

Written Testimony
Kathleen L. Kraninger, Director, Consumer Financial Protection Bureau
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Chairwoman Waters, Ranking Member McHenry, and distinguished Members of the Committee, thank you for the opportunity to present the Consumer Financial Protection Bureau's (Bureau's) most recent Semi-Annual Report to Congress.

Today, I am happy to present the Bureau's Fall 2019 Semi-Annual Report (April 1, 2019, to September 30, 2019) to Congress and the American people in fulfillment of our statutory responsibility and commitment to accountability and transparency. My testimony is intended to highlight the contents of this Semi-Annual Report (Report).

Since I last appeared before the Committee, I had the pleasure of marking my first year at the Bureau. It is an honor and privilege to serve and protect American consumers. In this last year, the Bureau greatly enhanced consumer protection by more effectively and comprehensively utilizing the agency's resources to meet our mission. I remain committed to strengthening the Bureau's ability to use all of the tools provided by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), and I have established and communicated clear priorities to Bureau staff for our work using the authorities provided by the Dodd-Frank Act to protect consumers.

Through continued, robust engagement with all stakeholders, I remain resolved that the most productive use of Bureau resources is the prevention of harm to consumers in concert with our many partners. Empowering consumers to protect and further their own interests is where our efforts begin. The Bureau's mission, as you are aware, is to ensure access to fair, transparent, and competitive markets for consumers, and we are committed to executing the mission through:

- Empowering Consumers and Turning Financial Education into Action,
- Ensuring Clear Rules of the Road,
- Ensuring a Culture of Compliance, and
- Holding Bad Actors to Account and Deterrence through Enforcement.

Preventing harm to consumers, I believe, is the most effective, efficient way to carry out our mission of ensuring consumer access to a fair, transparent and competitive market. To me, prevention of harm comes through helping consumers gather financial know-how, fostering a culture of industry compliance where consumers know their rights and industry knows their responsibilities and limitations, and maintaining a back stop of enforcement.

Empowering Consumers and Turning Financial Education into Action

As I have said before, the Bureau cannot be everywhere, with everyone, at every transaction – nor should it try to be. Therefore, empowering consumers to help themselves, protect their own interests, and choose the financial products and services that best fit their needs is essential to preventing consumer harm and building financial well-being.

During the previous year, the Bureau has put thought into action and made strides in consumer education. The Bureau launched the *Start Small, Save Up* initiative to encourage consumers to build emergency savings and increase opportunities for more consumers to save; published two *Your Money, Your Goals* booklets on strategies to increase savings and ways to build and manage credit; launched the *CFPB Savings Boot Camp*, a multi-week email course that provides the foundation consumers need to start saving; distributed more than 6 million financial education publications and provided answers to common questions on money topics to more than 5.5 million web users of *AskCFPB* and other on-line educational tools; launched ready-to-use classroom activities for middle and high school teachers; distributed more than 2 million educational materials to help consumers and caregivers make informed financial decisions, and to better identify and prevent elder financial exploitation; provided over 200,000 financial education brochures to military consumers; educated more than 17,500 military consumers on financial products and services; expanded the financial education tool *Misadventures in Money Management* to active-duty servicemembers; and continued scholarship and research on how financial education can contribute to financial well-being.

The Bureau also published a number of reports, including an annual report on the Bureau's tax time savings initiative; four reports to share promising and prudent practices to help child savings programs increase opportunities for more low-income and low-wealth families to save for their children's post-secondary education; a state-by-state report on financial well-being using the data collected in a 2018 national survey by the FINRA Investor Education Foundation; elder financial exploitation reports, such as *Issues and Trends Based on Suspicious Activity Reports* (from financial institutions); an annual Private Education Loan Ombudsman report, covering two years of data including approximately 20,600 complaints related to private or federal student loans; and a report on mortgage issues specifically related to servicemembers and veterans. The Bureau also published nearly 80 consumer facing blogs to help consumers gain knowledge and better understand a wide spectrum of financial subjects, including mortgage closing scams, debt collection (including tips for resolution), a list of specialty credit reporting companies, and new protections for servicemembers.

In addition, the Bureau offered training to assist librarians at more than 2,700 libraries registered to receive information that can help make their libraries a "go-to" financial education resource in the community. The Bureau facilitated the training of more than 4,000 frontline staff in social services organizations working directly with lower-income consumers, providing information and action steps in money management that can be shared with the people they serve through the *Your Money, Your Goals* program. The Bureau also facilitated five convenings to establish and enhance Elder Fraud Prevention and Response Networks supporting nearly 1.6 million older Americans.

