TESTIMONY
OF

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BEFORE

THE HONORABLE AL FRANKEN

UNITED STATES SENATE FIELD HEARING
ON
WALL STREET REFORM

MINNESOTA STATE CAPITOL
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Good Morning. I am Michele Kimball, Senior State Director of AARP in Minnesota, representing more than 675,000 consumers over the age of 50 throughout the state. Thank you, Senator Franken, for the opportunity to appear before you today to discuss the importance of Wall Street reform for older consumers.

AARP is pleased that the Senate passed the Restoring Americans Financial Stability Act to help create a more level playing field for consumers and investors as they navigate the financial marketplace. Reckless behavior by big banks, mortgage lenders, and credit card companies have cost millions of older Americans their jobs, their retirement savings and their financial well-being. Americans – whether they are Republicans, Democrats, or Independents – want Congress to hold the financial industry accountable.

Older Minnesotans have millions of dollars in retirement savings in the financial system, and they deserve transparency and accountability from Wall Street. The retirement security of Americans may be one of the greatest casualties of the financial crisis. The financial meltdown that this country experienced wiped out an estimated $2 trillion in the retirement savings of Americans in just 15 months time. The dwindling of these assets – about a 20 percent decline overall – comes at a time when many people, including seniors, are grappling with more credit card debt, declining home values and reduced access to loans.

At the same time, while older households long have been considered among the most frugal and resistant to consumer debt, changing economic conditions -- particularly declining pension and investment income and rising costs for basic expenses such as prescription drugs, health care, and utilities -- have forced many seniors to rely increasingly on credit to make ends meet. At the same time, research suggests that older Americans consistently borrow at higher rates and pay more fees for various financial products, including home equity loans, auto loans, credit cards, and mortgages. Growing numbers of seniors also have been impacted by abusive payday loans and bank overdraft fees.

The "Restoring American Financial Stability Act," takes positive steps toward restoring accountability and responsibility in the financial markets that will help rebuild confidence in our nation's financial markets and their regulators. The legislation recognizes the important role that consumer and investor protection play in ensuring not only the fairness but also the stability of the financial markets by creating a new Bureau of Consumer Financial Protection and giving the Securities and Exchange Commission (SEC) important additional authority, funding and direction to protect investors.

Too often, older Minnesotans fall victim to financial crimes and schemes that wreak havoc on their retirement security. AARP is pleased that legislation establishes a consumer watchdog that will develop and enforce rules to help protect all Americans from financial predators. Today, there are seven federal agencies that all have some responsibility to protect consumers — a bureaucratic model that has failed to protect Americans from financial abuse. That's why AARP urged for the creation of one Consumer Financial Protection Agency that has as its sole mission protecting consumers from deceptive and abusive financial practices. We believe Americans deserve one independent and effective regulator that will focus exclusively on preventing abusive and deceptive practices that cost hardworking Americans their savings, investments and their homes.

Additionally, AARP has worked hard to prevent the financial industry from selling products that customers cannot afford or may not meet their needs. To this end, the bill requires banks to clearly disclose the terms and conditions of loans and credit cards in plain language – so that we can all read and understand the terms.

Senator Franken, AARP would like to thank you for your work to improve the legislation by authoring an amendment to reduce the conflicts of interest between Wall Street and credit rating agencies. These conflicts of interests have cost too many consumers too much.

It is painfully clear today that the failure of the existing regulatory system to rein in abusive types of consumer loans in areas where federal regulators had clear authority to act, and either chose not to do so or acted too late to stem serious problems in the credit markets, can no longer be tolerated.

As this important legislation now heads to a Conference Committee, it is critical that our elected officials know that Americans 50+ have in overwhelming numbers, regardless of party affiliation, told us that they want Congress to act to hold financial institutions accountable.

Reforms that protect investors included in the bill will go a long way toward restoring the shattered investor confidence that is critical to the recovery and stability of the financial markets. Now that the legislation is in conference committee, AARP is urging adoption of the stronger House version of language that protects investors. The House bill requires brokers and insurance agents to act in the best interests of their customers when recommending securities.

In addition, we hope that conferees maintain language that gives state Attorneys General a clear and strong role in protecting consumers from financial abuse, and preserves the ability of states to provide an important backstop to the new consumer protection bureau.

AARP recently commissioned a nationwide survey revealing that support for this reform is high across political parties.

- Almost all respondents (96%) favor requiring banks to explain the terms and conditions of loans, including mortgages and credit card debt, in plain language people can understand. Support is consistent across all political parties, with over 9 in 10 members of all parties backing this requirement: Republicans (98%), Democrats (95%), and Independents (96%).

- More than 9 in 10 (93%) favor requiring companies that manage 401(k) retirement plans to explain the fees they charge to participants and to clearly state those fees on participants' annual statements. Again, support is strong across political parties with endorsement by over 9 in 10 Republicans (93%), Democrats (94%), and Independents (92%).
- 92% favor requiring investment companies to disclose the costs, risks, and benefits of all the financial products they market and sell using plain language and a user-friendly format. Again, results show support of more than 9 in 10 respondents across parties: Republicans (91%), Democrats (91%), and Independents (95%).
- Almost 9 in 10 (89%) favor protecting people from predatory lending practices, such as excessive fees and penalties, on products ranging from mortgages to credit cards. Support is strong across political parties, with positive responses from 86% of Republicans and 91% of Democrats and Independents.

In conclusion, AARP believes this legislation will help protect thousands of real Minnesotans who are still in the midst of trying to recover from the financial crisis from further damage. I am pleased to be joined today by an AARP member and volunteer, Dave Berg of Eden Prairie. Dave is with me today to share his personal situation which will illustrate why this reform is needed. Minnesotans like Dave deserve to know that the financial institutions are being held accountable and that abuse in the markets will not be tolerated.

AARP looks forward to seeing this consumer protection legislation enacted into law, and we again thank you, Senator Franken, for your leadership on this important issue. I appreciate the opportunity to testify before you today and will be happy to answer any questions.