

**Testimony of Richard Cordray**  
**Director, Consumer Financial Protection Bureau**  
**Before the House Committee on Financial Services**  
**April 5, 2017**

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 (Consumer Bureau) Spring and Fall 2016 Semi-Annual Reports to Congress. I appreciate our continued dialogue as we work together to strengthen the financial system and ensure consumers are treated fairly in the financial marketplace.

The Consumer Bureau presents these Semi-Annual Reports to Congress and the American people in fulfillment of its statutory responsibility and commitment to accountability and transparency. These reports provide updates on the Consumer Bureau's mission, activities, accomplishments, and publications from October 1, 2015 to September 30, 2016, and provide additional information required by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act).<sup>1</sup>

The Dodd-Frank Act created the Consumer Bureau as the nation's first Federal agency with a mission of focusing solely on consumer financial protection and making consumer financial markets work for American consumers, responsible businesses, and the economy as a whole. In the wake of the financial crisis, the President and Congress recognized the need to address widespread failures in consumer protection and the rapid growth in irresponsible lending practices that preceded the crisis. To remedy these failures, the Dodd-Frank Act consolidated most Federal consumer financial protection authority in the Consumer Bureau.<sup>2</sup> The Dodd-Frank Act charged the Consumer Bureau with, among other things:

- Ensuring that consumers have timely and understandable information to make responsible decisions about financial transactions;
- Protecting consumers from unfair, deceptive, or abusive acts and practices, and from discrimination;

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<sup>1</sup> Appendix B provides a guide to the Consumer Bureau's response to the reporting requirements of Section 1016(c) of the Dodd-Frank Act. The Consumer Bureau's last Semi-Annual Report, published in November 2015, covered April-September 2015. The report may be viewed at: [http://files.consumerfinance.gov/f/201511\\_cfpb\\_semi-annual-report-fall-2015.pdf](http://files.consumerfinance.gov/f/201511_cfpb_semi-annual-report-fall-2015.pdf).

<sup>2</sup> Previously, seven different federal agencies were responsible for rulemaking, supervision, and enforcement relating to consumer financial protection. The agencies which previously administered statutes for which authority transferred to the Consumer Bureau are the Federal Reserve Board (and the Federal Reserve Banks) (Board or FRB), Department of Housing and Urban Development (HUD), Federal Deposit Insurance Corporation (FDIC), Federal Trade Commission (FTC), National Credit Union Administration (NCUA), Office of the Comptroller of the Currency (OCC), and Office of Thrift Supervision (OTS).

- Monitoring compliance with Federal consumer financial law and taking appropriate enforcement action to address violations;
- Identifying and addressing outdated, unnecessary, or unduly burdensome regulations;
- Enforcing Federal consumer financial law consistently in order to promote fair competition;
- Ensuring that markets for consumer financial products and services operate transparently and efficiently to facilitate access and innovation; and
- Conducting financial education programs.<sup>3</sup>

The Consumer Bureau has continued its efforts to serve and protect consumers in the financial marketplace. The Consumer Bureau seeks to serve as a resource on the macro level, by writing clear rules of the road and enforcing consumer financial laws in ways that improve the consumer financial marketplace, and on the micro level, by helping individual consumers address their specific issues with financial products and services. While the various divisions of the Consumer Bureau play different roles in carrying out the Consumer Bureau's mission, they all work together to protect and educate consumers, help level the playing field for participants, and fulfill the Consumer Bureau's statutory obligations and mission under the Dodd-Frank Act. In all of its work, the Consumer Bureau strives to act in ways that are fair, reasonable, and transparent.

Listening and responding to consumers is central to the Consumer Bureau's mission. The Consumer Bureau continues to provide consumers with numerous ways to make their voices heard. Consumers nationwide have engaged with the Consumer Bureau through public field hearings, listening events, roundtables and town halls, and through our website, [consumerfinance.gov](http://consumerfinance.gov). Consumer engagement strengthens the Consumer Bureau's understanding of current issues in the ever-changing consumer financial marketplace and informs every aspect of the Consumer Bureau's work, including research, rule writing, supervision, and enforcement.

