AFR Americans for Financial Reform

Ten Good Reasons to Support the Consumer Financial Protection Bureau

One of the best things to come out of the Wall Street reform law known as Dodd-Frank was a new financial watchdog agency – the first-ever with a mandate to put fairness, transparency and the safety of consumers and borrowers ahead of the power and profits of banks. Since it got up and running in 2011, the Consumer Financial Protection Bureau has begun to deliver on that promise.

1. CFPB enforcement actions have already returned more than $10 billion to consumers (CFPB factsheet). This includes $2.5 billion to consumers ripped off by credit card companies through deceptive and fraudulent add-on products. CFPB investigations have found that companies including Citibank, Bank of America, JPMorgan Chase, three American Express subsidiaries and additional banks defrauded consumers into accepting unnecessary and expensive credit card protection plans. The agency, along with the other regulators involved in these actions, found that the companies pressured consumers into things like accepting expensive plans to protect their identity or cover bills in the event of disability or job loss. Some consumers were signed up for add-on products without their consent or after having been led to believe that a product was free. The Bureau ordered these companies to cease their deceptive activity and make restitution as well as pay over $100 million in civil penalties. All CFPB enforcement actions can be seen here.

2. CFPB rules prohibit mortgage loans that borrowers can't afford to repay, and take action against exorbitant fees and abusive payment structures. The CFPB's new mortgage rules, which went into effect in January 2014, require lenders to verify borrowers' ability to repay before a loan is approved. The rules provide an incentive to originate safer, more transparent, and more affordable loans and were designed to save borrowers and the broader economy from another wave of dangerous and unsustainable loans like those that drove the housing and foreclosure crisis.

3. CFPB stands up for borrowers and families struggling with student loans. The CFPB is working on protecting students, former students and their co-signers who together owe more than $1.2 trillion in student debt. It has gone to bat for victims of for-profit schools, including former students of the failed Corinthians Colleges, a chain with over 74,000 enrollees across the country. Corinthian has since been shut down by the Department of Education. It is also looking into the often murky practices of student loan servicers, having recently issued a Request for Information on the topic. The CFPB has created an online tool called "Paying for College," which offers tips on repayment and allows for comparison between financial aid offers.

4. The CFPB has documented widespread abuses in the payday lending market and begun work on a rule against abusive debt trap lending. Drawing on extensive data, the CFPB has shown that the median payday loan carries an effective annual interest rate of 322%, while 80% of loans are rolled over or followed by another loan within 14 days. These reports have laid the groundwork for rules to end the abuses of high-interest debt-trap loans, which the Bureau is currently working on. Meanwhile the Bureau has taken enforcement actions against two big lenders – Cash America for overcharging servicemembers, and ACE Cash Express for illegal debt-collection practices.

5. The CFPB is working to ensure fair and equal access to credit in the auto lending market. Auto loans are the third largest source of outstanding household debt, after mortgages and student loans. In December 2013, working with the Department of Justice, the Consumer Bureau found that more than 235,000 borrowers of color had been hit with higher interest rates on auto loans from Ally Financial Inc. between 2011 and 2013, and ordered the company to pay $80 million in damages to consumers who had been overcharged. In 2015, the agency reached a settlement with American Honda Finance Corporation to address discretionary auto loan pricing and compensation practices, and pay $24 million in restitution to affected borrowers.

6. The CFPB is making sure that costs are clear and people's rights are protected when they send money to support family members and others overseas. People living in the U.S. send tens of billions of dollars a year to friends and family abroad. New CFPB rules make it easier to compare fees on these "remittance" transactions and to make sure all the money that someone sends actually reaches the intended destination. AFR Member Appleseed has more.

7. The CFPB is shutting down "last dollar" scams that charge up-front fees for help that never gets delivered. The CFPB watches for other storefronts or websites that look like legitimate businesses but go after the often meager savings of servicemembers and other economically vulnerable Americans, making bogus debt relief promises or offers to restore credit. For example, in 2015 the CFPB and the Florida Attorney General shut down a foreclosure rescue scam run by the Hoffman law firm, holding them liable for more than $11 million in restitution to consumers, and the Bureau recently filed a complaint in a federal district court in New York against two companies providing debt-relief services—Mission Settlement Agency and Premier Consultant Group—arguing that these companies charged consumers illegal advance fees. The CFPB is seeking to halt their illegal operations and win relief for victims and penalties.

8. The CFPB has put rules in place to help borrowers get mortgage modifications and save their homes from foreclosure. Too many families have gotten the runaround from loan servicers while trying to take advantage of much-needed mortgage-modification programs and promises. And unfortunately, many such cases end in preventable foreclosures. The CFPB has put in place rules requiring servicers to actually follow their own official procedures and treat people fairly. And more recently the CFPB has proposed additional rules to close some of the gaps in the first set of rules.

9. The CFPB is protecting consumers in 'dead-end markets' like credit reporting and debt collection. CFPB calls markets where you have no choice "dead-end markets." While the CFPB has not yet published any rules on credit reporting, it is already making the system work better for consumers in a number of ways: persuading credit card companies to share real credit score information with consumers free of charge; making it easier for consumers to get their disputes reviewed by credit reporting agencies and creditors; and documenting the problem of medical debt, which affects 1 in 5 consumers and constitutes over half of debt collection items on credit reports. The agency has issued a notice of proposed rulemaking on debt collection and accepts complaints in its complaint portal on the issue.

10. The CFPB has developed a consumer complaint system and public complaint database that are getting results. In addition to its rule-writing, education and enforcement responsibilities, the Bureau takes complaints—over 650,000 so far—involving problems with mortgages, credit cards, car and consumer loans, bank accounts, money transfers, private student loans, credit reports or debt collection. Many consumers have received monetary relief as a result, and others have gotten other forms of help. The public consumer complaint database helps the CFPB –and the public—spot trends that call for its attention, and it can help companies address solve problems as well. Recently, the Bureau starting publishing consumer complaint narratives in the public database, and has begun publishing a monthly snapshot report that names names and ranks firms. To submit a complaint, consumers can either go online or call toll-free at 1-855-411-CFPB (2372) or TTY/TDD phone number at 1-855-729-CFPB (2372). See PIRG research reports analyzing the complaint system here.

In its short life, the Bureau is making markets safer and fairer, while getting companies that break the law to give money back to people they ripped off. But there is plenty of work left to do. We need a strong CFPB with the resources, the authority and the leadership structure it needs to get the job done!