

**Testimony of Richard Cordray**  
**Director, Consumer Financial Protection Bureau**  
**Before the Senate Committee on Banking, Housing, and Urban Affairs**  
**April 7, 2016**

Chairman Shelby, Ranking Member Brown, and Members of the Committee, thank you for the opportunity to testify today about the Consumer Financial Protection Bureau's Semi-Annual Report to Congress. I appreciate our continued dialogue as we work together to strengthen our financial system and ensure that it serves consumers, responsible businesses, and the long-term foundations of the American economy.

The Bureau presents this Semi-Annual Report to Congress and the American people in fulfillment of its statutory responsibility and commitment to accountability and transparency. This report provides an update on the Bureau's mission, activities, accomplishments, and publications since the last Semi-Annual Report, and provides additional information required by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank or Dodd-Frank Act).<sup>1</sup>

The Dodd-Frank Act created the 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 of 2008-2010, the President and Congress recognized the need to address widespread failures in consumer financial 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 Bureau.<sup>2</sup> The Dodd-Frank Act charged the 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;**
- **Monitoring compliance with Federal consumer financial law and taking appropriate enforcement action to address violations;**
- **Identifying and addressing outdated, unnecessary, or unduly burdensome regulations;**

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<sup>1</sup> Appendix B provides a guide to the Bureau's response to the reporting requirements of Section 1016(c) of the Dodd-Frank Act. The Bureau's most recent Semi-Annual Report, published in November 2015, and 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 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).

- 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 Bureau has continued its efforts to listen and respond to consumers and industry, to be a resource for the American consumer, and to develop into a great institution worthy of the responsibilities conferred on it by Congress.

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

The Bureau has continued to improve the capabilities of its Office of Consumer Response to receive, process, and facilitate responses to consumer complaints. Consumer Response has also continued to expand a robust public Consumer Complaint Database. The database updates nightly and as of September 30, 2015 was populated by over 465,000 complaints from consumers about financial products and services from all over the country.

On June 25, 2015, the CFPB marked a milestone for consumer empowerment when the Bureau began to publish consumer complaint narratives in the Consumer Complaint Database.<sup>4</sup> Consumers now have the choice to share in their own words their experiences with the consumer financial marketplace. Only those narratives for which opt-in consumer consent is obtained and to which a robust personal privacy scrubbing process is applied are eligible for disclosure. The CFPB gives companies the opportunity to respond publicly to the substance of the consumer complaints they receive from the CFPB by selecting from a set list of public-facing response categories. Companies are under no obligation to avail themselves of the opportunity. The Bureau also issued a Notice and Request for Information<sup>5</sup> to seek input from the public on best practices for "normalizing" the complaint data it makes available via the database to make the complaint data easier for the public to use and understand.

On July 16, 2015, the Bureau launched the first in a new series of monthly reports to highlight key trends from consumer complaints submitted to the Bureau. The monthly report includes 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 will provide insight for the public into the hundreds of thousands of consumer complaints on

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

<sup>4</sup> See Final Policy Statement on Consumer Narratives; 80 FR 15572, March 24, 2015.

<sup>5</sup> See Request for Information Regarding the Consumer Complaint Database: Data Normalization; 80 FR 37237, June 30, 2015.

financial products and services expected to be handled by the CFPB. 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.

The Bureau is also working to provide tools and information to develop practical skills and support sound financial decision-making directly to consumers. These skills include being able to ask questions and to plan ahead. One way we are doing this is with our online tool, *Ask CFPB*.<sup>6</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. We are also focusing on helping consumers build the skills to plan ahead. For example, our *Paying for College*<sup>7</sup> set of tools helps students and their families compare what their college costs will be as they decide where to pursue a college education. Our *Owning a Home*<sup>8</sup> set of tools helps consumers shop for a mortgage loan by helping them understand what mortgages are available to them, explore interest rates, compare loan offers, and by providing a closing checklist. The *Money Smart for Older Adults*<sup>9</sup> curriculum, developed with the Federal Deposit Insurance Corporation (FDIC), includes resources to help people prevent elder financial exploitation and prepare financially for unexpected life events.

The Bureau is 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 also 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.

When Federal consumer financial protection law is violated, the Bureau's Supervision, Enforcement, and Fair Lending Division is committed to holding the responsible parties accountable. In the six months covered by the most recent report, our supervisory actions resulted in financial institutions providing more than \$95 million in redress to over 177,000 consumers.

