

**Written Testimony of Steven Antonakes  
Acting Deputy Director  
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Before the House Committee on Financial Services  
Subcommittee on Financial Institutions and Consumer Credit**

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Chairman Capito, Ranking Member Meeks, and Members of the Subcommittee, thank you for the opportunity to provide testimony today about the fundamental importance of data analysis to the mission of the Consumer Financial Protection Bureau (the Bureau). The Bureau is a data driven agency, because Congress recognized that the Bureau cannot do its job of protecting consumers and honest businesses unless it understands the consumer financial markets it oversees.

My name is Steven Antonakes, and I serve as the Acting Deputy Director of the Bureau. I joined the Bureau in November 2010 as the Assistant Director for Large Bank Supervision and was named the Associate Director for Supervision, Enforcement, and Fair Lending in June 2012. I began my professional career as an entry level bank examiner with the Commonwealth of Massachusetts Division of Banks in 1990 and served in numerous managerial capacities before being appointed by successive Governors to serve as the Commissioner of Banks from December 2003 until November 2010.

Congress created the Consumer Financial Protection Bureau in order to ensure that consumers have access to markets for consumer financial products and services, and that those markets are fair, transparent, and competitive.

In carrying out its congressionally mandated supervisory, enforcement, and regulatory functions, the Bureau relies on rigorous empirical analysis – grounded in data – about how the markets for consumer financial products and services actually work. Data analysis is also fundamental to fulfilling our mandate to protect consumers. Analysis of data, as the law creating the Bureau prescribed, enables the Bureau to not only better protect and educate consumers, but it also enables the Bureau to coordinate with other regulators and craft tailored rules based on a careful examination of costs and benefits. The Bureau's evaluation of this data also allows it to provide meaningful reports, as required by Congress, and to perform its consumer response function.

In Fiscal Year 2012, the Bureau spent \$7,129,460 on obtaining data to support its mission. To place this in context, this comprised 2.4 percent of the Bureau's total budget. To date, the Bureau's Fiscal Year 2013 data procurements total \$3,169,300 or 0.6 percent of the total budget. The Bureau makes information about its non-government data vendors publicly available on [USASpending.gov](http://USASpending.gov).

The Bureau makes every effort to obtain market data in an efficient manner with an eye toward reducing the burden and cost on industry. The Bureau also makes every effort to safeguard and protect the information that it does obtain. The Bureau collects and studies data in order to

protect consumers throughout the United States in accordance with its statutory mandate, not to study any particular individuals.

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As the events leading up to the financial crisis illustrate, all regulators must have timely and accurate information about the markets they oversee. Information is essential to properly supervise market participants, regulate markets, protect consumers and honest businesses from unscrupulous activities, and ensure the stability of the financial system and of the economy generally. Simply put, no agency can effectively supervise that which it does not understand.

For example, the financial crisis showed that the lack of a comprehensive source for mortgage loan information - from origination through servicing – was a barrier to regulators’ ability to understand the market, foresee emerging risks, and ensure consumers were protected. For that reason, the Bureau, in partnership with the Federal Housing Finance Agency, is creating the National Mortgage Database. This database will help to fill the information gap with loan-level data of a random and representative sample of mortgages. The sample is being drawn from commercially-available data. The Database will not contain personal identifiers such as names or social security numbers, and the agencies will implement safeguards against potential re-identification of individual borrowers. By populating the database with information that already exists, the agencies have sought to reduce any burdens imposed on market participants. Additionally, the database is intended to provide a foundation for satisfying the obligation that the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act) placed upon the Bureau, in collaboration with the Department of Housing and Urban Development, to build and make publicly available a default and foreclosures database.

