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 and Consumer Protection Act 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 pay back $3.48 billion to consumers who got saddled with deceptive and fraudulent add-on products. In a series of CFPB investigations, Citibank, Bank of America, JPMorgan Chase, and three American Express subsidiaries were found to have defrauded consumers into accepting unnecessary and expensive credit card protection plans. The Bureau ordered these companies to cease their deceptive activity, make restitution, and pay over $100 million in civil penalties. (See list of CFPB enforcement actions.) CFPB orders to these firms and others, unlike the directives of predecessor regulators, do not generally require any consumer action: wrongdoers are told to automatically put money back into their accounts.

2. Prohibiting mortgage loans that borrowers can't afford to repay, and taking action against exorbitant fees and abusive payment structures. New CFPB mortgage rules require lenders to verify a borrower's ability to repay before a loan is approved. The rules provide an incentive to originate safer, more transparent, and more affordable loans in order to safeguard borrowers and the broader economy against another wave of the kind of dangerous and unsustainable lending that drove the housing and foreclosure crisis.

3. Standing up for borrowers and families trapped in high-cost student loans. The CFPB is working to protect students, former students, and their co-signers who together owe more than $1.2 trillion in education loan debt. It has gone to bat for victims of for-profit schools by suing the ITT Tech chain for predatory lending, securing $480 million in debt relief for former students of the now-bankrupt Corinthian Colleges, Inc., and winning a default judgment against Corinthian for deceptive lending and illegal debt collection practices. The Bureau put out a 2015 report examining the often murky practices of student loan servicers, and it has created an online tool "Paying for College" tool, which offers tips on loan repayment and makes it easy 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 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. Last year the Bureau laid out the broad outlines of a proposal to end this debt trap – a proposal whose formal release is expected before the summer of 2016. The Bureau has also taken enforcement actions against two major lenders – Cash America for overcharging service members and ACE Cash Express for illegal debt-collection practices.

5. 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. Ally will also pay an additional $38 million in restitution this year to compensate borrowers for continued discriminatory overcharges in 2015. In that year, the agency also reached a settlement with American Honda Finance Corporation and Fifth Third Bank to address discretionary auto-loan pricing and compensation practices. Honda will pay $24 million and Fifth Third $18 million in restitution to affected borrowers. In February of 2016, the CFPB reached a settlement with Toyota Motor Credit, whose practices led thousands of borrowers of color to pay higher interest rates than white borrowers. Toyota Motor Credit will pay up to $21.9 million in restitution to affected borrowers.

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 now make it easier to compare fees on these "remittance" transactions and make sure all the money that someone sends actually reaches the intended destination. AFR Member Appleseed has more information on remittance issues and reforms.

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, fraudsters go after the often meager savings of service members, older Americans, and other economically vulnerable Americans, making bogus debt relief promises or offers to restore credit. In 2015, the CFPB and the Florida Attorney General shut down a foreclosure rescue scam run by the Hoffman law firm, holding the firm liable for more than $11 million in restitution to consumers. In 2013, the Bureau 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—and related entities. In early 2014, the CFPB settled its civil case. Under the terms of the settlement, the companies have halted their illegal operations, paid civil penalties, and provided monetary relief for victims.

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, which has already issued rules requiring servicers to actually follow their own official procedures and treat people fairly, is currently in the process of further strengthening these provisions.

9. Taking steps to monitor the out-of-control world of credit reporting and debt collection. Although 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. The Bureau has 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. Creating a public consumer 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, education and enforcement responsibilities, the Bureau takes complaints—over 790,000 so far—involving mortgages, credit cards, car and consumer loans, bank accounts, money transfers, payday loans, private student loans, credit reports, and debt collection. Many consumers have gotten monetary relief as a result; and many more have received other forms of help, such as corrections to credit reports. 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. Since the middle of 2015, the Bureau has been publishing not just the fact of complaints, but also consumers' personal accounts of their experiences, making the database a still more useful resource.