

**Testimony of Richard Cordray**  
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**Before the Senate Committee on Banking, Housing and Urban Affairs**  
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Chairman Johnson, Ranking Member Crapo, and Members of the Committee, thank you for the opportunity to testify today about the implementation of the Dodd-Frank Act. We appreciate your oversight and leadership as we all work to strengthen our financial system and to ensure that it serves both consumers and the long-term foundations of the American economy.

As you know, the Consumer Financial Protection Bureau is the nation's first federal agency whose sole focus is protecting consumers in the financial marketplace. The effects of the financial crisis – with millions of lost jobs, millions of lost homes, and tremendous declines in household wealth amounting to trillions of dollars – remain vivid in our collective experience. Although the damage done to individuals and communities was substantial, our country is finally recovering.

In passing the Dodd-Frank Act, Congress vested in this new Bureau the responsibility to stand on the side of consumers and to help restore their trust in the financial marketplace. Over the past three years, we have made considerable progress in fulfilling our rulemaking, supervisory, and enforcement responsibilities to protect people all across this country.

Our initial focus, as directed by Congress, was to address deep problems in the mortgage market that helped precipitate the financial crisis. We began by issuing a series of mortgage rules that took effect earlier this year. They require creditors to make reasonable, good faith assessments that borrowers are able to repay their loans; address pervasive problems in mortgage servicing that caused many homeowners to end up in foreclosure; regulate compensation practices for loan originators; and address various other practices that contributed to the housing crisis and ensuing financial meltdown. We have spent much of the last twenty months working intensively with industry, housing counselors, and other stakeholders to ensure that these rules are implemented smoothly according to the timelines established by Congress.

Last fall, we also issued another mortgage rule to accomplish a goal long urged in the Congress, which was to consolidate federal mortgage disclosures under various laws. The new “Know Before You Owe” mortgage forms are streamlined and simplified to help consumers understand their options, choose the deal that is best for them, and avoid costly surprises at the closing table. We conducted extensive testing of the new forms before issuing a proposal and later to validate the results. The testing showed that consumers at very different levels of experience were able to understand the new forms better than the current forms. This rule takes effect about a year from now, and we again are working intensively to help industry implement the rule and to prepare educational materials that help consumers understand and use the new forms.

This summer, we also issued a proposed rule to implement changes Congress made to the Home Mortgage Disclosure Act. The point is to improve the quality of data available to monitor compliance with fair lending laws, public and private investment to meet housing needs, and general developments in the mortgage market. As with the redesign of the mortgage disclosure

forms, we believe this rulemaking presents an opportunity to reduce unwarranted regulatory burdens. So we are looking closely at how to clarify existing requirements and streamline the processes and infrastructure for reporting this data. We have conducted detailed discussions with a group of small creditors to focus on their particular concerns, and we are now seeking broad public comment from all stakeholders on the proposed rule through the end of October.

As each of these initiatives proceeds, we are working diligently to monitor the effects of our rules on the mortgage market; make clarifications and adjustments to our rules where warranted; provide compliance guides, webinars, and other tools to facilitate the implementation process; and work closely with our fellow agencies to support their own regulatory initiatives. We are intent on making sure that these statutory and regulatory provisions achieve their intended goals. Right now, for instance, we are pursuing further research to determine how best to define the scope of statutory provisions for small creditors that operate predominantly in “rural or underserved” areas in order to promote access to credit in those areas.

We are also intensifying our focus on non-mortgage markets to address other pressing consumer financial protection issues. For example, we adopted a rule specified by Congress that fashioned the first comprehensive federal consumer protections for international money transfers, often called remittances. We have also issued a series of rules defining the parameters of the Bureau’s supervision authority over larger participants in certain financial markets, which enables us to impose supervisory oversight over their operations and activities. More of those rules are on their way. We are well into the process of developing proposed rules in several other areas, including prepaid cards, debt collection, and payday lending. And we are conducting intensive research on overdraft services and various other topics to determine what kind of rulemaking activity may be warranted in those areas.

Another key task for the Bureau has been to build effective supervision and enforcement programs to ensure compliance with Federal consumer financial laws. This work is critical to protect consumers, yet at the same time it is designed to create fair markets through evenhanded oversight. For the first time ever, this new federal agency has authority to supervise not only the larger banks but also a broad range of nonbank financial companies, including mortgage lenders and servicers, payday lenders, student loan originators and servicers, debt collectors, and credit reporting companies. As we have built and refined our supervision program, we have devised a system of risk-based prioritization to make the best use of our examination resources. This prioritization includes an assessment of potential consumer risk along with factors such as product market size, the entity’s market share, the potential for consumer harm, and field and market intelligence that includes other factors such as management quality, prior regulatory history, and consumer complaints.