The Bureau’s focus on empirical analysis to protect consumers is not merely good policy; it is a central theme of the Dodd-Frank Act. Congress specified one of the Bureau’s primary functions as “collecting, researching, monitoring, and publishing information relevant to the functioning of markets for consumer financial products and services to identify risks to consumers and the proper functioning of such markets.”<sup>1</sup> To support this function, Congress directed the establishment of an Office of Research at the Bureau “whose functions shall include researching, analyzing, and reporting on” the markets for consumer financial products or services.<sup>2</sup> More broadly, Congress directed the Bureau, “in order to support its rulemaking and other functions,” to “monitor for risks to consumers in the offering or provision of consumer financial products or services, including developments in markets for such products or services.”<sup>3</sup>

Another important consumer protection activity that the Dodd-Frank Act prescribed is the supervision of certain institutions participating in the markets for consumer financial products and services.<sup>4</sup> The Dodd-Frank Act authorizes the Bureau to require reports and conduct examinations of institutions in order to assess their compliance with Federal consumer financial

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<sup>1</sup> See 12 U.S.C. 5511(c)(3).

<sup>2</sup> See 12 U.S.C. 5493(b)(1).

<sup>3</sup> See 12 U.S.C. 5512(c)(1).

<sup>4</sup> See 12 U.S.C. 5511(c)(4).

laws, to obtain information about their compliance programs and activities, and to detect and assess risks to consumers and to the markets for consumer financial products and services.<sup>5</sup> The Bureau is committed to empirically grounded analysis, and it is the Bureau’s practice to reduce burden on supervised institutions by utilizing when possible publicly available information, information obtained from other regulators, and information initially obtained or generated by other parts of the Bureau.

In mandating that the Bureau monitor the markets for consumer financial products or services, Congress granted the Bureau “the authority to gather information from time to time regarding the organization, business conduct, markets, and activities of covered persons and service providers,” directed the Bureau to gather such information from a variety of sources, and expressly authorized the Bureau to utilize information initially collected for other purposes, such as consumer complaints or confidential supervisory information.<sup>6</sup> When the Bureau uses information collected for other regulatory purposes to perform its market monitoring functions, it first strips the information of personal identifiers and then performs aggregate analysis on that market data, rather than focusing on any individual.

Although the Bureau does not analyze data containing personal identifiers when performing its market monitoring function, access to such data is sometimes necessary for the Bureau to fulfill its broader mission to protect consumers. For example, the Bureau will use data obtained through its supervisory authority to ensure restitution of approximately \$6.5 million to close to 50,000 servicemembers harmed by violations of Federal consumer financial law. Additionally, through the collection of complaint data, the Bureau has highlighted the problems that servicemembers, in particular, face as consumers. For instance, the Bureau has helped individual servicemembers with permanent change of station orders resolve issues with mortgage servicers, and has issued a report detailing the types of issues faced by servicemembers, based on complaint data submitted to the Bureau’s Consumer Response Division.

In several contexts, firms as well as individuals have voluntarily submitted data that the Bureau requested in order to fulfill its statutory mandates. For example in February, the Bureau asked the public to provide input on potential policy options to tackle the problem of unmanageable student debt. The Bureau received more than 28,000 responses from experts and individuals impacted by student debt. In May, the Bureau published a report on student loan affordability that discusses what the Bureau learned from the public about potential solutions for the market. The report concluded that unmanageable student loan debt can significantly limit the financial choices of individual Americans and, in the aggregate, could negatively affect the broader economy and society

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To identify risks to consumers, the Dodd-Frank Act authorizes the Bureau to collect information from “a variety of sources” including consumer complaints, examination reports, and “available

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<sup>5</sup> See 12 U.S.C. 5514(b)(1), 5515(b)(1).

<sup>6</sup> See 12 U.S.C. 5512(c)(4)(A) and (B)(i); see also 12 U.S.C. 5493(b)(3) (directing the Bureau to share consumer complaint data to facilitate market monitoring).

databases.”<sup>7</sup> In accordance with these provisions, when the Bureau performs its market monitoring function, it seeks to rely, to the greatest extent possible, on information already in its possession, information in the possession of its fellow regulators, and information already aggregated in available databases. This practice serves to reduce any burden associated with institutions’ production of data by relieving them of the obligation to provide the same information twice for two different purposes. The Bureau is always cognizant of the potential burdens on industry and has worked with supervised institutions collaboratively to attempt to reduce any burden associated with Bureau requests for information.

