AMERICANS FOR FINANCIAL REFORM

Ten Good Reasons to Support the Consumer Financial Protection Bureau

The Consumer Financial Protection Bureau was created after the crisis of 2008 to bring basic standards of fairness and transparency to the consumer financial marketplace, including credit cards, mortgages, student loans, auto loans, checking accounts, and debt collection. In the Bureau's own words, its job is to make sure that "consumers get the information they need to make the financial decisions they believe are best for themselves and their families – that prices are clear up front, that risks are visible, and that nothing is buried in fine print."

Officially launched in July 2011, the CFPB has already made a positive difference for tens of millions of people, and is on the road to making a difference for many times more. Here are 10 of the important things the CFPB is doing to stand up for the public interest and end tricks and traps in the consumer finance market:

1. Making credit card companies pay back $1.8 billion to consumers who got saddled with deceptive and fraudulent add-on products, and getting them to end the abusive practices that led to these rip-offs

Beginning in 2012, the CFPB has brought enforcement actions against Bank of America, American Express subsidiaries, Chase Bank, Capitol One, US Bank, Affinion Group Holdings, Inc., and Intersections, Inc., resulting in more than $1.8 billion paid back to around 12.5 million consumers.

The agency, along with the other regulators involved in these actions, found that the companies pressured consumers into 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. In addition to paying restitution to consumers, credit card companies have paid over $100 million in civil penalties and have been ordered by the CFPB to end deceptive marketing and illegal activity.

The CFPB is also taking action on prepaid cards, working to keep rip-offs from spreading in this growing market. The agency issued a proposal in December 2014 that will help ensure the safety of funds on prepaid cards and improve transparency on the costs and fees associated with prepaid cards. The rules proposed would sharply restrict overdraft fees offered on prepaid cards and require that cards which function as credit cards comply with credit card rules, including limits on fees in the first year, and providing borrowers sufficient time to repay.

For more information, see:

- CFPB: CFPB Credit Card Enforcements

- CFPB: CFPB Takes Action Against Companies For Unfair Billing Of Credit Card Add-On Products And Services
- Americans for Financial Reform: Details and Impacts of CFPB Enforcement Actions
- Consumers Union: CFPB's Proposed Prepaid Card Rules Offer Important Protections For Consumers

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, which went into effect in January 2014, require that lenders verify borrowers' ability to repay before making a home loan, and cordon off the kinds of high fees and deceptively-structured mortgages that were a central cause of the mortgage and financial crisis. The rules give lenders an incentive to originate safer, more transparent, and more affordable loans to consumers. These reforms are designed to save borrowers and the greater economy from another wave of dangerous and unsustainable home loans like those that drove the housing and foreclosure crisis.

For more information, see:

- U.S. News & World Report: Groundbreaking new mortgage rules are here
- CFPB: What the new CFPB mortgage rules mean for families and homeowners
- Americans for Financial Reform and the Roosevelt Institute: Dodd-Frank Measures Fundamentally Reform the Mortgage Market
- Center for Responsible Lending: Testimony before Senate Banking Committee on mortgage reforms

3. Standing up for borrowers and families struggling with student loans

The CFPB is working on protecting borrowers who together owe more than $1.2 trillion in student debt. In March 2014, the Bureau took its first public enforcement action against a company in the for-profit college industry, filing a lawsuit against ITT Educational Services, Inc. for engaging in predatory student lending that the agency argued were pushing students into high-cost private student loans that will inevitably default. In December 2014 the agency took action against a smaller Florida company, College Education Services, for taking advantage of student loan borrowers by falsely advertising their ability to help borrowers lower payments, by charging illegal advance fees to do so, and by falsely promising quick relief from default or garnishment. The Bureau's action shut down the company and barred its owners from engaging in any debt relief businesses in the future.

In September 2014 the Bureau sued Corinthian Colleges, a for-profit college chain with over 74,000 students enrolled across the country last year, for operating an illegal predatory lending scheme. Corinthian used false job placement claims to entice students to enroll and take out costly loans—loans which the company knew many students would be unable to repay. The CFPB's lawsuit demanded an end to these practices, and forgiveness of more than 130,000 private loans made since July 2011. Corinthian has been shut down by the Department of Education.

The Bureau has also released important reports on student lending, shining a light on gaps in consumer protection, presenting data on the magnitude of the problem, and focusing on specific problems and abuses. The [Annual Report of the Student Loan Ombudsman] looked into the more than 5,000 complaints submitted to the Bureau on student loan issues between October 2013 and October 2014 and found that many borrowers were defaulting because no viable repayment options were available to them. The Bureau's research has contributed to Department of Education rulemakings on unfair student loan disbursement practices on campus and protecting military families and veterans from egregious for-profit school practices. The Bureau will be working on issues surrounding student loan servicing, and has issued a Request for Information in order to gather stories and ideas that will inform what changes it will pursue.