We strive to conduct effective examinations while minimizing unnecessary burden on supervised entities. Examinations typically involve work done both off site and on site, scoped to focus on areas posing the highest potential risks to consumers. We have made it a priority to coordinate the timing and substance of examination activities with our federal and state regulatory partners. By these methods, our supervision program is helping to drive a cultural change within financial institutions that places more emphasis on compliance with the law and treating customers fairly. When examinations reveal legal violations, we require appropriate corrective action, including

financial restitution to consumers. We are also insistent that institutions must have compliance management systems to prevent violations and ensure appropriate self-monitoring, correction, and remediation where violations have occurred. This work has strengthened compliance management at the large banks and caused many large nonbank firms to implement compliance management systems for the first time. Reinforcement of these expectations is helping to level the playing field for competitors across entire markets, regardless of charter or corporate form.

Our enforcement team is responsible for investigating possible violations of Federal consumer financial laws and enforcing the law through administrative and judicial proceedings. Consistent enforcement of the laws under our jurisdiction benefits consumers, honest businesses, and the economy as a whole. To date, our enforcement actions amount to \$4.7 billion in relief for roughly 15 million consumers who were harmed by illegal practices.

Let me give just a few recent examples. Along with officials in 49 states, we took action against the nation's largest nonbank mortgage loan servicer for misconduct at every stage of the mortgage servicing process. A federal court consent order requires the company to provide \$2 billion in principal reduction to underwater borrowers and to refund \$125 million to nearly 185,000 borrowers who had already been foreclosed upon. We also partnered with 13 state attorneys general to obtain \$92 million in debt relief for about 17,000 servicemembers and others harmed by a company's predatory lending scheme involving inflated prices for electronics where the actual annual percentage rate charged exceeded 100% more than six times the rate that was disclosed to servicemembers and other consumers.

We worked with the Department of Justice on two significant matters. First, we secured an order from a federal district court in Pennsylvania requiring a bank to pay \$35 million to African American and Hispanic borrowers who were charged higher prices on mortgage loans than non-minority borrowers. Second, we ordered one of the largest indirect auto lenders to pay \$80 million in damages to 235,000 Hispanic, African American, and Asian and Pacific Islander borrowers because of discriminatory practices in "marking up" interest rates on auto loans to rates higher than those charged to similarly-situated white borrowers. The \$80 million refund to consumers and \$18 million civil penalty stand as the largest amount of relief that the federal government has ever secured in a case of auto loan discrimination.

We also took action against two of the nation's largest payday lenders for violations of the law. In one of the actions, we secured complete consumer refunds of up to \$14 million and a \$5 million civil penalty from a company for robo-signing court documents related to debt collection lawsuits, illegally overcharging servicemembers in violation of the Military Lending Act, and destroying records in advance of our examination. In the other matter, we determined after an investigation that the company used illegal debt collection tactics – including harassment and false threats of lawsuits or criminal prosecution – to bully overdue borrowers into taking out new payday loans with expensive fees despite their demonstrated inability to repay their existing loans. The company will pay \$10 million in restitution and penalties. In both matters, injunctive relief has been imposed to prevent such misconduct from recurring in the future.

At the heart of our mission is the premise that consumers deserve to have someone stand on their side and make sure they are treated fairly in the financial marketplace. Since the day we opened

our doors and received our first few hundred consumer complaints, we have now handled nearly 440,000 complaints and secured both monetary and non-monetary relief on behalf of tens of thousands of individual consumers, including many people in each of your states.

Consumers should also have the tools and information they need to navigate financial choices. We have developed consumer resources such as the ‘Ask CFPB’ feature on our website, which allows consumers to find answers to more than a thousand common financial questions and has been visited by more than 3.3 million unique visitors. We developed “Know Before You Owe” tools to make the costs and risk of financial products more clear. We also worked with the Department of Education to develop the “Financial Aid Shopping Sheet,” which has now been adopted by more than 2,000 colleges and universities to help students make apples-to-apples comparisons of college costs. We constantly engage in extensive outreach efforts, and our Office of Servicemember Affairs, led by Holly Petraeus, has visited 91 military installations and units to hear concerns and share information with servicemembers.

All of our work has benefited by the engagement of millions of Americans, and our constructive dialogue with financial institutions, including community banks and credit unions in regular meetings all around the country. My outstanding colleagues at the Consumer Bureau, as well as the leaders of our fellow agencies represented on this panel, are strongly dedicated to a shared vision of a healthy consumer financial marketplace and we continue to work very well together in pursuit of that goal.

Thank you and I look forward to your questions.