AFR Americans for Financial Reform

10 Ways the Consumer Financial Protection Bureau Safeguards Your Money

Since it opened in 2011, the Consumer Financial Protection Bureau has been doing its job by putting fairness, transparency, and the safety of consumers and borrowers ahead of the profits of banks and predatory lenders. Beyond its extraordinary record of obtaining $11.8 billion for 29 million consumers wronged by banks or other financial companies, here are 10 ways the CFPB has already improved Americans' financial lives.

1. Enforcing consumer financial protection laws – including against big Wall Street banks. Since it took over civil enforcement of these laws in 2012, the CFPB has sent a message to Wall Street that no bank is too big to face an enforcement action when it breaks the law. For example, the CFPB secured $3.48 billion in refunds to consumers who got saddled with deceptive and fraudulent add-on products by Citibank, Bank of America, JPMorgan Chase, American Express, and Discover. In another major case, it was the CFPB that put an end to Wells Fargo's practice of opening millions of fake accounts without their customers' permission.

2. Shutting down scam artists. Posing as legitimate businesses while making bogus promises of debt cancellation or credit repair, fraudsters go after the scarce remaining funds of financially distressed Americans. The CFPB is stopping them. For example, it shut down a foreclosure-rescue scam run by a law firm, returning $11 million to homeowners tricked into handing over their savings for worthless promises of help. The CFPB stopped another scam that falsely promised to lower student loan payments in exchange for fees of up to $2,500.

3. Making mortgages safer. The CFPB's mortgage rules require lenders to verify borrowers' ability to repay before a loan is made, in order to ensure safer, more transparent, and more affordable loans, guarding borrowers and the broader economy against a resurgence of the dangerous and unsustainable lending that led to the foreclosure crisis. The CFPB has also crafted clearer "know before you owe" mortgage disclosures, replacing the old system of four separate disclosure forms. It has also put rules in place to reduce foreclosures by requiring mortgage companies to follow their own procedures and treat people fairly. And it has enforced these rules, requiring one company to provide $2 billion in relief to homeowners it wronged.

4. Standing up for student loan borrowers. The CFPB is working to protect students, former students, and their co-signers, who together owe more than $1.2 trillion in student debt. In a 2015 report, the Bureau shone a light on the often murky practices of student loan servicers. Then, working with state Attorneys General, the CFPB sued the nation's largest student loan servicer, Navient (formerly Sallie Mae), for adding $4 billion in unnecessary interest to the debts of struggling borrowers by steering students into forbearance programs instead of less expensive income-driven repayment plans. The CFPB has gone to bat for victims of for-profit schools by suing ITT Tech for predatory lending and securing $480 million in debt relief for former students of the now-bankrupt Corinthian Colleges, Inc. because of that company's deceptive lending and illegal debt collection. Through its online "Paying for College" tool, the CFPB offers tips on repayment and makes it easier for borrowers to understand and compare financial aid offers.

5. Taking on abusive payday and car title lending. The CFPB's research has shown that the median payday loan carries an effective annual interest rate of 322%, while 75% of lenders' profits come from borrowers who take out ten loans or more per year, usually to pay off the previous loan. The CFPB issued a proposed rule to stop this debt trap, and is working to finalize it now. In the meantime, the CFPB has taken enforcement actions against payday lenders for deceiving customers, overcharging servicemembers, using illegal debt collection tactics, and collecting on illegal loans.

6. Pushing credit reporting agencies to get it right. The CFPB instituted regular supervisory audits of credit reporting agencies to prevent inaccurate credit reports and protect consumers against being denied credit or charged more due to errors. The CFPB has also persuaded credit card companies to share real credit-score information with consumers free of charge, while stopping the major credit reporting agencies – Equifax, TransUnion, and Experion – from ripping off consumers by charging them for inaccurate credit scores.

7. Making debt collectors follow the rules. The CFPB has used its power to conduct supervisory audits of debt collectors to require them to follow laws to protect consumer privacy, not charge illegal fees, and adopt systems to prevent collection efforts that are either directed against the wrong person or involve debts that have already been paid. And it has fined the worst offenders for lying to consumers, making false threats them, and attempting to collect illegitimate debts. The Bureau is working now on a rule to reign in additional abusive collection practices

8. Fighting discrimination. The CFPB has taken on widespread discrimination in auto lending – the third largest source of outstanding household debt for U.S. consumers – by requiring major lenders like Ally, Honda, Toyota, and Fifth Third Bank to pay back borrowers of color who were charged higher interest than white borrowers of the same creditworthiness. It put the industry on notice that lenders have a duty to prevent discrimination, leading auto lenders to make additional changes in their practices. The CFPB has forced financial institutions to repay borrowers of color who were charged more for credit cards and mortgage loans. The CFPB also made clear that the fair lending laws protect LGBT borrowers from discrimination.

9. Protecting servicemembers and older Americans. A special CFPB unit headed by a 25-year army veteran has helped military families secure $120 million in relief over problems involving mortgages, credit cards, student loans, and payday loans, etc. The Bureau also worked with the Defense Department to stop triple-digit-interest payday and car-title lenders from preying on servicemembers in violation of the Military Lending Act's 36 percent interest rate limit. These actions, along with dedicated educational resources for servicemembers, have led senior enlisted officers to praise the CFPB's work. The CFPB also has a dedicated unit that looks out for the interests of older Americans. The agency has held accountable companies who prey on seniors, including a crack-down on deceptive advertising by reverse mortgage lenders who gave false assurances that borrowers could not lose their homes.

10. Making banks respond to consumer complaints. The CFPB has required that companies meaningfully respond to more than 1.1 million complaints involving problems with mortgages, credit cards, car loans, bank accounts, money transfers, private student loans, credit reports, and debt collection. As a result, more than 150,000 consumers have gotten money back (an average of $141) or received other tangible relief – such as corrections to their account records. Seeing the complaint system work, more and more Americans are using it to get answers from banks and financial companies. And by permitting consumers to share their complaints online (if they wish), the Bureau has created a tool that helps the public spot problems with financial companies.

And more help is on the way. The CFPB is in the process of issuing a rule to stop companies from depriving consumers of their day in court through fine-print arbitration clauses, and to restore the right of consumers to join together in class action lawsuits while returning transparency to the arbitration process by creating a public database of claims and outcomes.

The growing number of Americans using prepaid cards will gain an important set of new safeguards from a CFPB rule that goes into effect in April 2018. It will protect them against fraud, unauthorized charges and errors; help them avoid hidden fees and comparison shop with simple, uniform information charts; guarantee free and convenient access to account transactions and balances; limit overdraft fees; and inform employees of companies that use payroll cards about their right to be paid in a different way.