Statement of Director Kathleen L. Kraninger
Consumer Financial Protection Bureau
Before the House Committee on Financial Services

July 30, 2020

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 or CFPB's) most recent Semi-Annual Report to Congress.

Today, I am happy to present the Bureau's Spring 2020 Semi-Annual Report (October 1, 2019 – March 31, 2020) 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).

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 remain resolved that the most productive use of Bureau resources is the prevention of harm to consumers in concert with our many partners. 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.

Clearly, the COVID-19 pandemic had a profound impact on the Bureau's work during the reporting period, one that will continue well into the future. These remain challenging times facing our Nation and the world. Yet the uncertainty and dramatic change underscore the importance of the Bureau's mission on behalf of American consumers. Further, this Report and my testimony today give me the opportunity to highlight the fantastic work of our incredibly talented and dedicated staff in facing this emergency.

Under the banner of "Safety First, Mission Always," the professionals at the CFPB tirelessly work ***to protect, promote, and preserve the financial well-being of the American consumer.***

To further our statutorily-driven objectives, we have teamed, and will continue to work, with our stakeholders, particularly our federal partners, to ensure consumers are armed with accurate facts and helpful warnings in this unprecedented time.

Since the first days of the pandemic, the Bureau has taken swift action to protect consumers and ensure financial institutions have the direction and flexibility to work with their customers in need. Those actions range from efforts to empower older Americans, to guidance offered about how to avoid potential scams related to the virus, to roadmaps of what relief is available to renters and mortgage holders under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) legislation. In April, the Bureau worked with Federal partners to launch a new mortgage and housing assistance website.[1] The Bureau also released timely information on new programs aimed at helping struggling consumers during this time. These programs include stimulus payments;[2] student loan payment suspension;[3] mortgage forbearance;[4] and the paycheck protection program.[5] Additionally, the Bureau has established a centralized webpage with information on how consumers can protect their finances during the pandemic.[6] Trusted, authoritative government sources are critical conduits for the distribution of information to the public. As such, I am proud to note that as of this month, over 3.1 million users have accessed our educational web content in response to COVID-19.

The Bureau also has taken a number of actions to provide guidance to the financial industry to ensure their resources are aimed at assisting consumers in need.[7] The Bureau has and will continue to actively engage with regulated entities, consumer advocates, State partners, and other stakeholders to ensure we are providing appropriate flexibilities to support consumers during this time.[8]

During this emergency, the mechanisms of rulemaking, our supervisory examinations, enforcement of Federal consumer financial law, and the handling of consumer complaints have continued. The Bureau also has developed "Prioritized Assessments," which consist of high-level inquiries designed to obtain information from entities to assess the impacts on consumer financial product markets due to pandemic-related issues. These Assessments will allow the Bureau to identify potential risk to consumers across a large number of entities, while continuing to reduce the burden on institutions and allowing examiners to continue to work safely from their home-duty stations. The Bureau is monitoring the marketplace in real time and coordinating on an ongoing basis with fellow Federal and State regulators in order to take swift action when we

---

[1] *See* https://www.cfpb.gov/housing.
[2] *See* https://www.consumerfinance.gov/about-us/blog/guide-covid-19-economic-stimulus-checks/.
[3] *See* https://www.consumerfinance.gov/about-us/blog/what-you-need-to-know-about-student-loans-and-coronavirus-pandemic/.
[4] *See* https://www.consumerfinance.gov/about-us/blog/guide-coronavirus-mortgage-relief-options/.
[5] *See* https://www.consumerfinance.gov/about-us/blog/help-small-businesses-during-covid-19-pandemic/.
[6] *See* https://www.consumerfinance.gov/coronavirus/.
[7] *See* https://www.ffiec.gov/press/PDF/FFIEC%20Statement%20on%20Pandemic%20Planning.pdf; https://files.consumerfinance.gov/f/documents/cfpb_interagency-statement_small-dollar-lending-covid-19_2020-03.pdf; https://files.consumerfinance.gov/f/documents/cfpb_hmda-statement_covid-19_2020-03.pdf; https://files.consumerfinance.gov/f/documents/cfpb_data-collection-statement_covid-19_2020-03.pdf; and https://files.consumerfinance.gov/f/documents/cfpb_supervisory-enforcement-statement_covid-19_2020-03.pdf.
[8] *See* Section 3.4 of the Report for the items released in response to COVID-19 after the reporting period ending on March 31, 2020.

identify companies or individuals that violate the law to take advantage of the pandemic and resulting economic uncertainty. While so many aspects of our daily life were effectively shut down this Spring, the Bureau's efforts on behalf of impacted consumers never slowed.