The Bureau has also avoided creating burdens on industry by acquiring data from third parties when possible. For example, the Bureau obtained through a third party about 10 years of de-identified credit record data representing approximately 4 percent of consumers. The Bureau uses this information to perform independent analyses and reach independent conclusions with respect to risks to consumers and to markets. The Federal Reserve Bank of New York has been purchasing similar data for years, which it uses to prepare its widely quoted Quarterly Report on Household Debit and Credit. Other regulators collect similar information from market participants, and the Bureau makes conscious efforts to avoid duplicative requests and to share information with other regulators.

Congress recognized, however, that in certain instances these available information sources may be insufficient, and it thus expressly authorized the Bureau to collect information directly from consumers through voluntary “surveys” and “interviews.”<sup>8</sup> For example, the Bureau recently requested authorization from the Office of Management and Budget to conduct a nationwide telephone survey of 1,000 credit card holders as part of its statutorily-mandated study of mandatory pre-dispute arbitration agreements.<sup>9</sup> It also authorized the Bureau to require covered persons and service providers to provide “information . . . necessary for the Bureau to fulfill the monitoring, assessment, and reporting responsibilities imposed by Congress,” provided the Bureau does not do so “for purposes of gathering or analyzing the personally identifiable financial information of consumers.”<sup>10</sup> As noted above, when the Bureau collects and analyzes data to perform its market monitoring function, it is interested in the way that consumers in the aggregate interact with the consumer financial markets, and not in the interaction of a particular individual with the markets. Accordingly, it does not analyze data that contains personal identifiers.

In all of these ways provided by Congress, the Bureau is authorized and directed to rely on consumer financial marketplace data for many of its functions. It is important to emphasize that, in collecting data as Congress authorizes and directs the Bureau to do, the Bureau’s sole interests and intentions are to understand the market for consumer financial products and services, to assess the conduct of providers of such products and services, and to inform, educate, and protect consumers of such products and services.

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<sup>7</sup> *Id.*

<sup>8</sup> 12 U.S.C. 5512(c)(4)(B)(i).

<sup>9</sup> *See* 78 Fed. Reg. 34352 (June 7, 2013).

<sup>10</sup> 12 U.S.C. 5512(c)(4)(B)(ii), (C).

Moreover, the Bureau is committed to ensuring protections for consumers' personal privacy. The Bureau stores and protects personally identifiable information, along with other confidential information and data, according to information security requirements that comply with applicable Federal laws and regulations.<sup>11</sup> The Bureau publishes a privacy policy on its website that sets forth privacy principles and steps that it takes to protect consumers' personal privacy. These principles include minimizing the Bureau's collection of personal information, informing consumers about how and why the Bureau collects and uses information about them, and training the Bureau's employees and holding them accountable for their treatment of personal information.

The Bureau has also issued regulations that limit the circumstances in which it may disseminate internally, share with other agencies, or disclose to the public confidential information, including consumers' personal information. Internal dissemination of confidential information is limited to those employees for whom such information is relevant to the performance of their duties. External dissemination is strictly limited.<sup>12</sup> The Bureau's rules permit the disclosure of materials derived from confidential information (for example, in reports to Congress), but only "to the extent that such materials do not identify, either directly or indirectly, any particular person to whom the confidential information pertains."<sup>13</sup>

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A deep and thorough understanding of the consumer financial marketplace is essential to accomplish the Bureau's mission, and that, understanding must be based on data. Without adequate data, the Bureau could not fulfill its critical statutory mandates to protect consumers, monitor the consumer financial marketplace for risks, provide reports to Congress, and consider the potential benefits and costs to both consumers and market participants when proposing regulations. The Bureau has always sought to fulfill its statutory duties while respecting individuals' personal privacy and imposing the least possible burden on market participants.

Chairman Capito, Ranking Member Meeks, and Members of the Subcommittee, thank you again for this opportunity to appear before you today. I will be happy to answer your questions.

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<sup>11</sup> See, e.g., the Federal Information Security Act of 2002, 44 U.S.C. 3541, *et seq*; the Privacy Act of 1974, 5 U.S.C. 552a.

<sup>12</sup> See 12 CFR 1070.41(a).

<sup>13</sup> See 12 CFR 1070.41(c).