During that timeframe, the Bureau also announced orders through enforcement actions for approximately \$5.8 billion in total relief for consumers who fell victim to various violations of consumer financial protection laws, along with over \$153 million in civil money penalties. The Bureau brought numerous enforcement actions for various violations of the Dodd-Frank Act, including an action against a company for blocking consumers' attempts to save their homes from foreclosure, an action against a lender for the failure to furnish clear information regarding the student loan interest consumers paid, and actions against two companies for mobile cramming. In joint actions, we worked with the New York Department of Financial Services to

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<sup>6</sup> Available at: [consumerfinance.gov/askcfpb/](http://consumerfinance.gov/askcfpb/).

<sup>7</sup> See <http://www.consumerfinance.gov/paying-for-college/>.

<sup>8</sup> See <http://www.consumerfinance.gov/owning-a-home/>.

<sup>9</sup> See <https://www.fdic.gov/consumers/consumer/moneysmart/olderadult.html>.

take action against two companies for deceiving consumers about the costs and risks of their pension advance loans. We also worked with the Office of the Comptroller of the Currency and the FDIC to take action against a depository institution for failing to credit consumers for the full amounts of their deposits, and worked with the Department of Justice to resolve actions with an auto finance company and a depository institution that will put in place new measures to address discretionary auto loan pricing and compensation practices. The Bureau also took action against a company for engaging in unfair, deceptive, and abusive acts or practices to collect debt from servicemembers, in violation of the Consumer Financial Protection Act. In addition, the Bureau continues to develop and refine its nationwide supervisory program for depository and nondepository financial institutions, through which those institutions are examined for compliance with Federal consumer financial protection law.

The Bureau also released one edition of *Supervisory Highlights* during this reporting period. The *Supervisory Highlights* series is intended to inform both industry and the public about the development of the Bureau's supervisory program and to discuss, in a manner consistent with the confidential nature of the supervisory process, broad trends in examination findings in key market or product areas. This edition reported examination findings in the areas of consumer reporting, debt collection, student loan servicing, mortgage origination, mortgage servicing, and fair lending. It also included information about recent public enforcement actions that were a result, at least in part, of CFPB's supervisory work.

The Bureau has 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, including bulletins on private mortgage insurance cancellation and termination, the Section 8 housing choice voucher homeownership program, and interstate land sales.

Reasonable regulations are essential for protecting consumers from harmful practices and ensuring that consumer financial markets function in a fair, transparent, and competitive manner. 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 this reporting period, the Research and Markets teams released a data point on "credit invisibles" and technical reports regarding the National Survey of Mortgage Borrowers and the National Mortgage Database. The Regulations office issued regulations modifying and clarifying a number of rules implementing changes made by the Dodd-Frank Act to the laws governing various aspects of the mortgage market, including amendments relating to small creditors and rural or underserved areas under Regulation Z, which, among other things, increased the number of financial institutions able to offer certain types of mortgages in rural and underserved areas, a rule moving the effective date of the Know Before You Owe mortgage disclosure rule to October 3, 2015, and an interpretive rule on homeownership counseling organizations lists and high-cost mortgage counseling.

During this reporting period, the Bureau issued several other proposed or final rules or requests for information under the Dodd-Frank Act, including a final rule defining larger participants of the automobile financing market and defining certain automobile leasing activity as a financial product or service, which extends the Bureau's supervision relating to consumer financial protection laws to any nonbank auto finance company that makes, acquires, or refinances 10,000 or more loans or leases in a year, and a request for information regarding student loan servicing.

To support the implementation of and industry compliance with its rules, the Bureau has published a number of plain-language compliance guides summarizing certain rules, and it has actively engaged in discussions with industry about ways to achieve compliance.<sup>10</sup> The Bureau also continued its efforts to streamline, modernize, and harmonize financial regulations that it inherited from other agencies.

In addition to implementing the Dodd-Frank Act, the 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. Over the next six months, the 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.

The Bureau continues to grow and evolve as an institution. As of September 30, 2015, the CFPB team consisted of 1,486 employees working to carry out the Bureau's mission. It has worked to build a human and physical infrastructure that promotes diversity, transparency, accountability, fairness, and service to the public.

The Bureau recognizes that the best way to serve consumers is to ensure that its workforce reflects the ideas, backgrounds, and experiences of the American public. The Bureau's Office of Minority and Women Inclusion supports the 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.<sup>11</sup>

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

Chairman Shelby, Ranking Member Brown, and Members of the Committee, thank you for the opportunity to provide the Bureau's Semi-Annual Report. The Bureau will continue working to ensure that the American people are treated fairly in the consumer financial marketplace. I look forward to your questions.

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<sup>10</sup> See <http://www.consumerfinance.gov/guidance/#compliance>.

<sup>11</sup> During the previous reporting period, the Bureau's Office of Equal Employment and Opportunity transitioned to the Office of Civil Rights (OCR), and it and the OMWI office moved under the umbrella of the newly created Office of Equal Opportunity and Fairness (OEOF), housed in the CFPB Director's Office and reporting directly to the Director.