Finally, the Bureau is helping students get better information about the choices and options they have now by creating an online tool called "Paying for College." The tool makes it easier to compare financial aid offers, provides information on different kinds of loans, and offers tips on repayment.

For more information, see:

- Americans for Financial Reform: Consumer Agency Files Lawsuit Against ITT for Predatory Lending Practices
- Americans for Financial Reform: CFPB Sues Corinthian Colleges for Harmful and Illegal Predatory Lending Practices
- CFPB: Paying For College Tool
- CFPB: Private Student Loans
- CFPB: The Next Front: Student Loan Servicing and the Cost to our Men and Women in Uniform
- CFPB: Annual Report of the Student Loan Ombudsman
- CFPB: Sound Off on Student Loan Servicing

4. Collecting and analyzing data to document widespread abuses in the payday lending market, and laying the groundwork for rules to end debt-trap loans once and for all

The CFPB reports on payday lending, which examined more extensive data than had ever been available before to anyone outside the industry, vividly demonstrated how frequently payday loans trap borrowers in debt. The studies found that the median loan issued was for $350, with an APR of 322 percent, that 80% of payday loans are rolled over or followed by another loan within 14 days, and that nearly half of borrowers had more than 10 loans in a year. They also found that monthly borrowers are the most likely to stay in debt for long periods—11 months or longer—and that the majority of monthly borrowers rely on government benefits like Social Security. These reports lay the foundation for consumer protection rulemaking.

In November 2013 the CFPB announced its first enforcement action against a payday lender, Cash America, winning $14 million in restitution for consumers because the company had overcharged service members and their families, violating the Military Lending Act. As part of the settlement, the CFPB also ordered the company to refund consumers for robo-signing court documents in debt collection lawsuits. Since then the CFPB has brought a second enforcement against a payday lender, ACE Cash Express, for using illegal and harassing debt collection tactics, like threatening to sue borrowers in order to pressure them to take out additional loans. CFPB's action will result in ACE providing $5 million in refunds to customers and paying a $5 million civil penalty.

The CFPB has announced that it is working on proposed rules on small dollar loans that would put an end to payday debt traps. An outline of the proposal is currently available, and a proposed rule could be expected by the end of 2015.

For more information, see:

- CFPB White Paper: Payday Loans and Deposit Advance Products
- CFPB Data Point: Payday Lending
- Americans for Financial Reform: AFR and More Than 100 Organizations Call on CFPB to Address Deceptive Payday Loan Market
- Americans for Financial Reform: CFPB Brings Action Against ACE Cash Express for Bullying Borrowers Into Borrowing Again
- CFPB: CFPB Considers Proposal to End Payday Debt Traps
- Americans for Financial Reform: Letter to Director Cordray on proposed payday loan rules

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. Many consumers seek financing for their automobile purchases directly from auto dealers, and many lenders have policies allowing auto dealers to issue mark-ups in ways that can result in pricing disparities on the basis of race, national origin, or other prohibited bases. Along with the Department of Justice, the Bureau has worked to combat credit discrimination by ordering Ally Financial Inc. and Ally Bank to pay $80 million in damages to the consumers that were harmed by their discriminatory markup policy. The CFPB and DOJ determined that more than 235,000 borrowers of color were hit with higher interest rates on their auto loans.

In March 2013 the CFPB issued a bulletin providing guidance to auto lenders to facilitate compliance with the law. The Bureau's guidance argued that potentially discriminatory markup policies, specifically in auto lending, can result in significant financial harm for consumers each year.

While the CFPB does not have jurisdiction over auto dealers, it does have jurisdiction over auto lenders and their lending programs. The Bureau also has a statutory responsibility to ensure fair and equal access to credit by enforcing the laws relating to credit discrimination, including the Equal Credit Opportunity Act (ECOA). The Bureau is moving to regulate the market through setting up regular supervision of larger participants in the auto lending market, and is currently considering comments as they work on writing a final rule in this area.