I am uniquely proud to share with you our semiannual report and welcome your questions and thoughts about our efforts outlined here, and our mission overall**.**

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.

To carry out its financial education mandate, the Bureau seeks to enhance the financial knowledge and skills of all Americans, from childhood to later life, so that individuals can effectively use these skills to build their financial well-being. The Bureau is employing a three-part strategy to accomplish this task. The three elements of the strategy are:

- Providing financial education to the public, directly and by expanding and augmenting the local delivery of financial education;

- Sharing research on effective financial education and financial well-being with financial educators and others; and

- Addressing needs for inclusion and financial security of servicemembers and veterans, older Americans, traditionally underserved consumers and communities, and students.

During the previous year, the Bureau has continued to put thought into action and made strides in consumer education. A few key examples outlined in the Report are:

Start Small, Save Up Initiative.[9] The Start Small, Save Up initiative aims to increase opportunities for Americans to save and achieve their financial goals. Through Start Small, Save Up, the Bureau is working to help consumers build emergency savings over the next few years by working with employers to prioritize emergency savings and automated solutions in the workplace; engaging with partners to highlight emergency savings products that work and make more accessible products available; and partnering with trusted community institutions to tailor savings solutions to unique audiences. The Start Small, Save Up initiative includes a robust research and evaluation component to ensure the Bureau is learning about its own efforts, as well as the efforts of others who are also working toward a similar goal of helping consumers save. The Bureau launched a series of saving resources including the CFPB Savings Boot Camp, a multi-week email course to guide people through the fundamentals of saving. The Bureau also released the fourth in a series of booklets for social services providers to talk with people about

[9] *See* https://www.consumerfinance.gov/start-small-save-up/.

money topics that are important to them: "Building your Savings? Start with Small Goals." The booklet contains colorful, engaging tools to support people in setting savings goals, preparing for the unexpected, finding a place to save, and making the most of tax services providers, financial coaches, and financial educators. The Bureau also hosted a convening with several financial institutions to engage them in a dialogue about helping consumers and their workforce build emergency savings, exploring new research opportunities, understanding successful ways to market savings solutions to consumers, and seeking opportunities to collaborate with the Bureau on these efforts.

Convening Communities to Build Elder Fraud Prevention and Response Networks report.[10] This report describes the Bureau-facilitated convenings in Florida, Oklahoma, Tennessee, Montana, and Oregon, which informed our efforts during the reporting period and sparked the creation of new elder fraud prevention and response networks or the enhancement of existing networks. The lessons learned from these pilot convenings can help other communities develop networks that improve coordination and collaboration between responders and service providers to protect older people from financial harm. Although outside of the reporting period, in June 2020, the Bureau built upon this effort and released an online resource to help communities form networks to increase their capacity to prevent and respond to elder financial abuse.[11] The Elder Fraud Prevention and Response Networks Development Guide (Networks Development Guide) offers planning tools, templates, and exercises to help communities create a collaborative network to fight elder fraud or refresh or expand an existing network. We hope this resource will help launch networks in fighting elder financial exploitation in communities where networks do not currently exist. For those communities with an existing network, the Networks Development Guide can help to refresh or realign its priorities and activities or expand the diversity of its membership to include new stakeholders. We encourage the use of the guide by communities across the nation to build their capacity to prevent and respond to elder financial exploitation.

Misadventures in Money Management for Active Duty Servicemembers. The Bureau made Misadventures in Money Management (MiMM) available for active duty servicemembers reporting to their first service station. MiMM is an online training that engages servicemembers with real life financial choices in a fun and interactive manner and provides a just-in-time financial curriculum. MiMM is also available to future servicemembers in the Delayed Entry Program (DEP), as well as future leaders in the Junior Reserve Officers' Training Corps (JROTC) and Reserve Officer Training Corps (ROTC).

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 Spring 2020 Report includes information on significant rules and orders adopted by the Bureau, as well as other significant

[10] *See* https://www.consumerfinance.gov/data-research/research-reports/convening-communities-build-elder-fraud-prevention-and-response-networks/.

[11] *See* https://www.consumerfinance.gov/practitioner-resources/resources-for-older-adults/elder-protection-networks/.

initiatives conducted by the Bureau, during the preceding year. In addition, the Spring 2020 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.