Looking forward, the Bureau continues to refresh content and create new educational materials for use by students and those who help them, including creating *Paying for College: Your financial path to graduation*, a new web tool to help students evaluate financial aid offers, which I will discuss in more detail later in my testimony.

In addition to our educational work, the Bureau also directly engages with consumers through our consumer complaint program. During the period October 1, 2018, through September 30, 2019, the Bureau received approximately 342,500 consumer complaints.¹ This is approximately a seven percent increase from the prior reporting period.² When consumers submit complaints, the Bureau's complaint form prompts them to select the consumer financial product or service with which they have a problem as well as the type of problem they are having with that product or service. The Bureau uses these consumer selections to group the financial products and services about which consumers complain to the Bureau for public reports. Credit or consumer reporting, debt collection, credit card, mortgage, and checking or savings accounts are the most-complained-about consumer financial products and services.

Complaints, along with other inputs, give us insight into people's experiences in the marketplace that we analyze and use to improve our mission execution. The analysis helps us regulate consumer financial products and services under existing Federal consumer financial laws, enforce those laws judiciously, and educate and empower consumers to make informed financial decisions. The Bureau also publishes complaint data and reports on complaint trends annually in Consumer Response's Annual Report to Congress.³

Ensuring Clear Rules of the Road

Another tool for preventing consumer harm is rulemaking and guidance – articulating clear rules of the road for those we regulate. Rules that promote competition, increase transparency, and preserve fair markets for financial products and services. The Fall 2019 Semi-Annual Report includes information on significant rules and orders adopted by the Bureau, as well as other significant initiatives conducted by the Bureau, during the preceding year. In addition, the Fall 2019 Semi-Annual Report includes a plan for rules, orders, and other initiatives we expect to undertake during the upcoming period. I would like to highlight just a few of our activities in this space.

¹ All data are current through September 30, 2019. This analysis excludes multiple complaints submitted by a given consumer on the same issue and whistleblower tips. The Bureau does not verify all the facts alleged in complaints, but takes steps to confirm a commercial relationship between the consumer and the company. For more information on our complaint process refer to the Bureau's website at <https://www.consumerfinance.gov/complaint/process>.

² The prior reporting period, April 1, 2018, to March 31, 2019, reported 321,200 consumer complaints. See Consumer Fin. Prot. Bureau, Semi-Annual Report Spring 2019 (Oct. 2019), available at https://files.consumerfinance.gov/f/documents/cfpb_semi-annual-report-to-congress_spring-2019.pdf.

³ From October 1, 2018, to September 30, 2019, the Bureau published complaint snapshot reports about servicemembers and mortgages, and the Office of Servicemember Affairs' Annual Report. The Bureau also publishes the Consumer Response Annual Report, which provides a more detailed analysis of complaints. These reports can be viewed at <https://www.consumerfinance.gov/data-research/research-reports>.

Proposed and Final Rules: Payday, Vehicle Title, and Certain High-Cost Installment Loans. In February 2019, the Bureau released Notices of Proposed Rulemaking (NPRM) on the 2017 Payday, Vehicle Title, and Certain High-Cost Installment Loans Final Rule (2017 Final Rule) to delay the compliance date and to rescind requirements that lenders make certain underwriting determinations before issuing payday, single-payment vehicle title, and longer-term balloon payment loans.⁴ In June 2019, the Bureau released a final rule: Payday, Vehicle Title, and Certain High-Cost Installment Loans; Delay of Compliance Date; Correcting Amendments,⁵ to delay the August 19, 2019 compliance date for the mandatory underwriting provisions of the regulation promulgated by the 2017 Final Rule. Compliance with these provisions of the 2017 Final Rule is delayed by 15 months, to November 19, 2020. The comment period on the reconsideration proposal closed on May 15, 2019. The Bureau is evaluating the comments, weighing the evidence, and will make its decision on the remaining proposal in accordance with applicable legal requirements, including the Administrative Procedure Act (APA).

