Testimony of Richard Cordray
Director, Consumer Financial Protection Bureau
Before the House Financial Services Committee
March 3, 2015

Chairman Hensarling, Ranking Member Waters, and Members of the Committee, thank you for the opportunity to testify today about the Bureau's Semi-Annual Report to Congress. We appreciate your continued leadership and oversight. I look forward to getting to know the new Members of the Committee as we all work together to strengthen our financial system so that it better serves consumers, responsible businesses, and our economy as a whole.

As you know, the Consumer Financial Protection Bureau is the nation's first federal agency whose sole focus is protecting consumers in the financial marketplace. Financial products like mortgages, credit cards, and student loans involve some of the most important financial transactions in people's lives. In the wake of the financial crisis, Congress created the Bureau to stand on the side of consumers and ensure they are treated fairly in the financial marketplace. Since we opened our doors, we have been focused on making consumer financial markets work better for the American people, and helping them improve their financial lives.

In this, our sixth Semi-Annual Report to the Congress and the President, we describe the Bureau's most recent efforts to achieve this vital mission. Through fair rules, consistent oversight, appropriate law enforcement, and broad-based consumer engagement, we are working to restore people's trust in consumer financial markets and protect them against illegal conduct.

Of course, much of the early work of the Bureau has centered on the mortgage market, which was the primary cause of the financial crisis and thus was where reform was deemed essential by the Congress and most policymakers. Our Ability-to-Repay rule, also known as the Qualified Mortgage rule, put new guardrails in place to prevent the kind of sloppy and irresponsible underwriting that had precipitated the crisis. Our mortgage servicing rules offered new and stronger protections to homeowners facing foreclosure. And our other rules addressed significant problems in the mortgage market deemed in need of repair. During this period, we continued our extensive work on regulatory implementation by providing tools and resources to assist industry in implementing our final rule to consolidate and streamline mortgage disclosure forms at both the application stage and the closing stage.

We also undertook considerable analysis to set the stage for a more recent development, which is a proposed rule we released to provide further latitude for residential mortgage lending by small creditors such as community banks and credit unions. The Bureau shares the Committee's respect for these institutions, as well as a commitment to promoting access to credit for consumers in rural and underserved areas. And so our proposal would expand the definition of "small creditor" by making certain adjustments to the origination limit to allow for more lending by these small local institutions. We also propose to expand the definition of "rural" areas to provide more access to credit in those areas. As we have demonstrated again and again, we are committed to an even-handed approach to rulemaking that maintains important protections for consumers while listening to all stakeholders and making changes where appropriate to get things as right as we can. We look forward to public comments on these issues, which we are accepting through March 30.

As I have said many times, responsible lending by community banks and credit unions did not cause the financial crisis. These institutions play a vital role in many communities and in our economy. Their traditional model of relationship lending has been beneficial for many people in rural areas and small towns across this country, including the small town in Ohio where I was born and raised. We reinforce our commitment to this model of responsible lending by meeting regularly with community bankers and credit union leaders in all 50 states. We also receive valuable insight and feedback from members of our Credit Union Advisory Council and Community Bank Advisory Council, which consist of more than 30 credit union and community bankers from every region.

During the period of our most recent Semi-Annual Report, we also issued a number of other proposed and final rules. We issued final revisions to the remittance rule to clarify some of the new consumer protections while providing federally insured institutions more time to allow for more accurate disclosures in certain cases. We also moved forward with one of the tasks that Congress set for us by proposing a rule to overhaul the reporting requirements for the Home Mortgage Disclosure Act. It includes a proposed exemption of approximately 25 percent of banks and credit unions that are currently required to submit HMDA reports from the obligation to do so. In related activity, we released new and improved tools to allow the public to access and utilize this data more readily and effectively. And we finalized a rule to promote more effective annual privacy disclosures from financial institutions to their customers. The approach we took considerably eases the burdens of such notices for many companies. We estimate that the industry could save about $17 million annually if the new online disclosure method is widely adopted.

In addition to our rulemaking efforts, the Bureau continues to make progress in all areas of our work. To date, we have helped secure orders through enforcement actions for more than $5.3 billion in relief to more than 15 million consumers who fell victim to various violations of Federal consumer financial laws. During the period of the Semi-Annual Report, we brought enforcement actions that secured $1.6 billion in relief for consumers. Those actions included $727 million in relief to consumers who were harmed by a company's deceptive marketing of credit card add-on products. They included $92 million in debt relief for 17,000 servicemembers and other consumers who were harmed by a predatory lending scheme. And they included $225 million in relief for consumers who were harmed by other deceptive and discriminatory credit card practices. We also filed suit to hold a company accountable for operating a debt collection lawsuit mill that intimidated consumers with deceptive court filings, totaling more than 350,000 lawsuits in four years in Georgia alone.

Our supervision program continues to be refined, improved, and expanded. We consult and collaborate closely with our fellow federal regulators as well as with state regulatory officials to carry out our work. Part of our statutory mandate is to address consumer financial issues in an even-handed manner across all market participants. During this reporting period, we continued to build out our risk-based supervision program both for banks and for non-bank financial firms. That approach is enabling us to provide more consistent treatment that ensures compliance with Federal consumer financial laws and helps level the playing field among competing firms in mortgage origination, mortgage servicing, debt collection, student loan servicing, and other markets.

The premise at the heart of our mission is that consumers deserve to be treated fairly in the financial marketplace, and they should have someone stand on their side when that does not happen. Since opening our doors, the Bureau's Office of Consumer Response has accepted more than 540,000 consumer complaints related to a variety of financial products and services, including mortgages, credit cards, student loans, auto loans, credit reporting, debt collection, and a number of other consumer financial products or services. That has resulted in relief of various kinds, both monetary and non-monetary, for many consumers. It also generates a rich trove of information from individual consumers in real-time about the most urgent problems and challenges they are confronting in the financial marketplace, all of which informs our regulatory, supervisory, and enforcement work.

To promote informed financial decision making, we have continued to develop educational tools for consumers, including the *Your Money, Your Goals* toolkit. This comprehensive guide is designed to be used by trusted public and private sector intermediaries – such as social workers, legal aid attorneys, and volunteers – to empower the people they serve in personal financial decision-making by covering topics such as budgeting daily expenses, managing debt, and avoiding financial tricks and traps. We are also about to embark on a financial coaching program for transitioning veterans and economically vulnerable populations of consumers in sixty locations all over the country.

The progress we have made has been possible thanks to the engagement of hundreds of thousands of Americans who have utilized our consumer education tools, submitted complaints, participated in rulemakings, and told us their stories through our website and at numerous public meetings from coast to coast. We have also benefited from an ongoing dialogue and constructive engagement with the institutions we supervise, with community banks and credit unions with whom we regularly meet, and with consumer advocates throughout the country.

Our progress has also resulted from the extraordinary work of my colleagues at the Bureau. They are dedicated public servants from a variety of different backgrounds who are committed to promoting a healthy consumer financial marketplace. In standing up the new Bureau from ground zero at almost break-neck speed to meet the expectations and deadlines set by the Congress, we put ourselves under enormous pressure to meet these goals. When we have recognized from time to time that we got things wrong, we have been determined to do what we can to make them right. I am proud to say that our colleagues have regularly risen to the challenges we face. They have consistently delivered great results so that consumers all over the country – in every one of your districts – are treated fairly in the financial marketplace. The American people certainly deserve it.

Thank you for the opportunity to testify today. I look forward to your questions.