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 by:

1. Making credit card companies repay $1.8 billion to consumers who got saddled with deceptive and fraudulent add on products

The CFPB's investigation found that a group of companies including 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 them to cease their deceptive activity and make restitution in addition to paying $100 million in civil penalties.

2. Writing rules to end the era of deceptive mortgages designed to rake in up-front fees before they self-destruct

The CFPB's new mortgage rules require lenders to verify borrowers' ability to repay before a loan is approved. The rules also restrict the exorbitant fees and abusive payment structures that were at the heart of the financial crisis, creating incentives for lenders to issue unaffordable loans.

3. Standing up for borrowers and families trapped in high-cost student loans

In September 2014, the CFPB sued Corinthian Colleges, a chain with over 74,000 enrollees across the country, for using false job placement claims to entice students into taking out high-cost loans that, in many cases, the company knew its students would be unable to repay. The Bureau has taken similar enforcement actions against other for-profit college chains, and it has created an online tool called "Paying for College," which offers tips on repayment and makes it easier for students and their families to compare financial aid offers.

4. Documenting widespread abuses in the payday lending market and laying the groundwork for rules to end debt-trap abuses.

Drawing on an extensive body of 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. Through its reports, the Bureau has laid the groundwork for rules that could end the abuses of ultra-high-interest debt-trap loans. In the meantime, the bureau has taken enforcement actions against two big payday lenders – Cash America for overcharging servicemembers, and ACE Cash Express for illegal debt-collection practices.

5. Working to ensure fair and equal access to credit in the auto lending market

In December 2013, the CFPB ordered Ally Financial Inc. and Ally Bank to pay $80 million in damages to consumers who had been overcharged through an illegal markup policy. 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 between 2011 and 2013.

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. 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.

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 servicemembers and other economically vulnerable Americans, making bogus promises to help settle their debts or restore their credit.

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 established, and begun to enforce, rules requiring servicers to actually follow their own official procedures and treat people fairly.

9. Starting work on beginning 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 in front of credit reporting agencies; and documented the problem of medical debt, which affects 1 in 5 consumers and constitute over half of debt collection items on credit reports.

10. Creating a complaint system to help consumers get responses from financial services companies, while helping the Bureau and the public understand how markets are working

In addition to its rule-writing and enforcement responsibilities, the Bureau takes complaints – roughly half a million so far, involving problems with mortgages, private student loans, credit cards, bank accounts, car and consumer loans, money transfers, credit reports or debt collection. Many consumers have gotten monetary relief, while others have secured other forms of help. The complaint system also provides data to help companies deal with problems before they get out of hand, and to help the Bureau itself spot patterns and trends that call for its attention.

In its short life, this agency has already made markets safer and fairer, while getting companies that broke the law to give relief to the people they ripped off. But there is plenty of work left to do, and we need the CFPB to continue to have the resources, the authority and the leadership structure it needs to get the job done!