

Statement of Chairman Sherrod Brown
“Consumer Protection: Examining Fees in Financial Services and Rental Housing”
May 9, 2024

Costs are far too high for Americans. And corporations are finding more and more ways to raise those costs, to boost their own profits.

We’ve talked about how every time Americans go to the grocery store, they’re paying for corporate stock buybacks and executive bonuses. Last week, we looked at how companies use the latest technologies to jack up prices for consumers.

This week, we are looking at “junk fees” – these are surprise, often last-minute charges that drive up the cost of products, and have no justification or connection to anything other than their quest for profits.

Think about that hotel room you booked that has a bunch of mysterious charges at the end.

Or that time you paid your credit card bill over the phone so you wouldn’t be late, but were charged a

“convenience fee.” The only thing that fee is convenient for is the bank’s bottom line.

Or let’s say you’re looking for an apartment and you finally find one with affordable rent. But when you get a look at the lease, you realize that between the maintenance fee and the trash fee and the mysterious “convenience fee,” the actual rent you’ll be charged each month is out of your budget now.

These hidden add-ons, surcharges, and fees—are all “junk fees”.

They’re extra costs that inflate the price you pay, but add no value. They are often hidden and only disclosed when it is time to pay.

Consumers know what they can afford. That’s why we all shop based on price.

But when the real price is hidden through undisclosed junk fees, how are consumers supposed to find the lowest price?

The answer is they often can’t.

We hear a lot about personal responsibility and consumer financial literacy in this Committee.

But no amount of financial education is going to protect someone from a tactic that is meant to purposefully hide the real price of a product or service.

They're hiding the price – that's the whole point.

Junk fees make a mockery of free and fair markets.

\$32 here, \$45 there, and sprinkle in a \$10 “service” fee and before you know it, a product you thought was the most affordable option is actually the most expensive.

Without junk fees, consumers would keep more of their hard-earned money, and they would be able to better find the lowest price – which is how you promote real competition that brings down costs.

That is why the Consumer Financial Protection Bureau has taken long-overdue steps to reduce costs and fees and make them more transparent.

The CFPB took a major step towards reducing costs for consumers when it issued its Credit Card Late Fee rule.

Credit card late fees are the most costly and frequently applied junk fee. According to one report, 1 in 5 adult Americans, an estimated 52 million people, paid a credit card late fee last year.

By law, credit card late fees are supposed to be “reasonable and proportional” to the cost that companies incur for late payments. So let’s be clear: these are massive, trillion dollar Wall Street companies. The idea that your missing your payment due date by a day or two is imposing some huge cost on the credit card company is ridiculous.

And sure enough, the CFPB found that credit card companies are charging consumers more than five times their costs.

In 2022, that meant credit card companies charged consumers \$14.5 billion in late fees—that's up \$3 billion over the previous year.

The new action by the Consumer Financial Protection Bureau will lower credit card late fees that the largest credit card issuers can charge down to just \$8.

This will save Americans more than \$10 billion in fees each year.

Of course the biggest banks oppose it.

They're trotting out the same old complaints we always hear, every time anyone tries to do anything that might cut into Wall Street profits even a tiny bit.

They whined in 2009, when we passed the CARD Act to lower some fees and increase transparency.

Well, surprise, surprise, the sky did not fall, and consumers still have access to credit. And of course credit card companies still make billions in profits.

Of course it's not just credit card late fees. Junk fees are piled on top of all sorts of products and services.

The CFPB found that some auto loan servicers charge \$1,000 in repossession fees – almost three times average repossession costs.

Unsurprisingly, some owners never recovered their cars, because \$1,000 is an amount many working families cannot afford out of the blue.

In rental housing, junk fees that are added to the advertised rent can make the actual rent paid unaffordable.

We've seen cases where the advertised rent grows hundreds of dollars a month once all the fees were added on top of the rent—application fees, utility deposits, trash fees, fees for the honor of paying your rent, and on and on.

Imagine a family getting approved for a place they think they can afford, but then getting several hundred dollars of surprise add on fees when they go to sign their lease.

Most renters can't afford these massive price increases, but they may not have an option once they've paid all the up-front costs and set their move-in date.

And let's be clear: the entire point of these fees is to hide the true cost. They could just list the rent for what it is. But they don't, because they want to make it impossible for families to actually find the lowest rent. That's not a free, fair market – it's a rigged system.

We need to continue working to expose and crack down on these fees that are raising costs on Americans to push already-high corporate profits even higher.

And we need to defend the CFPB's work that has refunded \$260 million to consumers for unlawful junk fees, and will save consumers billions in the future.

The corporations raising these prices have armies of lobbyists to fight for them. Our job is to stand up to

them, and work for everyone else, so that consumers can keep their hard-earned money.