Request for Information, Proposed Rule, and Final Rule: Remittances.[12] In April 2019, and December 2019, respectively, the Bureau issued a Request for Information (RFI) and a Notice of Proposed Rulemaking (NPRM) on remittance transfers. Although outside of the reporting period, it is worth noting that in May 2020, the Bureau issued a final rule, which allows certain banks and credit unions to continue to provide estimates of the exchange rate and certain fees under certain conditions, where otherwise they generally would have had to provide exact amounts due to the expiration of a statutory exception on July 21, 2020. The final rule also increases the annual threshold that determines whether an entity makes remittance transfers in the normal course of its business and is subject to the Remittance Rule from 100 to 500 remittance transfers. Entities making 500 or fewer transfers annually in the current and prior calendar years will not need to comply with the Rule. This increase will reduce the burden on over 400 banks and almost 250 credit unions that send a relatively small number of remittances—less than .06 percent of all remittances.

Debt Collection Notices of Proposed Rulemaking. In May 2019, the Bureau issued an NPRM, which would prescribe rules under Regulation F to govern the activities of debt collectors, as that term is defined under the Fair Debt Collection Practices Act (FDCPA).[13] The Bureau's proposal would, among other things, address communications in connection with debt collection; interpret and apply prohibitions on harassment or abuse, false or misleading representations, and unfair practices in debt collection; and clarify requirements for certain consumer-facing debt collection disclosures. The proposal builds on the Bureau’s research and pre-rulemaking activities regarding the debt collection market; the conduct of debt collectors remains a significant source of complaints to the Bureau. The Bureau expects to take final action in October 2020 with regard to the May 2019 NPRM. The Bureau has also engaged in testing of time-barred debt disclosures that were not addressed in the May 2019 proposal. In February 2020, after completing the testing, the Bureau issued a supplemental NPRM related to time-barred debt disclosures.[14]

Advance Notice of Proposed Rulemaking: Home Mortgage Disclosure Act.[15] In May 2019, the Bureau issued an Advance Notice of Proposed Rulemaking (ANPR), seeking information to determine whether to propose changes to the data points that the Bureau’s 2015 Home Mortgage Disclosure Act (HMDA) rule added to Regulation C or revised to require additional information. The ANPR sought information regarding the costs and benefits of these data points. Additionally, the Bureau solicited comments relating to the requirement that institutions report

---

[12] *See* https://www.consumerfinance.gov/about-us/newsroom/cfpb-issues-request-information-remittance-rule/; https://www.consumerfinance.gov/about-us/newsroom/cfpb-issues-notice-proposed-rulemaking-remittance-rule/; *and* https://www.consumerfinance.gov/about-us/newsroom/cfpb-issues-final-remittance-rule/.

[13] *See* https://www.consumerfinance.gov/about-us/newsroom/bureau-proposes-regulations-implement-fair-debt-collection-practices-act/.

[14] *See* https://www.consumerfinance.gov/about-us/newsroom/cfpb-issues-supplemental-nprm-on-time-barred-debt-disclosures/.

[15] *See* https://www.consumerfinance.gov/about-us/newsroom/bureau-proposes-changes-hmda-rules/.

certain business- or commercial-purpose transactions under Regulation C. The Bureau expects to issue an NPRM following up on the ANPR later this year.

Final Rules: Home Mortgage Disclosure (Regulation C)–2019 Final Rule and 2020 Final Rule.[16] In May 2019, the Bureau issued an NPRM to reconsider the thresholds for reporting data about closed-end mortgage loans and open-end lines of credit under the Bureau's 2015 HMDA rule. In October 2019, the Bureau issued the first of two final rules amending these thresholds. The October 2019 final rule amended 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 Bureau also incorporated into Regulation C the interpretations and procedures from the interpretive and procedural rule that the Bureau issued on August 31, 2018, and implemented further Section 104(a) of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA). Although just outside of the reporting period, it is worth noting that, in April 2020, the Bureau issued a second final rule adjusting Regulation C's institutional and transactional coverage thresholds for closed-end mortgage loans and open-end lines of credit. Effective July 1, 2020, the final rule permanently raises the closed-end coverage threshold from 25 to 100 closed-end mortgage loans in each of the two preceding calendar years. Effective January 1, 2022, when the temporary threshold of 500 open-end lines of credit expires, the final rule sets the permanent open-end threshold at 200 open-end lines of credit in each of the two preceding calendar years.

