Testimony of Richard Cordray
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Before the House Committee on Financial Services
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Chairman Hensarling, Ranking Member Waters, and Members of the Committee – thank you for the opportunity to testify today about the Consumer Financial Protection Bureau's latest Semi-Annual Report to Congress. We appreciate your continued oversight and leadership as we work together to strengthen our financial system and ensure that it serves consumers, responsible businesses, and the long-term foundations of the American economy.

This July marked five years since the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act and four years since the Consumer Bureau opened its doors. As you know, Congress created the Bureau in response to the financial crisis with the purpose and sole focus of protecting consumers in the financial marketplace. We understand our responsibility to stand on the side of consumers and ensure they are treated fairly. Through fair rules, consistent oversight, appropriate enforcement of the law, and broad-based consumer engagement, the Consumer Bureau is working to restore people's trust and confidence in the markets they use for everyday financial products and services.

As we continue our work, consumer financial markets are showing increasing signs of health. For example, the latest Home Mortgage Disclosure Act (HMDA) data, released by federal agencies last week, shows increasing numbers of consumers are taking out mortgages. In 2014, the first year of our new mortgage rules, mortgage originations for owner-occupied home purchases increased between four and five percent. The upward trend appears to have accelerated over the first half of this year. And while we saw some continuing consolidation in parts of the mortgage market, there is no evidence of the decline some predicted. In fact, after taking merger activity into account, the number of lenders that reported having originated mortgages showed an increase in 2014. And in particular, after adjusting for consolidations, the number of community banks and credit unions that originated home-purchase mortgages last year was up from the year before.

Other consumer credit markets also show encouraging signs. For example, in the first half of this year, over 14 million consumers obtained new auto loans, up eight percent over the prior year. For auto loans this marks a 45 percent increase since 2011 and a nine-year high.[1] Similarly, 54 million new consumer credit card accounts were opened in the first half of 2015, which is 12 percent more than in the same period last year and 48 percent higher than in the

[1] Experian-Oliver Wyman, Market Intelligence Report: Auto Loans and Leases (Second Quarter 2015).

same period of 2011.[2] At the same time, the percentage of loan balances that are seriously delinquent dropped below four percent last quarter for the first time since 2007 and down from seven percent four years ago.[3]

Equally heartening is the strength being exhibited by community banks and credit unions. Last quarter, lending by community banks grew by 8.8 percent compared to the prior year, growing at almost twice the rate of non-community banks.[4] Credit union lending grew at an even faster pace, and credit union membership over the past year grew at the fastest rate in over twenty years.[5]

As consumers gain more confidence, lenders are responding and credit standards are becoming less tight across all these markets. Consumers appear to be carrying their debt burdens more effectively, which has contributed to the fact that the delinquency rate in each of these markets is at or near record lows. These are all positive trends for the consumer financial marketplace and very much aligned with the Bureau's mission.

The Bureau helps consumer finance markets work by making rules more effective, by consistently enforcing those rules, and by empowering consumers to take more control over their economic lives. To date, the Bureau's enforcement activity has resulted in more than $11 billion in relief for over 25 million consumers. Our supervisory actions have resulted in financial institutions providing more than $248 million in redress to nearly 2 million consumers. And as of this month, we have handled over 700,000 complaints from consumers addressing all manner of financial products and services. Many of these consumers are constituents from each of your states, and they are pleased at the help they are receiving from the Bureau to resolve their problems and concerns.

As with the letters you receive from your constituents, the consumer complaints submitted to the Bureau raise issues of serious concern. Along with our enforcement, supervisory, rulemaking, and market monitoring activity, these complaints and the voices of consumers are important to the Bureau. Our work is focused on ensuring that the markets for all such consumer financial products and services are marked by responsible practices that help rather than harm consumers.

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[2] Experian-Oliver Wyman, Market Intelligence Report: Bank Cards Report and Retail Lines Report (Second Quarter 2015).

[3] Federal Reserve Bank of New York, Quarterly Report on Household Debt and Credit, August 2015, *available at* http://www.newyorkfed.org/householdcredit/2015-q2/data/pdf/HHDC_2015Q2.pdf.

[4] Federal Deposit Insurance Corporation, Quarterly Banking Profile, Q2 2015, *available at* https://www5.fdic.gov/qbp/2015jun/qbp.pdf.

[5] Credit Union National Association, U.S. Credit Union Profile Report, Mid Year 2015, *available at* http://www.cuna.org/Research-And-Strategy/Credit-Union-Data-And-Statistics/.

In our most recent Semi-Annual Report to Congress and the President, we describe the Bureau's efforts to achieve our vital mission on behalf of consumers, including those in your home states and mine. For example, we took action against a company for illegal debt collection practices resulting in $2.5 million in relief for servicemembers. We also stopped an illegal kickback scheme for marketing services, which resulted in $11.1 million in redress for wronged consumers. We also worked with the Department of Education to obtain $480 million in debt relief to student loan borrowers who were wronged by Corinthian Colleges, a for-profit chain of colleges that violated the law and has since declared bankruptcy.

During the reporting period, the Bureau also issued a number of proposed and final rules. In October 2014, we issued a final rule to reduce burdens on industry by promoting more effective privacy disclosures from financial institutions to their customers. In November 2014, the Bureau issued a Notice of Proposed Rulemaking to provide strong new federal consumer protections for prepaid accounts. In December 2014, the Bureau issued a proposal to clarify various provisions of our mortgage servicing rules. The Bureau is in the process of developing new rules governing payday, vehicle title, and certain installment loans. Earlier this month, the Bureau finalized further changes to some of our mortgage rules to facilitate mortgage lending by small creditors, particularly in rural or underserved areas. These changes will increase the number of financial institutions able to offer certain types of mortgages in rural or underserved areas, and help small creditors adjust their business practices to comply with the new rules.

As a data-driven institution, the Consumer Bureau published several reports during this reporting period that highlight important topics in consumer finance such as medical debt, arbitration agreements, reverse mortgages, and consumer perspectives on credit scores and credit reports. We also released a new "Know Before You Owe" mortgage toolkit that will help encourage consumers to shop for mortgages and better understand how to go about buying a home.

In the years to come, we look forward to continuing to fulfill Congress's vision of an agency that is dedicated to cultivating a consumer financial marketplace based on transparency, responsible practices, sound innovation, and excellent customer service.

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