*Advance Notice of Proposed Rulemaking: Residential Property Assessed Clean Energy.*⁶ Section 307 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA) amends the Truth in Lending Act (TILA) to mandate that the Bureau prescribe certain regulations relating to “Property Assessed Clean Energy” (PACE) financing. In March 2019, the Bureau issued an Advance Notice of Proposed Rulemaking (ANPR) on PACE financing to facilitate the Bureau’s rulemaking process. As defined in EGRRCPA Section 307, PACE financing results in a tax assessment on a consumer’s real property and covers the costs of home improvements. The required regulations must carry out the purposes of TILA’s ability-to-repay (ATR) requirements, currently in place for residential mortgage loans, with respect to PACE financing, and apply TILA’s general civil liability provision for violations of the ATR requirements the Bureau will prescribe for PACE financing. The EGRRCPA directs that such requirements account for the unique nature of PACE financing. The comment period on the ANPR closed on May 7, 2019. As we continue policy development for the NPRM, the Bureau is evaluating the ANPR comments, continuing to engage stakeholders, and collecting quantitative data on the effect of PACE financing on consumers’ financial outcomes.

*Request for Information: Remittances.*⁷ In April 2019, the Bureau issued a Request for Information seeking input on two aspects of the Bureau’s Remittance Rule (Rule). First, the Bureau asked for information to determine whether to propose changes to the impending expiration this July of a temporary exception in the Electronic Fund Transfer Act (EFTA), which permits insured depository institutions and credit unions to estimate the amount of currency that will be received by the designated recipient of a remittance transfer under certain circumstances.

⁴ See <https://www.consumerfinance.gov/policy-compliance/notice-opportunities-comment/archive-closed/payday-vehicle-title-and-certain-high-cost-installment-loans/> and <https://www.consumerfinance.gov/policy-compliance/notice-opportunities-comment/archive-closed/payday-vehicle-title-and-certain-high-cost-installment-loans-delay-compliance-date/>.

⁵ See <https://www.consumerfinance.gov/policy-compliance/rulemaking/final-rules/payday-vehicle-title-and-certain-high-cost-installment-loans-delay-compliance-date-correcting-amendments/>.

⁶ See <https://www.consumerfinance.gov/policy-compliance/rulemaking/rules-under-development/advance-notice-proposed-rulemaking-residential-property-assessed-clean-energy-financing/>.

⁷ See <https://www.consumerfinance.gov/policy-compliance/notice-opportunities-comment/archive-closed/request-room/cfpb-issues-request-information-remittance-rule/>.

Second, the Bureau asked for information on a safe harbor threshold in the Rule that helps to determine whether a person is providing remittances in the normal course of its business. Although outside of the reporting period, it is worth noting that in December 2019, the Bureau issued a NPRM which, if finalized, would allow insured depository institutions and credit unions to continue to provide estimates for certain fees and exchange rate information included on disclosures under certain conditions.⁸ In addition, the Bureau proposed to increase the safe harbor threshold that helps to determine whether a company makes remittance transfers in the normal course of its business and is subject to the Rule. If finalized, the increased safe harbor threshold would reduce burden on additional providers that send a relatively small number of remittances. The comment period on this NPRM closed on January 21, 2020. The Bureau is evaluating the approximately 100 comments received and is weighing the evidence.

*Proposed Rule: Debt Collection Practices (Regulation F).*⁹ In May 2019, the Bureau issued the first NPRM to implement the requirements and prohibitions applicable to debt collectors under the Fair Debt Collection Practices Act (FDCPA) since it was passed in 1977. The proposal is intended to provide consumers with clear protections against harassment by debt collectors and straightforward options to address or dispute debts. Among other things, the NPRM would set clear, bright-line limits on the number of calls debt collectors may place to reach consumers on a weekly basis; clarify how collectors may communicate lawfully using technologies, such as voicemails, emails and text messages, that have developed since the FDCPA's passage in 1977; and require collectors to provide additional information to consumers to help them identify debts and respond to collection attempts. The comment period on this proposal closed on September 18, 2019. The Bureau is evaluating the comments, weighing the evidence, and will make its decision in accordance with applicable legal requirements, including the APA.

*Advance Notice of Proposed Rulemaking: Home Mortgage Disclosure Act (HMDA).*¹⁰ In May 2019, the Bureau issued an ANPR seeking information to determine whether to propose changes to the data points that the Bureau's 2015 HMDA rule added to Regulation C or revised to require additional information. Additionally, the Bureau solicited comments relating to the requirement that institutions report certain business- or commercial-purpose transactions under Regulation C. The ANPR sought information regarding the costs and benefits of these data points and reporting requirements. The comment period on the ANPR closed on October 15, 2019. The Bureau is evaluating the comments, weighing the evidence, and developing a NPRM.

