



**Ruth Mantell**, MarketWatch

**WASHINGTON (MarketWatch) -- The long arm of financial reform is likely to tighten its embrace of credit cards and mortgages as Washington pushes legislation forward this year.**

But some common consumer financial products, such as mutual funds and many types of insurance, are expected to escape one of the president's main projects: the Consumer Financial Protection Agency.

With the CFPA, President Barack Obama is looking to ramp up the nation's personal financial safety, but consumers may wonder how careful they'll still need to be given that some products won't be covered.

**"There has been a real diversification into insurance and securities, and in order to have effective consumer protection legislation, you need to be able to control [products] across the board," said Gene Truono, managing director at BDO Consulting, a New York-based financial-services advisory firm, and former head of compliance at Chase Cards. "I think absolutely that it would be a mistake not to include these other products and services that fall into the consumer realm under this agency."**

As proposed by the administration, the CFPA would be able to regulate all providers of consumer financial products, covering mortgages and credit cards to payday lending and overdraft services. But there is an exception for products regulated by the Securities and Exchange Commission. And insurance would also be excluded, with exceptions for products that are closely tied to a credit transaction, such as mortgage, title and credit insurance.

"There is an argument for focusing the agency on what are clearly the biggest problems, and those are mortgages and credit cards. Beyond that there is a risk of dilution and the agency could be less effective," said David Skeel, a law professor at the University of Pennsylvania with expertise in bankruptcy.

During its first go at widespread consumer financial reform the administration may want to avoid biting off more than it can chew. The administration's goal for the CFPB is to ensure that consumer protection is at the top of a powerful agency's agenda. For products such as credit cards and mortgages, the CFPB would be able to write new rules and enforce others, call for clearer disclosures and monitor the market for risks, among other actions.

"The whole point of this new agency would be to be proactive, looking forward, to anticipate problems the consumer might encounter and act in a preventative way before problems grow out of control," said Travis Plunkett, legislative director with the Consumer Federation of America. "Problems with abusive lending were the spark that led the current economic crisis, largely because existing regulatory agencies were not paying attention to consumers."

The president wants to sign the CFPB into law this year. A House committee is looking to mark up a bill this month, and senators are expected to consider proposals in the fall. While SEC-regulated products and some insurance may not be part of the CFPB, these areas would be touched as part of a broader financial regulatory reform agenda.

### **CFPB's role could be broadened**

Legislation for CFPB, which lawmakers see as a cornerstone for fundamental financial regulation reform, is in early stages and could evolve, expanding upon the president's proposal, observers said.

Consumers could be helped by a broader role for the federal government when it comes to insurance, Plunkett said. For example, he'd like to see more study of insurance-market problems.

"We think that it would be very useful to have a federal agency that was complementing state insurance regulation and looking at gaps," Plunkett said.

The relative ease with which dangerous financial products can be let loose upon consumers argues for expanding the CFPB's reach, Skeel said.

"It is very easy to offer products that may not be safe," Skeel said. "This is more of a danger with insurance than mutual funds. Insurance products tend to be more actively sold, while I think of mutual funds as being more passively sold."

Further, he said, the CFPA could legitimately regulate insurance and mutual funds given that the products share characteristics with credit cards and mortgages.