

## MEMORANDUM

To: Members of the Committee on Financial Services

From: FSC Majority Staff

Date: January 23, 2014

Re: January 28, 2014 Full Committee Hearing on “The Semi-Annual Report of the Consumer Financial Protection Bureau”

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The Committee on Financial Services will hold a hearing at 10:00 a.m. on Tuesday, January 28, 2014, in Room 2128 of the Rayburn House Office Building to receive the Semi-Annual Report of the Consumer Financial Protection Bureau (“CFPB” or the “Bureau”) and the Director of the Bureau’s testimony on the report. CFPB Director Richard Cordray will be the only witness.

### Background

Title X of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Pub. L. No. 111-203) (the “Dodd-Frank Act”) created the CFPB as an independent agency within the Federal Reserve System and charged it with regulating “the offering and provision of consumer financial products or services under the Federal consumer financial laws.”<sup>1</sup> The CFPB’s mission is to “implement and . . . enforce Federal financial consumer law consistently for the purposes of ensuring that all consumers have access to markets for consumer financial products and services and that markets for consumer financial products and services are fair, transparent and competitive.”<sup>2</sup> Title X grants the CFPB’s Director the “general authority” to “prescribe rules and issue orders and guidance” to administer, enforce, and implement federal consumer financial laws.<sup>3</sup> Title X also requires the CFPB to prepare semi-annual reports describing its activities during the previous six months, and it requires the CFPB’s Director to testify before the Financial Services Committee to report on the CFPB’s activities.<sup>4</sup>

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<sup>1</sup> Dodd-Frank Act § 1011(a).

<sup>2</sup> Dodd-Frank Act § 1021(a).

<sup>3</sup> Dodd-Frank Act § 1022(b)(2).

<sup>4</sup> Dodd-Frank Act § 1016.

On July 21, 2011, responsibility for promulgating federal consumer financial protection regulations was transferred from other federal agencies to the CFPB.<sup>5</sup> The CFPB also assumed supervisory and examination authority over large depository institutions, defined as those with more than \$10 billion in assets. Although prudential banking regulators retain supervisory and examination authority for financial institutions with less than \$10 billion in assets, the CFPB's examiners are authorized to participate on a "sampling" basis when prudential regulators examine institutions with less than \$10 billion in total assets.<sup>6</sup>

In addition to the authorities transferred to the CFPB from other Federal agencies, the Dodd-Frank Act also conferred new regulatory powers upon the CFPB. Among these new authorities are: the authority to prohibit unfair, deceptive, or abusive acts or practices; the authority to supervise non-depository entities, such as payday lenders, mortgage servicers, and private education lenders; and the authority to supervise entities determined to be "larger participants" in the market for consumer financial products or services.<sup>7</sup> Before it can exercise these new powers, the CFPB must have a Senate-confirmed Director.<sup>8</sup> Even though the Senate did not confirm Mr. Cordray as CFPB Director until July 16, 2013, the CFPB began exercising these new authorities following his putative recess appointment to that position by President Obama on January 4, 2012. On August 27, 2013, Mr. Cordray ratified all of the actions he took under color of office as Director between January 4, 2012, and July 17, 2013 (the date of his formal appointment by the President).<sup>9</sup>

## **The CFPB's Semi-Annual Report**

On November 5, 2013, the CFPB issued its fourth Semi-Annual Report to the President and Congress. The Report covers the CFPB's activities from April 1 through September 30, 2013.<sup>10</sup> A section-by-section overview of the Report appears below.

### **Section-by-Section Overview**

1. Executive Summary (p. 7)
2. Consumer Challenges in Obtaining Financial Products and Services (p. 13)
  - a. Provides overview and statistics regarding Bureau's consumer complaint system.

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<sup>5</sup> The CFPB assumed most of authority for enforcing consumer financial protection laws from several federal agencies, including the Federal Reserve, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Department of Housing and Urban Development, and the Federal Trade Commission.

<sup>6</sup> Dodd-Frank Act § 1026(c).

<sup>7</sup> Dodd-Frank Act §§ 1021(b) and 1024(a).

<sup>8</sup> Dodd-Frank Act §§ 1011(b)(2) and 1066(a).

<sup>9</sup> See [http://www.regulations.gov/#!documentDetail;D=CFPB\\_FRDOC\\_0001-0236](http://www.regulations.gov/#!documentDetail;D=CFPB_FRDOC_0001-0236).

<sup>10</sup> Semi-Annual Report of the Consumer Financial Protection Bureau: July 1, 2012 – December 31, 2012, *available at* [http://files.consumerfinance.gov/f/201303\\_CFPB\\_SemiAnnualReport\\_March2013.pdf](http://files.consumerfinance.gov/f/201303_CFPB_SemiAnnualReport_March2013.pdf).

- b. Highlights challenges facing consumers.
- 3. Delivering for American Consumers and Leveling the Playing Field (p. 41)
  - a. Reviews CFPB's offices and divisions, including Consumer Education and Engagement, Financial Education, Consumer Engagement, Servicemember Affairs, Older Affairs, and Financial Empowerment.
  - b. Discusses outreach efforts undertaken.
  - c. Notes external partnerships with advisory board and councils.
- 4. Regulations and Guidance (p. 61)
  - a. Highlights recent regulatory activities undertaken.
- 5. Supervision (p.67)
  - a. Summarizes the CFPB's supervisory activities.
  - b. Discusses supervisory guidance.
  - c. Provides information required by the Truth in Lending Act and the Electronic Fund Transfer Act.
  - d. Describes examiner training and commissioning and examination systems.
- 6. Enforcement (p. 79)
  - a. Outlines enforcement actions in which the CFPB was a party between October 1, 2012 and September 30, 2013.
- 7. Fair Lending (p. 86)
  - a. Describes the CFPB's fair lending supervision and enforcement activities.
  - b. Discusses interagency fair lending coordination and outreach efforts.
- 8. Building a Great Institution: Update (p. 92)
  - a. Describes the CFPB's open government activities.
- 9. Budget (p. 95)
  - a. Describes how the CFPB is funded, provides summaries of spending in fiscal years 2012 and 2013, and discusses the Civil Penalty Fund.
- 10. Diversity and Excellence (p. 105)
  - a. Discusses staff recruitment and hiring, training and diversity.