

**PREPARED STATEMENT OF
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**BEFORE THE
UNITED STATES SENATE
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS**

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Statement Required by 12 U.S.C. §5492

The views expressed herein are those of the Director and do not necessarily reflect the views of the Board of Governors of the Federal Reserve System or the President.

Chairman Brown, Ranking Member Toomey, and distinguished Members of the Committee, I am pleased to appear before you today in conjunction with the Consumer Financial Protection Bureau's (CFPB) submission of the Semiannual Report to Congress.

In my first six months as Director, the Consumer Financial Protection Bureau has refocused its efforts to align with the objectives that Congress set out for the agency. I have outlined some of the highlights of this work below.

Focusing Enforcement on Repeat Offenders and Other Major Market Actors

When small businesses violate the law, federal enforcers are often quick to levy crippling sanctions. But when larger players repeatedly violate the law, agencies are far more lenient. This is highly inappropriate.

I am committed to ensuring that the CFPB does not follow this path. The CFPB is shifting enforcement resources away from investigating small firms and instead focusing on repeat offenders and large players engaged in large-scale harm.

For example, in recent months, we have filed lawsuits against two very large firms, FirstCash and TransUnion, that violated law enforcement orders and other consumer financial protection laws. In both cases, the entities willingly consented to an order and were on clear notice of their obligations. The CFPB alleges that both firms violated their orders and continued to violate the law.

The CFPB and the New York Attorney General also recently filed a lawsuit against MoneyGram, one of the biggest providers of remittances worldwide, for violating rules required by Congress in the money transfer market, despite being granted many chances to come into compliance.

During my tenure, the CFPB will not only focus on large actors engaged in widespread harm, but also enforce the law as written. I expect that this may lead to more litigation, but also lend greater legitimacy to agency actions.

Enhancing Transparency Through Guidance

Laws work best when they are easy to understand, easy to follow, and easy to enforce. During my tenure, the CFPB will dramatically increase its issuance of guidance documents, such as advisory opinions, compliance bulletins, policy statements, and other publications. We have already begun to do so on a wide variety of topics.

These efforts help entities comply with laws passed by Congress by either providing further clarity where needed or drawing attention to an already clear legal requirement. They also promote consistency among the many government actors responsible for enforcement of federal consumer financial law, including other federal regulators and state and tribal Attorneys General across the country. The CFPB is especially interested in areas where guidance can support compliance efforts by small institutions and new entrants.

Rethinking Our Approach to Regulations

When Congress and the President enact laws that direct or authorize the promulgation of regulations, agencies should not ignore them.¹ I am committed to ensuring that the CFPB takes meaningful steps to carry out legislative directives.

At the time I became Director, the CFPB had not made any significant progress on the development of several rules that Congress authorized in the Consumer Financial Protection Act, including under Section 1033, a provision that could increase competition and choice in consumer financial markets. In addition, the agency is working to implement Section 1071 of the Act, regarding small business data. This is not a discretionary rule, and the CFPB is subject to a court order to ensure it is implemented in a timely fashion.

In December 2021, Congress amended the Fair Credit Reporting Act to assist survivors of human trafficking and required the CFPB to implement regulations within 180 days. The CFPB has already published a proposal for public comment and is working to complete the rulemaking to comply with the deadline set by Congress.

More broadly, I am concerned that the approach to regulations pursued by federal banking agencies is excessively complicated. I have asked CFPB staff to put a higher premium on simplicity and “bright lines” whenever possible. We are also reviewing rules that the agency inherited from the Federal Reserve Board of Governors to identify opportunities for improvement.

The CFPB has also launched a new process to allow the public to more freely exercise the Constitutional right to petition the government. Our new process will allow us to hear directly from the public about potential regulations that should be developed or amended.

Listening and Learning from the Business Community

While large depository and nondepository institutions have direct access to the CFPB through our supervision program, many other businesses also have a stake in the CFPB’s policies. During my confirmation process, I received feedback that the CFPB was extremely responsive to large financial institutions, but not sufficiently committed to listening and learning from local financial institutions and the broader business community. I take this criticism seriously and I have directed a number of changes to the agency’s status quo approach.

A key priority for me has been to engage with institutions without direct access to the CFPB, including small banks and credit unions. I have been fortunate to meet with many state-based associations to speak directly with community banks and credit unions, and I hope to meet with all of these associations during my term in office.

¹ For example, when I served as a Commissioner on the Federal Trade Commission, my office conducted an analysis that identified several pieces of legislation signed into law by President Bill Clinton, President George W. Bush, and President Barack Obama that the Commission largely ignored.

The CFPB is also engaging with a broad range of other businesses and associations, including health care providers, automobile dealers, farmers, hotel owners, retailers, and more. While these industries generally engage in business practices that fall outside the scope of the CFPB's authority, they are deeply affected by the laws the agency administers. These efforts will help the CFPB be more attuned to the needs of businesses across the economy.

Promoting Competition

In our market system, one of the best ways that consumers can protect themselves is to switch from providers that treat them poorly. This is why Congress established as a primary objective that the CFPB seek to ensure that markets for consumer financial products and services are fair, transparent, and competitive.

Competition leads to innovation, attractive rates, quality service, and benefits that may be difficult to quantify. But when consumers do not get to select their provider or when switching is complex or difficult, it can lead to stagnation, junk fees, and poor treatment. Indeed, in many markets for consumer financial products and services, like loan servicing and credit reporting, consumers have no choice of provider.

In addition to implementation of rules under Section 1033, we will be launching other initiatives to identify ways to lower barriers to entry and increase the pool of firms competing for customers based on quality, price, and service. We are especially interested in ways that small financial institutions can leverage technology and systems, like the planned FedNow program, to capture market share while still preserving their relationship banking model.

Preparing for the Era of Big Tech and Big Data in Banking

America's consumer finance infrastructure is the plumbing for an enormous amount of economic activity. New technologies and systems can bring us faster payments and new opportunities to connect customers and financial providers. During my tenure, the CFPB will be very focused on what the future holds and how we can collectively shape it in ways that align with American values.

Currently, the United States is lurching toward a consolidated market structure where finance and commerce co-mingle fueled by uncontrolled flows of consumer data. This is the market structure that has emerged in China, where Alipay (operated by Ant Group, formerly known as Alibaba) and WeChatPay (operated by Tencent) predominate. Alipay is part of the same conglomerate that dominates e-commerce, and WeChatPay is connected to the dominant messaging app.

These super-apps have access to an extraordinary set of data about consumers and businesses, including financial businesses that they may compete with. Over the last several years, Chinese

tech and finance giants have developed so-called “social scoring” that goes beyond credit performance and relies on analyzing user habits unrelated to credit and banking.²

The outsized influence of such dominant tech conglomerates over the financial services ecosystem comes with risks and raises a host of questions about privacy, fraud, discrimination, and more. The CFPB is currently studying these issues first as part of our inquiry into Big Tech’s entry into consumer payments in the United States. The agency has issued a set of orders to Google, Facebook, Amazon, Apple, PayPal and Block (formerly Square) to further understand key issues on their plans for consumer payments. We expect to issue reports on our research to contribute to the critical policy discussions about the future of consumer finance and relationship banking in our country.

Thank you again for the opportunity to appear before you, and I look forward to answering your questions.

² See, for example, John Gapper, *Alibaba’s social credit rating is a risky game*, Financial Times (February 21, 2018), <https://www.ft.com/content/99165d7a-1646-11e8-9376-4a6390addb44>.