The Consumer Bureau has continued to improve the capabilities of its Office of Consumer Response to handle consumer complaints, handling its one millionth complaint in September 2016. Through consumer complaints, the Consumer Bureau hears directly from consumers about the challenges they face in the marketplace, brings their complaints to the attention of companies, and assists in addressing those complaints. The Consumer Bureau knows that efficient and responsible handling of consumer complaints helps companies develop and maintain successful customer relationships, which is why we have invested in cutting-edge technology to quickly and securely route complaints to companies after screening complaints for completeness and determining they fall within our jurisdiction. The Consumer Bureau also

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<sup>3</sup> See Dodd-Frank Act, Pub. L. No. 111-203, Sec. 1021 (b) and (c).

publishes complaints in its public Consumer Complaint Database once the company has an opportunity to respond, confirming a current or prior commercial relationship with the consumer. Our secure company portal also enables companies to quickly and easily alert the Consumer Bureau when a complaint is a duplicate, submitted by an unauthorized third party, or when they are otherwise unable to confirm a current or prior commercial relationship with the consumer. Such complaints are not published in the Consumer Complaint Database. The Consumer Bureau also gives companies the opportunity to respond publicly to the substance of the consumer complaints appearing in the database, and we continue to engage with industry to find ways to make the complaint process more efficient and the data more useful. The database updates daily.

In addition to the Consumer Complaint Database, in July 2015, the Consumer Bureau launched a series of monthly complaint reports to highlight key trends from consumer complaints submitted to the Consumer Bureau. The monthly report includes complaint data on complaint volume, most-complained-about companies, state and local information, and product trends. Each month, the report highlights a particular product and geographic location and provides insight for the public into the hundreds of thousands of consumer complaints on financial products and services expected to be handled by the Consumer Bureau. The report uses a three-month rolling average, comparing the current average to the same period in the prior year where appropriate, to account for monthly and seasonal fluctuations. In some cases, month-to-month comparisons are used to highlight more immediate trends. During the reporting period, these monthly reports have covered financial products such as money transfers, debt collection, mortgage servicing, consumer reporting, and credit cards, as well as information on state and local areas, including Connecticut, Georgia, New York, Texas, Florida, California, New Mexico, and Arkansas.

The Consumer Bureau is working to provide tools and information directly to consumers to enable them to develop practical skills and support sound financial decision-making. These skills include being able to ask informed questions of financial service providers and to plan ahead for financial decisions down the road. One way we are doing this is with our online tool, *Ask CFPB*.<sup>4</sup> This tool provides answers to over 1,000 questions about financial products and services, including on topics such as mortgages, credit cards, and how to dispute errors in a credit report statement. We are also focusing on helping consumers build the skills to plan ahead. For example, our *Paying for College*<sup>5</sup> set of tools helps students and their families evaluating their higher education financing options – comparing college costs and financial aid, learning about college money and loan options, and assessing repayment options. Our *Ownning a Home*<sup>6</sup> set of tools helps consumers shop for a mortgage loan by helping them understand what mortgages are available to them, explore interest rates and compare loan offers, and by providing a closing checklist. The *Money Smart for Older Adults*<sup>7</sup> curriculum, developed with the Federal Deposit Insurance Corporation, includes training resources to help people protect themselves and loved ones from elder financial exploitation and prepare financially for unexpected life events. CFPB *en Español* ([consumerfinance.gov/es/](http://consumerfinance.gov/es/)) provides Spanish-speaking consumers a central point of access to the Consumer Bureau's most-used consumer resources available in Spanish.

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<sup>4</sup> Available at: [consumerfinance.gov/askcfpb/](http://consumerfinance.gov/askcfpb/)

<sup>5</sup> See <http://www.consumerfinance.gov/paying-for-college/>

<sup>6</sup> See <http://www.consumerfinance.gov/owning-a-home/>

<sup>7</sup> See <https://www.fdic.gov/consumers/consumer/moneysmart/OlderAdult.html/>

The Consumer Bureau is also working with other government agencies, social service providers, and community service providers to develop channels to provide decision-making support in moments when consumers are most receptive to receiving information and developing financial decision-making skills. This support includes integrating financial capability into other programs and services where consumers may be seeking assistance. We are tailoring our approaches to financial decision-making circumstances, challenges, and opportunities for specific populations, including servicemembers and veterans, students and young adults, older Americans, and lower-income and other economically vulnerable Americans.