Final Rule: Payday, Vehicle Title, and Certain High-Cost Installment Loans; Delay of Compliance Date; Correcting Amendments.[17] In June 2019, the Bureau issued this final rule to delay the August 19, 2019, compliance date for the mandatory underwriting provisions of the regulation promulgated by the Bureau in November 2017 governing Payday, Vehicle Title, and Certain High-Cost Installment Loans. Compliance with the mandatory underwriting provisions was delayed by 15 months to November 19, 2020. The Bureau also made certain corrections to address several clerical and non-substantive errors it identified in other aspects of the rule.

Advance Notice of Proposed Rulemaking and Notices of Proposed Rulemaking: Ability-to-Repay and Qualified Mortgages.[18] In July 2019, the Bureau issued an ANPR asking for information relating to the expiration of the temporary Government-Sponsored Enterprise (GSE) provision (GSE Patch) of the Bureau's Ability-to-Repay and Qualified Mortgage Rule. Under the GSE Patch, while the GSEs operate under the conservatorship or receivership of the FHFA, mortgages that are eligible for purchase or guarantee by one of the GSEs and that 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. The Bureau's ANPR sought information to determine whether to propose changes in the General QM loan definition considering that expiration. Although outside of the reporting period, it is worth noting that in June 2020 the Bureau issued an NPRM to propose amendments to the General QM

---

[16] *See* https://www.consumerfinance.gov/about-us/newsroom/bureau-issues-final-hmda-rule-provide-relief-smaller-institutions/; https://www.consumerfinance.gov/about-us/newsroom/cfpb-issues-final-rule-raising-data-reporting-thresholds-under-hmda/.

[17] *See* https://www.consumerfinance.gov/policy-compliance/rulemaking/final-rules/payday-vehicle-title-and-certain-high-cost-installment-loans-delay-compliance-date-correcting-amendments/.

[18] *See* https://www.consumerfinance.gov/about-us/newsroom/bureau-releases-qualified-mortgage-anpr/; *see also* https://www.consumerfinance.gov/about-us/newsroom/cfpb-takes-steps-address-gse-patch/.

loan definition that would remove the General QM loan definition’s 43 percent debt-to-income (DTI) limit and that would instead establish a pricing threshold (i.e., the difference between the loan’s annual percentage rate and the average prime offer rate for a comparable transaction) for loans to qualify as General QM loans. General QM loans would still have to meet the statutory criteria for QM status, including restrictions related to loan features, up-front costs, and underwriting. The Bureau also issued a second NPRM that proposed to extend the GSE Patch until the effective date of the final amendments to the General QM loan definition to help ensure a smooth and orderly transition away from the GSE Patch by (among other things) allowing the Bureau to complete this rulemaking and to avoid any gap between the expiration of the GSE Patch and the effective date of the proposed alternative. The Bureau did not propose to amend the provision stating that the Temporary GSE QM loan category would expire if the GSEs exit conservatorship. Finally, the Bureau is considering adding a new “seasoning” definition of QM, which would be proposed in a separate NPRM. This definition would create an alternative pathway to QM safe-harbor status for certain mortgages when the borrower has consistently made timely payments for a specified period.

Assessment of Significant Rule: TRID Rule (the Truth in Lending Act and Real Estate Settlement Procedures Act).[19] In November 2019, the Bureau publicly initiated the assessment of the TRID rule by requesting public comment on its plans to conduct the assessment. Section 1022(d) of the Dodd-Frank Act requires the Bureau to conduct an assessment of each significant rule or order adopted by the Bureau under Federal consumer financial law. Under Section 1022(d)(2), assessment reports must be published not later than five years of the effective date of the significant rule or order. As part of its assessment, the Bureau intends to address the TRID rule’s effectiveness in meeting the purposes and objectives of Title X of the Dodd-Frank Act, the specific goals of the rule, and other relevant factors. The public was invited to comment on the feasibility and effectiveness of the assessment plan, recommendations to improve the assessment plan, and recommendations for modifying, expanding, or eliminating the TRID rule, among other questions.