Notice of Proposed Rulemaking: Home Mortgage Disclosure Act (HMDA). In May 2019, the Bureau issued an NPRM proposing to amend Regulation C to increase the threshold for reporting data about closed-end mortgage loans to either 50 or 100 closed-end mortgage loans. The NPRM would also extend for two years the temporary threshold of 500 open-end lines of credit for reporting data about open-end lines of credit and then set the threshold at 200 open-end lines of credit on January 1, 2022. The NPRM would also incorporate into Regulation C the

⁸ See <https://www.consumerfinance.gov/policy-compliance/notice-opportunities-comment/archive-closed/remittance-transfers-under-electronic-fund-transfer-act-regulation-e/>.

⁹ See <https://www.consumerfinance.gov/policy-compliance/notice-opportunities-comment/archive-closed/debt-collection-practices-regulation-f/>.

¹⁰ See <https://www.consumerfinance.gov/policy-compliance/notice-opportunities-comment/archive-closed/home-mortgage-disclosure-regulation-c-data-points-and-coverage-extension-comment-period/>.

interpretations and procedures from the interpretive and procedural rule that the Bureau issued on August 31, 2018, and implement further Section 104(a) of the EGRRCPA. As noted below, the Bureau finalized certain aspects of this NPRM in a final rule in October 2019 and indicated that it anticipates issuing a separate final rule in 2020 addressing the NPRM's proposed changes to the permanent thresholds.

*Advance Notice of Proposed Rulemaking: Ability-to-Repay and Qualified Mortgages.*¹¹ In July 2019, the Bureau issued an ANPR asking for information relating to the expiration of a provision of the temporary Government-Sponsored Entities (GSE) provision of the Bureau's Ability-to-Repay and Qualified Mortgage Rule. Under that provision, mortgages which are eligible for purchase or guarantee by one of the GSEs and which satisfy certain statutory criteria relating primarily to features of the mortgage are generally deemed to be Qualified Mortgages (QMs). This provision is scheduled to expire in January 2021 and the Bureau's ANPR sought information to determine whether to propose changes in the general definition of QM considering that expiration. After reviewing comments submitted in response to the Bureau's ANPR, the Bureau has decided to propose an amendment to the Rule which would move away from adopting a Debt-to-Income threshold for such loans and instead include an alternative, such as a pricing threshold (i.e., the difference between the loan's annual percentage rate and the average prime offer rate for a comparable transaction). The Bureau also expects to propose to extend the expiration of the GSE Patch for a short period until the effective date of the proposed alternative or until one or more of the GSEs exits conservatorship, whichever comes first. To this end, the Bureau is working diligently to issue, no later than May 2020, a NPRM seeking comment on these possible amendments.

Although also outside of the reporting period, the Bureau recently took several notable steps in our ongoing rulemaking activity.

*Final Rule: Home Mortgage Disclosure (Regulation C) – 2019 Final Rule.*¹² In October 2019, the Bureau issued a final rule amending Regulation C to adjust the threshold for reporting data about open-end lines of credit by extending to January 1, 2022, the current temporary threshold of 500 open-end lines of credit. The October 2019 final rule also incorporates into Regulation C the interpretations and procedures from the interpretive and procedural rule that the Bureau issued on August 31, 2018, and implements further Section 104(a) of the EGRRCPA.

*TILA-RESPA Integration Disclosure Rule (TRID) Assessment.*¹³ In November 2019, the Bureau issued a Request for Information seeking public input to inform the Bureau's assessment of the TRID Rule, including the effectiveness of the rule in meeting the purposes and objectives of title X of the Dodd-Frank Act and the specific goals stated by the Bureau. The Bureau will conduct industry surveys as part of the assessment. The assessment, which is being conducted pursuant to Section 1022(d) of the Dodd-Frank Act, will be completed in Fall 2020.

¹¹ See <https://www.consumerfinance.gov/policy-compliance/notice-opportunities-comment/archive-closed/qualified-mortgage-definition-under-truth-lending-act-regulation-z/>.

¹² See <https://www.consumerfinance.gov/policy-compliance/rulemaking/final-rules/home-mortgage-disclosure-regulation-c-2019-final-rule/>.

¹³ See <https://www.consumerfinance.gov/policy-compliance/notice-opportunities-comment/archive-closed/request-for-information-regarding-tila-respa-integrated-disclosures-rule-assessment/>.