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When Federal consumer financial law is violated, the Consumer Bureau's Supervision, Enforcement, and Fair Lending Division is committed to holding the responsible parties accountable. In the 12 months covered by these reports, our supervisory actions resulted in financial institutions providing approximately \$58 million in redress to over 516,000 consumers. During that timeframe, we also have announced enforcement actions that resulted in orders for more than \$240 million in total relief for consumers who fell victim to various violations of consumer financial laws, along with over \$183 million in civil money penalties. In fact, since we opened our doors, the Consumer Bureau has secured over \$11.8 billion in relief to 29 million consumers from our supervisory and enforcement work. This figure includes approximately \$130 million in relief to servicemembers, veterans, and their families.

During the period covered by the Spring 2016 report, we brought numerous enforcement actions for various violations of the Dodd-Frank Act. These activities included actions against two companies for engaging in illegal debt collection tactics;<sup>8</sup> a default judgment against a for-profit college for engaging in a predatory lending scheme;<sup>9</sup> a proceeding against an online lender for misrepresenting the cost of loans;<sup>10</sup> an action against a company for running an illegal debt collection lawsuit mill;<sup>11</sup> an action against two institutions for reselling sensitive personal information to lenders and debt collectors that it hadn't properly vetted;<sup>12</sup> actions against a "buy here, pay here" auto lender for providing damaging, inaccurate customer information to credit reporting companies and another auto finance company for engaging in abusive conduct in financing, hiding auto finance charges, and misleading customers;<sup>13</sup> an action against an

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<sup>8</sup> See <http://www.consumerfinance.gov/about-us/newsroom/cfpb-orders-servicemember-auto-loan-company-to-pay-3-28-million-for-illegal-debt-collection-tactics/>  
<http://www.consumerfinance.gov/about-us/newsroom/cfpb-orders-ezcorp-to-pay-10-million-for-illegal-debt-collection-tactics/>

<sup>9</sup> See <http://www.consumerfinance.gov/about-us/newsroom/cfpb-wins-default-judgment-against-corinthian-colleges-for-engaging-in-a-predatory-lending-scheme/>

<sup>10</sup> See <http://www.consumerfinance.gov/about-us/newsroom/cfpb-takes-action-against-online-lender-for-deceiving-borrowers/>

<sup>11</sup> See <http://www.consumerfinance.gov/about-us/newsroom/cfpb-takes-action-to-stop-illegal-debt-collection-lawsuit-mill/>

<sup>12</sup> See <http://www.consumerfinance.gov/about-us/newsroom/cfpb-takes-action-against-lead-aggregators-for-online-trafficking-of-personal-information/>

<sup>13</sup> See <http://www.consumerfinance.gov/about-us/newsroom/cfpb-orders-carhop-to-pay-6-4-million-penalty-for-jeopardizing-consumers-credit/>  
<http://www.consumerfinance.gov/about-us/newsroom/cfpb-takes-action-against-herbies-auto-sales-for-unlawful-lending-practices/>

institution for illegally obtaining consumer credit reports and failing to appropriately investigate consumer disputes;<sup>14</sup> and an action against an institution for illegal debt-sales and debt-collection practices.<sup>15</sup> Additionally, the Consumer Bureau and the U.S. Department of Justice reached a resolution with an institution in which minority borrowers who paid higher rates than non-Hispanic White borrowers for their auto loans, without regard to their creditworthiness or other objective risk criteria, will receive up to \$21.9 million in restitution.<sup>16</sup>

During the period covered by the Fall 2016 report, our public enforcement actions included actions against a company for illegal debt collection practices;<sup>17</sup> an action against a check cashing company for illegal practices relating to its payday lending;<sup>18</sup> an action against a company enabling unauthorized withdrawals;<sup>19</sup> an action against a depository institution for illegal redlining and discriminatory mortgage underwriting and pricing practices;<sup>20</sup> an action against a depository institution for illegal overdraft practices;<sup>21</sup> actions against a depository institution for illegal student loan servicing practices and the illegal opening of unauthorized accounts;<sup>22</sup> an action against a former depository institution employee for an illegal mortgage fee-shifting scheme;<sup>23</sup> an action against a depository institution for illegal credit card add-on practices;<sup>24</sup> an action against a for-profit education provider for deceiving students about the cost of student loans;<sup>25</sup> actions against five Arizona title lenders for failing to disclose loan APR rates to consumers;<sup>26</sup> an action against a finance company for luring consumers into more costly loans;<sup>27</sup> and an action against an online lender for failing to deliver promised benefits.<sup>28</sup>

