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 is 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 workied to deliver on that promise by:

1. Making credit card companies pay back $3.48 billion to consumers who got saddled with deceptive and fraudulent add-on products. The CFPB's investigations found that companies including Citibank, Bank of America, JPMorgan Chase, and three American Express subsidiaries had defrauded consumers into accepting unnecessary and expensive credit card protection plans. The Bureau ordered these companies to cease their deceptive activity and make restitution as well as pay over $100 million in civil penalties. (A list of CFPB enforcement actions can be seen here.)

2. Prohibiting mortgage loans that borrowers can't afford to repay, and taking action against exorbitant fees and abusive payment structures. The CFPB's mortgage rules 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 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. Standing up for borrowers and families trapped in high-cost 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 by suing the chain ITT Tech for predatory lending, securing $480 million in debt relief for former students of the now-bankrupt Corinthian Colleges, Inc., and winning a default judgement against the chain for deceptive lending and illegal debt collection practices. The Bureau also compiled a 2015 report into the often murky practices of student loan servicers, and created an online tool called "Paying for College," which offers tips on repayment and allows for comparison between financial aid offers.

4. Documenting widespread abuses in the payday lending market and laying the groundwork for rules to end the debt-trap. 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. The CFPB has laid out the broad outlines of a rule to stop this debt trap, and it is expected to publish a proposed rule to do so before the summer of 2016. The Bureau has also taken enforcement actions against two big lenders – Cash America for overcharging service members and ACE Cash Express for illegal debt-collection practices.

5. Working for 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. Ally is also paying an additional $38 million in restitution to compensate borrowers for continued discriminatory overcharges in 2015. In 2015, the agency reached a settlement with American Honda Finance Corporation and Fifth Third Bank to address discretionary auto loan pricing and compensation practices. And in February 2016 it reached an agreement with

Toyota Motor Credit. Honda will pay $24 million, Fifth Third $18 million, and Toyota Motor Credit up to $21.9 million in restitution to borrowers of color who paid higher interest rates than white borrowers as a result of unfair practices.

6. 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. 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. Shutting down "last dollar" scams that charge up-front fees for help that never gets delivered. Through storefronts or websites that look like legitimate businesses, these fraudsters go after the often meager savings of service members and other economically vulnerable Americans, making bogus debt relief promises or offers to restore credit. For example, 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. CFPB stopped another scam that falsely promised to lower student loan payments in exchange for fees up to $2,500.

8. Putting rules in place to help borrowers get mortgage modifications and save their homes from foreclosure. Countless families have tried to take advantage of mortgage-modification programs and promises, only to get the runaround from loan servicers, with many such cases ending in preventable foreclosures. The CFPB has put in place rules requiring servicers to actually follow their own official procedures and treat people fairly, and the Bureau is in the process of further strengthening these rules.

9. Taking steps to monitor the out-of-control world of credit reporting and debt collection. The CFPB has not yet published any rules on credit reporting, but it is already making the system work better for consumers in a number of ways. The Bureau has already persuaded credit card companies to share real credit score information with consumers free of charge; made it easier for consumers to get their disputes meaningfully reviewed by credit reporting agencies; and documented the problem of medical debt, which affects 1 in 5 consumers and constitutes over half of debt collection items on credit reports.

10. Restoring consumers' right to join together to hold corporations accountable if they break the law. The Bureau has proposed a rule to limit the financial industry's use of forced arbitration, which big banks, payday lenders, debt collectors and others use to block consumers from challenging predatory practices like hidden or inflated fees, or other illegal behavior in court. The rule would prohibit class action bans that compel consumers to argue their claim individually to a privately-hired arbitrator even if many people were affected and the cost of taking action far exceeds the damages an individual consumer seeks. This is a major step forward for making sure that Wall Street and financial companies cannot break the law with impunity.

The Bureau has also created a complaint system to help consumers get responses from financial services companies, and the Bureau and the public better understand how markets are working. In addition to rule-writing, education and enforcement, the Bureau takes complaints—over 790,000 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 gotten money back, or received other kinds of relief as a result. The complaints, including consumers own description of what happened (if they so choose), along with how they have been resolved, are posted and available for viewing online. The public consumer complaint database helps the CFPB—and the public—spot trends that call for its attention, and it can help companies address problems as well.