Ensuring a Culture of Compliance

Another tool for the prevention of harm is the Bureau's supervision authority, which can keep violations of laws and regulations from happening in the first place. Supervision is the heart of this agency – something underscored by the percentage of our personnel and resources dedicated to conducting exams. I am focused on ensuring we use this tool as effectively and efficiently as possible, and that we apply it in a consistent way. Heading trouble off at the pass may not grab big headlines, but it will prevent a lot of headaches for consumers and industry.

During the period covered by the Fall 2019 Semi-Annual Report, the Bureau published two issues of *Supervisory Highlights: Winter 2019*, covering supervisory findings in the areas of automobile loan servicing, deposits, mortgage servicing, and remittances,¹⁴ and *Summer 2019*, covering supervisory findings in the areas of automobile loan origination, credit card account management, debt collection, furnishing, and mortgage origination.¹⁵ Although outside the reporting period, the Bureau recently released a special edition of *Supervisory Highlights* covering supervisory findings in the consumer reporting area.¹⁶ The Bureau has also issued numerous supervisory guidance documents and bulletins as described in the Semi-Annual Report.

In addition, the Bureau's Fair Lending Supervision program assesses compliance with Federal fair lending consumer financial laws and regulations at banks and nonbanks over which the Bureau has supervisory authority. As a result of the Bureau's efforts to fulfill its fair lending mission in this reporting period, the Bureau's Fair Lending Supervision program initiated 16 supervisory events at financial services institutions under the Bureau's jurisdiction to determine compliance with federal laws intended to ensure the fair, equitable, and nondiscriminatory access to credit for both individuals and communities, including the Equal Credit Opportunity Act (ECOA) and HMDA. In the current reporting period, the Bureau initiated 16 supervisory events, which is six more than the 10 fair lending supervisory events initiated during the prior reporting period. In the current reporting period, the Bureau issued more matters requiring attention (MRAs) or memoranda of understanding (MOUs) than in the prior period. MRAs and MOUs direct entities to take corrective actions and are monitored by the Bureau through follow-up supervisory events.

Holding Bad Actors to Account and Deterrence through Enforcement

Education, rulemaking, and supervision alone won't prevent every violation. A purposeful enforcement regime can foster compliance, deter unlawful conduct, help prevent consumer harm, and right wrongs. Public, decisive action against wrongdoers sends a clear message to the marketplace – one that should deter unlawful behavior and support a level playing field – all while reaching a just outcome for harmed consumers. However, I am also committed to ensuring that we move as expeditiously as possible to resolve enforcement matters, whether through public action or a determination that a particular investigation should be closed.

¹⁴ Winter 2019, https://files.consumerfinance.gov/f/documents/cfpb_supervisory-highlights_issue-18_032019.pdf.

¹⁵ Summer 2019, https://files.consumerfinance.gov/f/documents/cfpb_supervisory-highlights_issue-19_092019.pdf.

¹⁶ Fall 2019, https://files.consumerfinance.gov/f/documents/cfpb_supervisory-highlights_issue-20_122019.pdf.

During the period covered by the Fall 2019 Semi-Annual Report, the Bureau brought numerous public enforcement actions for violations of Federal consumer financial law.

These activities included proceedings against a debt collection company and its owner for violations of the Consumer Financial Protection Act (CFPA), Fair Credit Reporting Act (FCRA), Regulation V, and Fair Debt Collection Practices Act (FDCPA);¹⁷ proceedings against a foreclosure relief services company, its CEO, and its auditor, for engaging in deceptive and abusive acts and practices and charging unlawful advance fees in connection with the marketing and sale of financial advisory and mortgage assistance relief services to consumers;¹⁸ an action against a debt-collection company for violating the FDCPA and CFPA;¹⁹ an action against a remittance transfer services provider for violating the Remittance Transfer Rule under EFTA and the CFPA;²⁰ two actions against brokers of high-interest credit offers for misrepresentations to veterans and other consumers in violation of the CFPA;²¹ an action against a credit reporting agency for engaging in unfair and deceptive practices in connection with a data breach that impacted approximately 147 million consumers;²² an action against a company set up to hold and manage private student loans for providing substantial assistance to unfair acts and practices;²³ an action against a mortgage lender for violating HMDA and Regulation C by submitting mortgage-loan data for 2014 to 2017 that contained errors;²⁴ an action against a mortgage servicer for violating the CFPA, RESPA, and TILA;²⁵ proceedings against a debt collection law firm for violating the FDCPA and CFPA;²⁶ proceedings against a company for violating the Telemarketing Sales Rule (TSR) by requesting and receiving payment of prohibited upfront fees for their credit repair services and for violating the TSR and CFPA by making deceptive representations or substantially assisting others in doing so;²⁷ an action against a student loan servicing company for engaging in unfair practices in violation of the CFPA by failing to adjust in a timely manner principal balances of student loans made under the Federal Family Education Loan Program;²⁸ an action against a payday retail lender for violations of the CFPA, the Gramm-

¹⁷ See <https://www.consumerfinance.gov/about-us/newsroom/bureau-files-suit-against-fair-collections-outsourcing-and-michael-e-sobota/>.