Business Lending Data (Regulation B). The Bureau is working to develop rules to implement Section 1071 of the Dodd-Frank Act. Section 1071 amended the Equal Credit Opportunity Act (ECOA) to require financial institutions to collect, report, and make public certain information concerning credit applications made by women-owned, minority-owned, and small businesses. The Bureau resumed pre-rulemaking activities on Section 1071. In November 2019, the Bureau conducted a symposium on small business loan data collection. In addition, the Bureau has developed, and earlier this month started conducting, a survey of lenders to obtain estimates of one-time costs lenders of varying sizes would incur to collect and report data pursuant to Section 1071. The Bureau’s next step will be the release of materials in advance of convening a panel under the Small Business Regulatory Enforcement Fairness Act, in conjunction with the Office of Management and Budget and the Small Business Administration’s Chief Counsel for Advocacy, to hear from representatives of small businesses on which Bureau rules to implement Section 1071 may impose costs.

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

---

[19] *See* https://www.consumerfinance.gov/about-us/newsroom/bureau-to-assess-integrated-mortgage-disclosure-rule/.

Notice of Proposed Rulemaking: Amendments to Regulation Z to Facilitate Transition From LIBOR.[20] In June 2020, the Bureau released a NPRM concerning the anticipated discontinuation of LIBOR, including proposing examples of replacement indices that meet Regulation Z standards for both open-end and closed-end credit products. Some consumer credit contracts use LIBOR as a reference rate. This proposed rule would facilitate creditors for home equity lines of credit (HELOCs) (including reverse mortgages) and card issuers for credit card accounts transitioning existing accounts away from LIBOR if certain conditions are met to an alternative index on or after March 15, 2021, well in advance of LIBOR's anticipated expiration at the end of 2021. The proposed rule also would address change-in-terms notice provisions for HELOCs and credit card accounts and how they apply to the transition away from LIBOR, to ensure that consumers are informed of the replacement index and any adjusted margin. The Bureau's work is also designed to facilitate compliance by open-end and closed-end creditors and to lessen the financial impact to consumers by providing examples of replacement indices that meet Regulation Z standards. The proposed rule also would address how the rate reevaluation provisions applicable to credit card accounts apply following the transition from LIBOR to a replacement index, to facilitate compliance by card issuers. Commencing a notice-and-comment rulemaking will enable the Bureau to facilitate compliance by creditors with Regulation Z as they transition away from LIBOR.

Notice of Proposed Rulemaking: Higher-Priced Mortgage Loan Escrow Exemption.[21] In July 2020, the Bureau released a proposal to amend Regulation Z, which implements the Truth in Lending Act (TILA), as mandated by section 108 of the EGRRCPA. The amendments would exempt certain insured depository institutions and insured credit unions from the requirement to establish escrow accounts for certain higher-priced mortgage loans. Prior to the enactment of the Dodd-Frank Act, the Federal Reserve Board (Board) issued a rule requiring the establishment of escrow accounts for payment of property taxes and insurance for certain "higher-priced mortgage loans," a category which the Board defined to include what it deemed to be subprime loans. Pursuant to the Dodd-Frank Act, the Bureau in 2013 issued a rule creating an exemption from the escrow requirement for creditors with under $2 billion in assets and meeting other criteria. Section 108 of the EGRRCPA, codified at 15 U.S.C. 1639d, directs the Bureau to conduct a rulemaking to exempt from the escrow requirement loans made by certain creditors with assets of $10 billion or less and meeting other criteria. In anticipation of future rulemaking activity, the Bureau conducted a preliminary analysis of the number of lenders potentially impacted by implementation of Section 108 of EGRRCPA. The Bureau released the analysis in late summer 2019 and it showed that a limited number of additional lenders would be exempt under Section 108 of EGRRCPA once implemented by rule. The comment period for the July proposed rule is 60 days from its upcoming publication in the *Federal Register,* and the Bureau plans to consider the comments and move expeditiously to issue a final rule providing the new exemption.

Final Rule: Payday, Vehicle Title, and Certain High-Cost Installment Loans, Revocation.[22] Earlier this month, the Bureau issued a final rule concerning small-dollar lending in order to

[20] *See* https://www.consumerfinance.gov/about-us/newsroom/cfpb-facilitates-libor-transition/.
[21] *See* https://www.consumerfinance.gov/about-us/newsroom/cfpb-issues-proposed-rule-escrow-exemptions-high-priced-mortgage-loans/.
[22] *See* https://www.consumerfinance.gov/f/documents/cfpb_supervisory-highlights_issue-19_092019.pdf.

maintain consumer access to credit and competition in the marketplace. The final rule rescinds the mandatory underwriting provisions of the 2017 rule after re-evaluating the legal and evidentiary bases for these provisions and finding them to be insufficient. The final rule does not rescind or alter the payments provisions of the 2017 rule. In addition, the Bureau denied a petition for rulemaking from a provider asking to exclude debit cards from the Payment Provisions of the 2017 rule and issued a statement on the Bureau's approach to the payment provisions for loans large enough to exceed the Regulation Z coverage threshold.