For more information, see:

- Americans for Financial Reform: Summary of Ally Bank Settlement over Loan Discrimination
- CFPB: CFPB to Hold Auto Lenders Accountable for Illegal Discriminatory Markup
- Center for Responsible Lending: The State of Lending in America & its Impact on U.S. Households: Auto Loans
- Center for Responsible Lending: BMO Harris Bank Takes a Stand for Fair Auto Loans

- National Consumer Law Center: New National Consumer Law Center Survey Finds Consumer Abuses in Auto Sales and Financing Are Common Throughout the United States

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 in the United States transfer tens of billions of dollars to family members and others in foreign countries each year. New CFPB rules require more clarity on fees and costs before the transfer is finalized, make it easier for people to comparison shop on price, and to check that every dollar that should actually goes to its intended recipient. Information that must now be disclosed before the transfer includes the exchange rate, fees, and taxes connected with the transaction. Customers also now have the right to cancel transfers within a short amount of time at no cost, and are also protected and will recover the funds lost if not all the money arrives where it was sent.

For more information, see:

- CFPB: Remittance Transfer Rule
- CFPB: Summary of the Final Remittance Rule
- Appleseed: Press release: New consumer protections for those sending money abroad

7. Shutting down "last dollar" scams that charge up-front fees for help that never gets delivered

'Last dollar' scams include deceptive mortgage servicing schemes, abusive debt collection tactics, and other bogus offers related to credit repair services and debt relief promises. These are called 'last dollar' scams because they target the often meager savings held by people in economically distressed situations. Many scammers who target these consumers operate websites and store fronts that look like legitimate businesses.

The CFPB is taking action against these scams. For example, 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—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.

Many last dollar scams target servicemembers, and the CFPB is taking extra care to put an end to scams that target men and women in uniform. In August 2014, the agency took action against USA Discounters, a company operating near military bases and offering financing for purchases. USA Discounters was found to be tricking thousands of servicemembers into paying unnecessary fees, and the CFPB's enforcement action required the company to pay more than $350,000 in refunds to servicemembers, along with a $50,000 penalty. In December 2014, the CFPB took action against Freedom Stores, Inc., for using illegal debt collection practices with servicemembers. The CFPB ordered Freedom Stores to pay $2.5 million back in restitution to harmed servicemembers, and was also asked to pay a $100,000 fine.

For more information, see:

- CFPB: CFPB Takes Action Against Two Companies for Charging Illegal Debt-Relief Fees
- CFPB: CFPB Takes Action Against Meracord for Processing Illegal Debt-Settlement Fees
- CFPB: CFPB Files Suit Against Morgan Drexen for Charging Illegal Fees and Deceiving Consumers
- CFPB: CFPB Shuts Down USA Discounters' Servicemember Fee Scam
- CFPB: CFPB and States Take Action Against Freedom Stores for Illegal Debt Collection Practices Against Servicemembers

8. Putting rules in place to help borrowers get mortgage modifications and save their homes from foreclosure

Servicer failures in the aftermath of the financial crisis have led repeatedly to preventable foreclosures; families have lost their homes even when laws, settlements, programs or contracts have dictated they should not. The costs for families, communities, and the economy have been staggering. New CFPB rules creating some protections for borrowers went into effect on January 19, 2014, and the CFPB now has the supervisory and enforcement authority to demand that servicers follow them. The new rules include fair practices for on-time loans, such as requiring servicers to send monthly statements, to fix mistakes promptly, and to make credit payments on the same day they are received, along with practices to help borrowers who are behind and need loan modifications to avoid foreclosure, like prompt and clear responses to requests for help.

In November 2014 the agency proposed a set of additional measures requiring that servicers treat borrowers fairly. The proposal includes specific protections for surviving spouses or children who inherit property (people in these situations have been getting particular run around from servicers); it would make it easier for people to get help if they experience more than one hardship in paying their loan; and it would strengthen protections when servicing is transferred from one company to another. Beyond these proposals there are further steps the CFPB can and should take to make the system work for families trying to pay their mortgages and stay in their homes.

For more information, see:

- CFPB: What the new CFPB mortgage rules mean for families and homeowners
- NCLC: National Consumer Law Center Statement Regarding CFPB Mortgage Servicing Rules
- NCLC: NCLC Statement on CFPB's Second Crack at Proposed Mortgage Servicing Rules
- CFPB: Summary of the proposed changes to the Mortgage Servicing 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. Early in 2014 the CFPB urged big banks and credit card companies to offer free credit scores for consumers on their monthly statements. This action would help protect consumers from identity theft by arming them with more information and would also save consumers millions of dollars by removing the incentive many have to sign up for over-priced subscription credit score monitoring products. One company, Discover Bank, has implemented this practice. The CFPB is also working with the biggest credit card companies on a voluntary program to make the 'real' credit scores—the scores actually used by lenders—available for no charge to their customers on monthly statements.