¹⁸ See <https://www.consumerfinance.gov/about-us/newsroom/cfpb-files-suit-andrew-lehman-michael-carrigan-proposed-settlement/>.

¹⁹ See <https://www.consumerfinance.gov/about-us/newsroom/bureau-settles-asset-recovery-associates/>.

²⁰ See <https://www.consumerfinance.gov/about-us/newsroom/bureau-settles-maxitransfers-corporation/>.

²¹ See <https://www.consumerfinance.gov/about-us/newsroom/cfpb-arkansas-state-ag-settle-brokers-high-interest-credit-offers/>; <https://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-settles-broker-high-interest-credit-offers/>.

²² See <https://www.consumerfinance.gov/about-us/newsroom/cfpb-ftc-states-announce-settlement-with-equifax-over-2017-data-breach/>.

²³ See <https://www.consumerfinance.gov/about-us/newsroom/bureau-settles-student-cu-connect-cuso-over-itt-private-loan-program/>.

²⁴ See <https://www.consumerfinance.gov/about-us/newsroom/bureau-settles-freedom-mortgage-corporation/>.

²⁵ See <https://www.consumerfinance.gov/about-us/newsroom/bureau-settles-bsi-financial-services/>.

²⁶ See <https://www.consumerfinance.gov/about-us/newsroom/bureau-files-suit-against-forster-garbus-llp/>.

²⁷ See <https://www.consumerfinance.gov/about-us/newsroom/bureau-files-suit-against-lexington-law-pgx-holdings-and-related-entities/>.

²⁸ See <https://www.consumerfinance.gov/about-us/newsroom/bureau-settles-conduent-education-services/>.

Leach-Bliley Act and Regulation P, and TILA and Regulation Z;²⁹ an action against an online lender for debiting consumers' bank accounts without authorization and for failing to honor loan extensions granted to consumers in violation of the CFPA;³⁰ a proceeding against a retail company offering store credit card accounts for violating the CFPA, TILA, and Regulation Z;³¹ an action against a federally chartered savings association for violating the CFPA, EFTA, and Regulation E;³² an action against a federally chartered savings association for violating the CFPA, FCRA, and Regulation V;³³ an action against a mortgage company for misleading veterans regarding its Interest Rate Reduction Refinancing Loans—loans that allow veterans to refinance their mortgages at lower interest rates with a loan guaranteed by the Department of Veterans Affairs;³⁴ an action against a consumer financial services company for engaging in deceptive acts and practices in violation of the CFPA;³⁵ an action against a small-dollar lender for violating the CFPA by making deceptive statements, and by withholding funds during check-cashing transactions to satisfy outstanding amounts on prior loans;³⁶ and an action against companies for violating the CFPA by unfairly delaying the transfer of payments that the companies received on accounts that the companies had previously sold to third-party debt buyers.³⁷

In addition to the actions taken above, the Bureau referred one matter to the U.S. Department of Justice (DOJ) about discrimination pursuant to Section 706(g) of the ECOA. Like other federal bank regulators, the Bureau is required to refer matters to the DOJ when it has reason to believe that a creditor has engaged in a pattern or practice of lending discrimination.

During the reporting period, the Bureau continued to work on ongoing litigation, as well as implementation and oversight of compliance with the pending public enforcement orders that were entered by federal courts or issued by the Bureau's Director in prior years.

The mission of the Bureau is to protect consumers, which, as I have discussed today, we carry out through education, regulation, supervision, and enforcement. These tools are all provided in the Dodd-Frank Act, and I am determined to use the Bureau's capabilities to carry out our mission. The Bureau is also tasked with the mission of facilitating innovation and access to

²⁹ See <https://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-settles-cash-tyme/>.

³⁰ See <https://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-reaches-settlement-enova-international-inc/>.

³¹ See <https://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-settles-claims-against-sterling-jewelers-inc/>.