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<sup>14</sup> See <http://www.consumerfinance.gov/about-us/newsroom/cfpb-orders-subprime-credit-reporting-company-and-owner-to-pay-8-million-penalty-for-illegal-practices/>

<sup>15</sup> See <http://www.consumerfinance.gov/about-us/newsroom/cfpb-orders-citibank-to-provide-relief-to-consumers-for-illegal-debt-sales-and-collection-practices/>

<sup>16</sup> See <http://www.consumerfinance.gov/about-us/newsroom/cfpb-and-doj-reach-resolution-with-toyota-motor-credit-to-address-loan-pricing-policies-with-discriminatory-effects/>

<sup>17</sup> See <https://www.consumerfinance.gov/about-us/newsroom/cfpb-takes-action-halt-illegal-debt-collection-practices-lawsuit-mill-and-debt-buyer/>

<sup>18</sup> See <https://www.consumerfinance.gov/about-us/newsroom/cfpb-takes-action-against-check-cashing-and-payday-lending-company-tricking-and-trapping-consumers/>

<sup>19</sup> See <https://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-sues-payment-processor-enabling-unauthorized-withdrawals-and-other-illegal-acts-clients/>

<sup>20</sup> See <https://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-and-department-justice-action-requires-bancorpsouth-pay-106-million-address-discriminatory-mortgage-lending-practices/>

<sup>21</sup> See <https://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-orders-santander-bank-pay-10-million-fine-illegal-overdraft-practices/>

<sup>22</sup> See <https://www.consumerfinance.gov/about-us/newsroom/cfpb-takes-action-against-wells-fargo-illegal-student-loan-servicing-practices/>

<https://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-fines-wells-fargo-100-million-widespread-illegal-practice-secretly-opening-unauthorized-accounts/>

<sup>23</sup> See <https://www.consumerfinance.gov/about-us/newsroom/cfpb-takes-action-against-former-wells-fargo-employee-illegal-mortgage-fee-shifting/>

<sup>24</sup> See <https://www.consumerfinance.gov/about-us/newsroom/cfpb-orders-first-national-bank-omaha-pay-3225-million-illegal-credit-card-practices/>

<sup>25</sup> <https://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-takes-action-against-bridgepoint-education-inc-illegal-student-lending-practices/>

<sup>26</sup> See <https://www.consumerfinance.gov/about-us/newsroom/cfpb-sues-five-arizona-title-lenders-failing-disclose-loan-annual-percentage-rate-consumers/>

<sup>27</sup> See <https://www.consumerfinance.gov/about-us/newsroom/cfpb-fines-titlemax-parent-company-9-million-luring-consumers-more-costly-loans/>

Notably, in September, 2016, the Consumer Bureau, together with partners at the Los Angeles City Attorney's office and the Office of the Comptroller of the Currency, took an enforcement action against Wells Fargo Bank.<sup>29</sup> The Consumer Bureau's independent and comprehensive investigation found that, in order to meet sales goals and collect financial bonuses, employees of the bank created unauthorized deposit and credit card accounts, enrolled consumers in online banking services, and ordered debit cards for consumers, all without their consent or even their knowledge. Some of these practices involved false email accounts and PIN numbers. The investigation also found that the fraud occurred on a national scale. As detailed in our Consent Order,<sup>30</sup> Wells Fargo opened 1,534,280 deposit accounts that may not have been authorized, including transferring funds from some consumers' accounts without their knowledge or consent. Wells Fargo also initiated applications for 565,443 credit card accounts that may not have been authorized, by using consumers' information without their knowledge or consent. These activities caused some consumers to incur fees. The actions are also a breach of trust and conduct that should never occur at any financial institution. Wells Fargo will pay full restitution to all victims and a \$100 million fine to the Consumer Bureau's Civil Penalty Fund. The bank will also pay an additional \$35 million penalty to the Office of the Comptroller of the Currency, and another \$50 million to the City and County of Los Angeles.