The CFPB is looking at medical debt, a burden held by tens of millions of Americans and which can be quite different from other forms of debt since it is often arises unexpectedly and is frequently paid for (eventually) in whole or in part by medical insurance. The agency's 2014 report on medical debt found that 1 in 5 consumers (or 43 million people) have negative marks on their credit reports from medical debt, and that medical debt makes up over half of debt collection items on credit reports. Along with releasing the report, the CFPB announced that it will be requiring the major credit reporting agencies to provide regular accuracy reports as a part of ongoing examinations.

The CFPB is also influencing how credit bureaus address consumer complaints. The agency has been able to convince the "big three" credit bureaus, which function as gatekeepers to financial and employment opportunity, to improve complaint reinvestigations by improving the transfer of paperwork between consumers and creditors investigating disputes. Previously, credit bureau employees had converted consumer documents into a two-digit code referencing their problems. Supporting documents as well as the substance of the complaint often got lost in the shuffle. Now, a CFPB bulletin has clarified that furnishers must review all relevant information provided with the disputes, including documents submitted by consumers.

For decades, consumers have complained about and reported on unacceptable practices within the debt collection industry. The agency is collecting information that will help them write consumer protection rules on debt collection. The agency issued an Advanced Notice of Proposed Rulemaking on debt collection, calling for feedback and information on the marketplace—and is considering submitted comments while working on a final rule. The Bureau has begun accepting complaints on debt collection through the public consumer complaint database.

For more information, see:

- CFPB: Key Dimensions and Processes in the U.S. Credit Reporting System
- National Consumer Law Center: CFPB Delivers for Consumers on Credit Report Issues
- CFPB: CFPB Calls on Top Credit Card Companies to Make Credit Scores Available to Consumers
- CFPB: CFPB Puts Companies on Notice About Duty to Investigate Consumer Credit Report Disputes
- CFPB: Consumer credit reports: A study of medical and non-medical collections

10. Creating a consumer complaint system and database to help consumers get responses from financial services companies, and to help the Bureau and the public identify problematic practices and understand how the market is working

The CFPB has created a consumer complaint system and database that allows consumers to submit complaints about credit cards, student loans, mortgages, debt collection, and more. This system puts companies on a prescribed time schedule for responding to consumer complaints. And it makes the whole process visible both to the regulator – the CFPB – and to the public. The Bureau's complaint database is publically searchable, so that consumers, advocates, regulators, and industry participants can identify what issues and what companies are being complained about, and whether or not the companies resolve those complaints. The database lets consumers understand how others are faring in the marketplace. It is also a good source of information for the Bureau, highlighting where consumers are facing problems, and where it needs to focus educational, supervisory, enforcement, or rulemaking efforts to improve specific markets, products or practices.

To date, the system has processed almost 600,000 complaints. Many consumers have received help since filing complaints, including both monetary relief (like fees refunded) and non-monetary relief, such as errors fixed on credit reports or an end to harassing phone calls from debt collectors. And many companies are monitoring the database and even looking for ways to solve problems before the open complaint system brings them to public attention.

The Bureau recently published around 8,000 consumer complaint narratives in a public database, which includes consumer accounts of problems they are facing with financial companies. These narratives allow members of the public to more fully learn from each other's experiences, empowering both consumers who are considering patronizing a certain product or company, and consumers who may have had similar issues and are looking for ways to navigate solutions. Publicizing these narratives also allows others, such as those in the advocacy community, to assist the Bureau in detecting destructive patterns before extensive damage is done, helping to avoid problems like the abusive mortgage lending scourge that was a key cause of the financial crisis.

To submit a complaint, consumers can:

- Go online at www.consumerfinance.gov/complaint
- Call the toll-free phone number at 1-855-411-CFPB (2372) or TTY/TDD phone number at 1-855-729-CFPB (2372)
- Fax the CFPB at 1-855-237-2392
- Mail a letter to: Consumer Financial Protection Bureau, P.O. Box 4503, Iowa City, Iowa 52244

For more information, see:

- A series of five reports by the U.S. PIRG Education Fund that analyze the complaints in the CFPB's public Consumer Complaints Database
- CFPB: CPFB Publishes Over 7,700 Consumer Complaint Narratives About Financial Companies
- CFPB: Consumer Complaints with Consumer Complaint Narratives
- Bull Market: You Can Now Read Other People's Banking Horror Stories

In addition to the complaint system, the CFPB offers a variety of resources for people who want to learn more about navigating the financial system; find a list here: *CFP11B Resources*

The CFPB has made major strides in a number of areas of consumer financial protection, making markets safer and fairer, and getting companies that broke the low to give money back to people they ripped off. But there is a lot left to do, and we need the CFPB to continue to have the structure and authority it needs to get the job done!