³² See <https://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-settles-usaa-federal-savings-bank/>.

³³ See <https://www.consumerfinance.gov/about-us/newsroom/bureau-consumer-financial-protection-settles-state-farm-bank/>.

³⁴ See <https://www.consumerfinance.gov/about-us/newsroom/bureau-consumer-financial-protection-files-complaint-and-proposed-settlement-village-capital-investment-llc/>.

³⁵ See <https://www.consumerfinance.gov/about-us/newsroom/bureau-consumer-financial-protection-settles-santander-consumer-usa-inc/>.

³⁶ See <https://www.consumerfinance.gov/about-us/newsroom/bureau-consumer-financial-protection-settles-cash-express/>.

³⁷ See <https://www.consumerfinance.gov/about-us/newsroom/bureau-consumer-financial-protection-settles-bluestem/>.

financial products and services for consumers. To achieve this portion of our mission to protect consumers, the Bureau has been updating our innovation policies and engaging with a variety of stakeholders, as well as collaborating with other federal, state, and global regulators on these issues.

In September 2019, the Bureau issued three innovation policies on Trial Disclosure Programs,³⁸ No-Action Letters,³⁹ and the Compliance Assistance Sandbox.⁴⁰ Our hope is that these three policies will improve how the Bureau exercises its authority to facilitate innovation and reduce regulatory uncertainty. These efforts can contribute to an environment where innovation can flourish, giving consumers more options and better choices.

Innovation provides an opportunity for us to reduce regulatory uncertainty by identifying and addressing outdated, unnecessary, or unduly burdensome regulations that impede the development of new financial products and services and drive increasing costs to consumers. Innovation can benefit consumers by increasing competition, generating better and less expensive products and services for consumers. New products and services can expand access, especially to unbanked and underbanked households, giving more consumers access to the benefits of the financial system. Innovations that reduce the cost of providing financial products and services can also reduce consumer prices, especially in a market where innovation supports vigorous competition. Finally, innovation can vastly improve the functionality of existing products and services. For example, the development of online and mobile banking means that consumers can manage their financial lives any time of day from their own homes. The Bureau cannot predict the particular innovations that will develop in the coming years, but by engaging, we can help ensure that consumer protection includes having access to a vibrant, competitive consumer financial market.

Bureau Initiatives

Finally, I would like to close today by highlighting a few of the Bureau's most recent initiatives.

Taskforce on Federal Consumer Financial Law

Last month, I announced the membership of the Bureau's Taskforce on Federal Consumer Financial Law.⁴¹ The Taskforce will examine the existing legal and regulatory environment facing consumers and financial services providers and report to me its recommendations for ways to improve and strengthen consumer financial laws and regulations. The Taskforce will produce new research and legal analysis of consumer financial laws in the United States, focusing specifically on harmonizing, modernizing, and updating the Federal consumer financial laws—and their implementing regulations—and identifying gaps in knowledge that should be

³⁸ See https://files.consumerfinance.gov/f/documents/cfpb_final-policy-to-encourage-tdp.pdf.

³⁹ See https://files.consumerfinance.gov/f/documents/cfpb_final-policy-on-no-action-letters.pdf.

⁴⁰ See https://files.consumerfinance.gov/f/documents/cfpb_final-policy-on-cas.pdf.

⁴¹ See <https://www.consumerfinance.gov/about-us/newsroom/cfpb-announces-membership-taskforce-federal-consumer-financial-law/>; and see <https://www.consumerfinance.gov/about-us/newsroom/cfpb-announces-additional-member-to-taskforce/>.

addressed through research, ways to improve consumer understanding of markets and products, and potential conflicts or inconsistencies in existing regulations and guidance.

Memoranda of Understanding (MOU) with the U.S. Department of Education (Department).

On February 3, 2020, the Bureau and the Department reestablished our MOU regarding complaints that includes greater coordination to better serve student loan borrowers. Under the newly signed MOU, the agencies will share complaint information from borrowers and meet quarterly to discuss observations about the nature of complaints received, characteristics of borrowers, and available information about resolution of complaints. The MOU also provides for the sharing of complaint data analysis, recommendations, and analytical tools. In addition, the Bureau and the Department have initiated the interagency process to reestablish the MOU regarding oversight of compliance obligations. The agreement will be designed to coordinate efforts to oversee regulated entities and protect consumers.