The Consumer Bureau also released four editions of *Supervisory Highlights* during this reporting period. This publication is intended to inform both industry and the public about the development of the Consumer Bureau's supervisory program and to discuss, in a manner consistent with the confidential nature of the supervisory process, important examination findings in key market or product areas. The Fall 2015 edition<sup>31</sup> reported examination findings in the areas of consumer reporting, debt collection, mortgage origination, mortgage servicing, student loan servicing, and fair lending. In June 2016, the Consumer Bureau issued a Mortgage Servicing special<sup>32</sup> edition, which reminded institutions of Module 4 of the Equal Credit Opportunity Act (ECOA) baseline review modules used by Consumer Bureau examiners to evaluate compliance management systems under ECOA. Among other things, Module 4 contains questions regarding fair lending training of servicing staff, fair lending monitoring of servicing, and servicing of consumers with Limited English Proficiency. The Summer 2016<sup>33</sup> edition highlighted findings from fair lending examinations where, pursuant to their compliance obligations under HMDA and Regulation C, institutions improperly coded actions taken on conditionally-approved applications with unmet underwriting conditions. In addition, the report discussed supervisory observations of special purpose credit programs, which are established and administered to extend credit to a class of persons who otherwise probably would not receive such credit or would receive it on less favorable terms. The Winter 2016 edition<sup>34</sup> shared recent examination findings related to consumer reporting, debt collection, mortgage origination,

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<sup>28</sup> See <https://www.consumerfinance.gov/about-us/newsroom/lendup-enforcement-action/>

<sup>29</sup> See <http://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-fines-wells-fargo-100-million-widespread-illegal-practice-secretly-opening-unauthorized-accounts/>

<sup>30</sup> [http://files.consumerfinance.gov/f/documents/092016\\_cfpb\\_WFBconsentorder.pdf](http://files.consumerfinance.gov/f/documents/092016_cfpb_WFBconsentorder.pdf)

<sup>31</sup> See [http://files.consumerfinance.gov/f/201510\\_cfpb\\_supervisory-highlights.pdf](http://files.consumerfinance.gov/f/201510_cfpb_supervisory-highlights.pdf)

<sup>32</sup> See

[http://files.consumerfinance.gov/f/documents/Mortgage\\_Servicing\\_Supervisory\\_Highlights\\_11\\_Final\\_web\\_.pdf](http://files.consumerfinance.gov/f/documents/Mortgage_Servicing_Supervisory_Highlights_11_Final_web_.pdf).

<sup>33</sup> See [http://files.consumerfinance.gov/f/documents/Supervisory\\_Highlights\\_Issue\\_12.pdf](http://files.consumerfinance.gov/f/documents/Supervisory_Highlights_Issue_12.pdf).

<sup>34</sup> See [http://files.consumerfinance.gov/f/201603\\_cfpb\\_supervisory-highlights.pdf](http://files.consumerfinance.gov/f/201603_cfpb_supervisory-highlights.pdf)

remittances, and student loan servicing. The Winter 2016 edition also includes important updates to past fair lending settlements reached by the Consumer Bureau.

The Consumer Bureau also published new guidance documents, in partnership with other regulators where appropriate, to help institutions know what to expect and how to become, or remain, compliant with the law. This effort includes bulletins on Real Estate Settlement Procedures Act (RESPA) compliance and marketing services agreements;<sup>35</sup> the revised supervisory matters appeal process;<sup>36</sup> requirements for consumer authorizations for preauthorized electronic fund transfers;<sup>37</sup> the obligation of furnishers to have reasonable written policies and procedures under the Fair Credit Reporting Act;<sup>38</sup> interagency guidance regarding deposit reconciliation practices;<sup>39</sup> guidance on the new Uniform Residential Loan Application and Regulation B compliance;<sup>40</sup> and collection of expanded Home Mortgage Disclosure Act (HMDA) information about ethnicity and race in 2017.<sup>41</sup>

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In addition to our supervisory and enforcement tools, the Consumer Bureau seeks to provide consumers with protection through our efforts to establish a meaningful regulatory framework. Reasonable regulations are essential for protecting consumers from harmful practices and ensuring that consumer financial markets function in a fair, transparent, and competitive manner. Where our research and analysis suggests the need for regulatory intervention, we seek to develop regulations which will protect consumers without unintended consequences or unnecessary costs. As part of the rulemaking process, we carefully assess the benefits and costs of the regulations we are considering on consumers and financial institutions. The Research, Markets, and Regulations Division has focused its efforts on promoting markets in which consumers can shop effectively for financial products and services and are not subject to unfair, deceptive, or abusive acts or practices.

