailed out with hundreds of billions of taxpayer dollars, money that came from the very people victimized by the industry's outlandish practices.

Now the industry is fighting against creation of an agency that would protect taxpayers and ordinary consumers from a similarly devastating onslaught in the future. And at the same time they are scrambling to raise credit card interest rates and all manner of exploitive fees to build a brand new superstructure of questionable profits on the backs of the taxpayers who came to their rescue.

We're reaching a whole new level of chutzpah here.

The Obama administration wants to create a Consumer Financial Protection Agency that would shield individuals and families from deceptive practices and outright fraud by banks and other businesses offering credit cards, mortgages, home loans and other forms of consumer finance.

Everything we've learned in this recession tells us we need such an agency. As Treasury Secretary Timothy Geithner described it, "This agency will have only one mission: to protect consumers."

Protecting the consumer is, of course, anathema to the industry. So it's preparing for war. The Times's Edmund Andrews neatly summed up the matter when he wrote that "banks and mortgage lenders are placing top priority on killing" the president's proposal.

The proposed agency developed from an idea offered some time ago by Elizabeth Warren, a Harvard Law School professor who currently chairs the Congressional Oversight Panel, which has been monitoring the financial industry bailouts. She is a strong contender to lead the proposed new agency.

Ms. Warren told a Congressional committee last month about the stark difference between the warm and fuzzy advertising approach used by lenders competing for consumer dollars and the treachery that is so often hidden in the fine print.

"Giant lenders compete for business by talking about nominal interest rates, free gifts and warm feelings," she said, "but the fine print hides the things that really rake in the cash. Today's business model is about making money through tricks and traps."

It should be clear by now that it is often the goal of financial institutions to see that the consumer is not well informed. "In the early-1980s," said Professor Warren, the average credit card contract was about a page long. "Today, it is more than 30 pages. ... I am a contract law professor, and I cannot make out some of the fine print."

She added, "Study after study shows that credit products are designed in ways that obscure the meaning and trick customers."

There is nothing free or fair about a market in which one side uses double talk and mumbo jumbo to obscure important information and deliberately dupe the other side into making decisions against its own interests.

When I think of the banking industry fighting to kill this proposed agency, it brings to mind the decades in which tobacco companies insisted that cigarettes were safe, and those days long ago when the auto companies fought against seat belts, and all the dopey arguments that were made against protecting the public from unsafe drugs and kitchen appliances that might burst into flames, and so on.

The Department of Housing and Urban Development has concluded that Americans spend approximately \$55 billion each year on closing costs that they don't fully understand. As Ms. Warren noted, "Mortgage lenders furnish reams of unreadable documents shortly before closing, often leaving people with no practical option but to take whatever terms the lender has filled in."

The family home is the largest purchase most Americans ever make. Paying it off can take much of a lifetime. Everything about that contract should be crystal clear to the buyer.

I had a breakfast interview with Ms. Warren on a variety of subjects last week. On the day of the meeting, USA Today had a front-page article that began: “Even as regulators crack down on abusive mortgage and credit card practices, another type of lending threatens to mire consumers in a credit trap.”

The article detailed the ways in which banks are wringing huge profits from overdraft fees that often are sky high and in many cases are handled in ways that are exploitive, if not predatory.

The malefactors of great wealth view an informed consumer as Public Enemy No. 1. The last thing in the world that they want is a fair marketplace, which is why the Consumer Financial Protection Agency can't come fast enough.

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