Abusiveness

Last month, the Bureau published a Policy Statement with respect to the manner in which the Bureau intends to apply the abusiveness prohibition of the Dodd-Frank Act in its supervisory and enforcement work.⁴² This Policy Statement provides much needed guidance to the market with respect to the Bureau's approach to this novel provision of the Dodd-Frank Act.

Assessing Diversity at Regulated Entities

The Fall 2019 Semi-Annual Report also reports on the Bureau's efforts to increase workforce and contractor diversity, consistent with the procedures established by the Office of Minority and Women Inclusion (OMWI). I want to take a moment to highlight one initiative in particular, spearheaded by our OMWI, regarding the Bureau's efforts to assess diversity at regulated entities.

Pursuant to Section 342 (b)(2)(c) of the Dodd-Frank Act, the Bureau developed a process to assess the diversity policies and practices of the entities the Bureau regulates. The Bureau, along with other regulators, developed a voluntary diversity self-assessment form that aligns with the Joint Standards for Assessing Diversity Practices of Regulated Entities. The intent of the self-assessment is to allow the Bureau to gain an understanding of Diversity and Inclusion (D&I) practices within the industry. We will share best practices across the industry to help financial institutions improve their D&I practices. These financial institutions provide services to a broad range of consumers with diverse financial norms and backgrounds. It is important that their workforces are diverse so they can provide consumers with an equally diverse range of products and services that are fair, transparent, and competitive.

The Bureau conducted outreach to mortgage finance organizations for the past several years to assess the diversity and inclusion practices of the entities the Bureau regulates and published the findings from that outreach. The Bureau conducted a multi-pronged outreach strategy including

⁴² See <https://www.consumerfinance.gov/about-us/newsroom/cfpb-announces-policy-regarding-prohibition-abusive-acts-practices/>.

direct entity contact, meetings with trade organizations, and joint outreach with other federal regulators to engage entities to participate in the voluntary self-assessment process in the Fall 2019. The Bureau has developed an online data collection tool to collect and manage the submitted assessment data and the tool is available on the Bureau's website. In 2020, the Bureau will continue to conduct direct outreach to entities and work with trade organizations to encourage entities to assess their diversity and inclusion policies and practices and to submit their assessments to the Bureau. A critical piece of this effort is assuring entities that their information will be protected.

Paying for College: Your Financial Path to Graduation

One important consumer segment for the Bureau is students and parents who are seeking ways to finance higher education. The Bureau would like to be a partner in helping postsecondary institutions implement financial education on campus. Financial education can improve students' and families' financial well-being by providing resources on budgeting, repaying debt, managing credit, and saving money. The Bureau stands ready to work with colleges, universities, and vocational schools to help students improve their financial well-being.

In fact, the Bureau is currently developing our newest resource for students, a web-tool *Paying for College: Your financial path to graduation*. Prospective students with financial aid offers can use this tool to better understand the terms of their offers and then put together a financing plan to cover the remaining cost of attendance. Once the student has drafted a plan, the tool can project the student's total debt and help the student estimate its affordability by comparing it to the median salary of others who have attended that school. Students can use the tool on their own, or colleges can work with the Bureau to make it part of their financial aid communications. The Bureau will continue to seek feedback and partnership as we refine this new tool.

Legislative Reform

Last year, the Bureau requested that Congress provide us with clear legal authority to supervise financial institutions for Military Lending Act compliance. As part of that request, the Bureau transmitted proposed legislative language that would achieve this goal. I stand ready to work with members of this Committee to provide us with this authority to assist the Bureau's ongoing efforts to prevent harm to our servicemembers and their families. The Bureau continues to use its education and enforcement tools in this space, but the authority to supervise would make these efforts even more effective.

Conclusion

My testimony today does not attempt to cover all of the things the Bureau does to meet our mission. The full Report, which is enclosed with my testimony, covers more than I can highlight in the time I have today. While I have not discussed the work of every employee, I want to say that every employee is valued and a critical part of our team. Let me commend the Bureau employees who work tirelessly to achieve our mission. We stand together to use all of our tools to go after bad actors that break the law, but also to prevent harm in the first place. We are building a culture of compliance based on smart and clear rules of the road, built by smart and

devoted staff of the Bureau in partnership with fellow regulators and furthered by institutions that share our interest. And lest I forget, the work of this Committee helps all of us at CFPB meet our mission. I look forward to our continued work in the next year on behalf of American consumers.

Thank you again for the opportunity to present this Semi-Annual Report of the Bureau's work in support of American consumers.