During the period covered by the Spring 2016 report, the Research and Markets teams released reports on the consumer credit card market, mobile financial services, and college credit card agreements. The Regulations office issued regulations modifying and clarifying a number of rules implementing changes made by the Dodd-Frank Act, including a final rule to implement amendments to HMDA, adding new reporting requirements and clarifying several existing

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<sup>35</sup> See <http://www.consumerfinance.gov/about-us/newsroom/cfpb-provides-guidance-about-marketing-services-agreements/>

<sup>36</sup> See [http://files.consumerfinance.gov/f/201510\\_cfpb\\_appeals-of-supervisory-matters.pdf](http://files.consumerfinance.gov/f/201510_cfpb_appeals-of-supervisory-matters.pdf)

<sup>37</sup> See [http://files.consumerfinance.gov/f/201511\\_cfpb\\_compliance-bulletin-2015-06-requirements-for-consumer-authorizations-for-preauthorized-electronic-fund-transfers.pdf](http://files.consumerfinance.gov/f/201511_cfpb_compliance-bulletin-2015-06-requirements-for-consumer-authorizations-for-preauthorized-electronic-fund-transfers.pdf)

<sup>38</sup> See [http://files.consumerfinance.gov/f/201602\\_cfpb\\_supervisory-bulletin-furnisher-accuracy-obligations.pdf](http://files.consumerfinance.gov/f/201602_cfpb_supervisory-bulletin-furnisher-accuracy-obligations.pdf)

<sup>39</sup> See [https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201605\\_cfpb\\_interagency-guidance-regarding-deposit-reconciliation-practices.pdf](https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201605_cfpb_interagency-guidance-regarding-deposit-reconciliation-practices.pdf)

<sup>40</sup> See <https://www.consumerfinance.gov/policy-compliance/guidance/implementation-guidance/status-new-uniform-residential-loan-application-and-collection-expanded-home-mortgage-disclosure-act-information-about-ethnicity-and-race-2017-under-regulation-b/>

<sup>41</sup> See <https://www.consumerfinance.gov/policy-compliance/rulemaking/final-rules/status-new-uniform-residential-loan-application-and-collection-expanded-home-mortgage-disclosure-act-information-about-ethnicity-and-race-2017-under-regulation-b/>

requirements;<sup>42</sup> a final rule making technical corrections to Regulation Z with respect to the Know Before You Owe rule;<sup>43</sup> and a final procedural rule establishing an application process under which a person may identify an area that has not been designated by the Consumer Bureau as a rural area for the purposes of a Federal consumer financial law and apply for such area to be so designated.<sup>44</sup> In addition, the Consumer Bureau issued an interim final rule that expanded eligibility for special provisions and added an exemption for certain small creditors operating in rural or underserved areas under the Consumer Bureau's mortgage rules.<sup>45</sup> The Consumer Bureau also issued a notice and request for information regarding HMDA resubmission guidelines, which describe when supervised institutions should correct and resubmit HMDA data.<sup>46</sup>

During the reporting period covered by the Fall 2016 report, the Research and Markets teams released reports on third party debt collection operations<sup>47</sup> and, jointly with the Federal Housing Finance Agency, a technical report about a profile of 2013 mortgage borrowers that includes statistics from the National Survey of Mortgage Originations.<sup>48</sup> The Regulations office issued a final rule in August 2016 amending certain mortgage servicing rules issued in 2013 under RESPA and the Truth in Lending Act.<sup>49</sup> These amendments focus primarily on clarifying, revising, or amending provisions regarding force-placed insurance notices, policies and procedures, early intervention, and loss mitigation requirements under Regulation X's servicing provisions, and periodic statement requirements under Regulation Z's servicing provisions. In conjunction with this final rule, the Consumer Bureau issued an interpretive rule under the Fair Debt Collection Practices Act (FDCPA), which constitutes an advisory opinion for purposes of the FDCPA and provides safe harbors from liability for servicers acting in compliance with specified mortgage servicing rules in Regulations X and Z.<sup>50</sup>

Following the issuance of a March 2015 report,<sup>51</sup> in May 2016, the Consumer Bureau proposed a rule concerning the use of agreements providing for arbitration of any future dispute between covered persons and consumers in connection with the offering or providing of consumer

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<sup>42</sup> See <http://www.consumerfinance.gov/about-us/newsroom/cfbp-finalizes-rule-to-improve-information-about-access-to-credit-in-the-mortgage-market/>

<sup>43</sup> See <https://www.federalregister.gov/documents/2015/12/24/2015-32463/2013-integrated-mortgage-disclosures-rule-under-the-real-estate-settlement-procedures-act-regulation>

<sup>44</sup> See <https://www.federalregister.gov/documents/2016/03/03/2016-04643/application-process-for-designation-of-rural-area-under-federal-consumer-financial-law-procedural>

<sup>45</sup> See <http://www.consumerfinance.gov/about-us/newsroom/cfbp-rule-broadens-qualified-mortgage-coverage-of-lenders-operating-in-rural-and-underserved-areas/>

<sup>46</sup> See <http://www.consumerfinance.gov/about-us/newsroom/cfbp-seeks-public-input-on-mortgage-lending-information-resubmission-guidelines/>

<sup>47</sup> See

[http://files.consumerfinance.gov/f/documents/20160727\\_cfbp\\_Third\\_Party\\_Debt\\_Collection\\_Operations\\_Study.pdf](http://files.consumerfinance.gov/f/documents/20160727_cfbp_Third_Party_Debt_Collection_Operations_Study.pdf)

<sup>48</sup> See [http://files.consumerfinance.gov/f/documents/201605\\_cfbp\\_nsm-technical-report-16-01.pdf](http://files.consumerfinance.gov/f/documents/201605_cfbp_nsm-technical-report-16-01.pdf)

<sup>49</sup> See <https://www.consumerfinance.gov/policy-compliance/rulemaking/final-rules/amendments-2013-mortgage-rules-un-er-real-estate-settlement-procedures-act-regulation-x-and-truth-lending-act-regulation-z/>

<sup>50</sup> See

[http://files.consumerfinance.gov/f/documents/20160804\\_cfbp\\_Bureau\\_Interpretations\\_Safe\\_Harbors\\_from\\_Liability\\_under\\_FDCPA.pdf](http://files.consumerfinance.gov/f/documents/20160804_cfbp_Bureau_Interpretations_Safe_Harbors_from_Liability_under_FDCPA.pdf)

<sup>51</sup> See <https://www.consumerfinance.gov/data-research/research-reports/arbitration-study-report-to-congress-2015/>

financial products or services.<sup>52</sup> The proposal would prohibit covered providers of certain consumer financial products and services from using an arbitration agreement to bar the consumer from filing or participating in a class action. Under the proposal, companies would still be able to include arbitration clauses in their contracts, but for contracts subject to the proposal, the clauses would have to say explicitly that they cannot be used to stop consumers from being part of a class action in court.

In July 2016, the Consumer Bureau published a notice of proposed rulemaking and request for comment on payday loans, auto title loans, and other similar credit products. Among other things, the proposal would require lenders to make a reasonable determination that the consumer has the ability to repay a covered loan before extending credit. It would also require lenders to make certain disclosures before attempting to collect payments from consumers' accounts and restrict lenders from making additional payment collection attempts after two consecutive attempts have failed.<sup>53</sup> The comment period for both of these proposals has closed, and the Consumer Bureau is in the process of reviewing comments.

Also in July 2016, and in furtherance of its obligations under the Regulatory Flexibility Act, as amended by the Small Business Regulatory Enforcement Fairness Act, the Consumer Bureau outlined proposals under consideration that would reform the debt collection market by capping collector contact attempts and by helping to ensure that companies collect the correct debt.<sup>54</sup> Under the proposals being considered, debt collectors would be required to have more and better information about the debt before they collect. The proposals under consideration were the focus of a Small Business Review Panel convened by the Consumer Bureau to gather feedback from small industry representatives.

The Consumer Bureau recently finalized a key rulemaking not covered by the reporting periods. In October 2016, the Consumer Bureau finalized federal consumer protections for prepaid account users<sup>55</sup> that require financial institutions to limit consumers' losses when funds are stolen or cards are lost, investigate and resolve errors, and give consumers free and easy access to account information. The Consumer Bureau also finalized new Know Before You Owe prepaid account disclosures to give consumers clear, upfront information about fees and other key details. Finally, prepaid companies must now generally offer protections similar to those for credit cards if consumers are allowed to use credit on their accounts to pay for transactions that they lack the money to cover.

The Consumer Bureau is committed to ensuring our rules and regulations are tailored and balanced, so that as we fulfill our mandate to protect consumers, we are mindful of the impact of compliance on financial institutions and responsive to their concerns. We engage in rigorous evaluation of the effects of proposed and existing regulations on consumers and financial

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<sup>52</sup> See <http://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-proposes-prohibiting-mandatory-arbitration-clauses-deny-groups-consumers-their-day-court/>

<sup>53</sup> See <http://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-proposes-rule-end-payday-debt-traps/>

<sup>54</sup> See <http://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-considers-proposal-overhaul-debt-collection-market/>

<sup>55</sup> See <http://www.consumerfinance.gov/about-us/newsroom/cfpb-finalizes-strong-federal-protections-prepaid-account-consumers/>

institutions throughout our rulemaking process, and maintain steady dialogue with consumer advocates and industry participants. To support the implementation of and industry compliance with its final rules, the Consumer Bureau has published a number of plain-language compliance guides summarizing certain rules, and has actively engaged in discussions with industry about ways to achieve compliance.<sup>56</sup> The Consumer Bureau also continued its efforts to streamline, modernize, and harmonize financial regulations that it inherited from other agencies.

The Dodd Frank Act mandated that the Consumer Bureau undertake a regulatory review process as part of our rulemaking authority. Section 1022 of the Dodd-Frank Act requires that within five years after the effective date of any significant rule or order adopted by the Consumer Bureau under Federal consumer financial law, the Consumer Bureau must assess the rule's effectiveness in meeting the purposes and objectives of the Consumer Financial Protection Act and any other stated goals for a particular rule.<sup>57</sup> The Consumer Bureau is committed to these reviews and, as required under the Act, will seek public comment and publish a report on its assessments as we complete each review.

In addition to implementing the Dodd-Frank Act, the Consumer Bureau continues to explore other areas where regulations may be needed to ensure that markets function properly and possibly harmful or inefficient practices are addressed. The Consumer Bureau will continue implementing the Dodd-Frank Act and using its regulatory authority to ensure that consumers have access to consumer financial markets that are fair, transparent, and competitive.

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The Consumer Bureau continues to grow and evolve as an institution and today consists of 1,678 employees working to carry out the Consumer Bureau's mission. The Consumer Bureau has worked to build a human capital and organizational infrastructure that promotes – and will continue to promote – diversity, transparency, accountability, fairness, and service to the public. That infrastructure includes:

- Demonstrating a strong commitment to openness by utilizing the Consumer Bureau's website to share information on its operations;
- Recruiting highly-qualified, diverse personnel;
- Providing training and engagement opportunities for Consumer Bureau staff to improve skills, increase knowledge, and maintain excellence; and
- Further promoting diversity and inclusion in the Consumer Bureau's workforce and among its contractors, including through the Consumer Bureau's Office of Minority and

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<sup>56</sup> See <http://www.consumerfinance.gov/policy-compliance/guidance/implementation-guidance/>

<sup>57</sup> 12 U.S.C. § 5512(d).

## Women Inclusion (OMWI).

The Consumer Bureau recognizes that the best way to effectively serve consumers is to ensure that its workforce reflects the ideas, backgrounds, and experiences of the American public. OMWI supports the Consumer Bureau's mission by working with the offices of Human Capital and Civil Rights to continue building a diverse and inclusive workforce that can foster broader and better thinking about how to approach markets.

Thank you again for the opportunity to provide the Consumer Bureau's Spring and Fall 2016 Semi-Annual Report testimony. Consumer Bureau staff will continue to fulfill the vision of an agency that is dedicated to ensuring that the American people have access to a fair, transparent, and competitive consumer financial marketplace. I would be happy to answer any of your questions about the Consumer Bureau's work.