Ensuring a Culture of Compliance

Another tool for the prevention of harm is the Bureau's supervisory 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 Spring 2020 Report, the Bureau published three issues of *Supervisory Highlights*:[23] *Winter 2020*, covering supervisory findings in the areas of debt collection, mortgage servicing, small-dollar lending, and student loan servicing; *Consumer Reporting Special Edition*, covering supervisory findings in the consumer reporting area; and *Summer 2019*, covering supervisory findings in the areas of automobile loan origination, credit card account management, debt collection, furnishing, and mortgage origination.

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 14 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 ECOA and HMDA. 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 will not 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

---

[23] *See* Winter 2020, https://files.consumerfinance.gov/f/documents/cfpb_supervisory-highlights_issue-21_2020-02.pdf; Consumer Reporting Special Edition, https://files.consumerfinance.gov/f/documents/cfpb_supervisory-highlights_issue-20_122019.pdf; Summer 2019, https://files.consumerfinance.gov/f/documents/cfpb_supervisory-highlights_issue-19_092019.pdf.

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.

During the period covered by the Spring 2020 Report, the Bureau brought, or continued ongoing litigation in, numerous public enforcement actions for violations of Federal consumer financial law. These activities included: an action against a bank for violating the Consumer Financial Protection Act's (CFPA) prohibition against unfair and abusive acts or practices, as well as TILA and the Truth in Savings Act and their implementing regulations;[24] three actions against brokers of contracts offering high-interest credit to veterans, many of whom were disabled, and to other consumers for violating the CFPA's prohibition against deceptive and unfair acts or practices and against providing substantial assistance to deceptive and unfair acts or practices of others;[25] an action against a bank for violating TILA and its implementing Regulation Z, including TILA provisions passed under the Fair Credit Billing Act (FCBA) and the CARD Act;[26] an action against certain entities and individuals for violating the Fair Credit Reporting Act (FCRA), the CFPA, and the Telemarketing Sales Rule (TSR) by wrongfully obtaining consumer report information, charging unlawful advance fees, and engaging in deceptive acts and practices in connection with the marketing and sale of student loan debt relief products and services;[27] an action against a company and its owner for violating the CFPA by misrepresenting the true cost of credit for loans for airline tickets to servicemembers and their families, failing to provide certain required disclosures about the terms of credit in violation of TILA and Regulation Z, and failing to disclose the total costs of purchasing airline tickets through financing in the course of telemarketing the loans in violation of the TSR;[28] an action against a company for engaging in deceptive practices in violation of the CFPA by overcharging servicemembers and their families for a debt-cancellation product that was offered in connection with loans for airline tickets, and for violating Regulation V, which implements FCRA;[29] an action against an employment background screening company for violating FCRA;[30] an action against debt relief companies for engaging in deceptive practices and charging unlawful advance fees in connection with the marketing and sale of student loan debt relief services to consumers;[31] an action against a debt collection company and its owner for violating the CFPA, FCRA, Regulation V, and the

[24] *See* https://www.consumerfinance.gov/about-us/newsroom/cfpb-files-suit-against-fifth-third-for-allegedly-opening-unauthorized-accounts-enrolling-consumers-in-unauthorized-products/.

[25] *See* https://www.consumerfinance.gov/policy-compliance/enforcement/actions/candy-kern-fuller-howard-sutter-iii-and-upstate-law-group-llc/; https://www.consumerfinance.gov/policy-compliance/enforcement/actions/snyder-et-al/; https://www.consumerfinance.gov/about-us/newsroom/cfpb-arkansas-state-ag-settle-brokers-high-interest-credit-offers/.

[26] *See* https://www.consumerfinance.gov/about-us/newsroom/cfpb-announces-action-against-citizens-bank/.

[27] *See* https://www.consumerfinance.gov/about-us/newsroom/cfpb-settles-monster-loans-thomas-chou-sean-cowell-and-related-compan*ies/*; *see also* https://www.consumerfinance.gov/about-us/newsroom/cfpb-announces-action-against-monster-loans-lend-tech-loans-and-student-loan-debt-relief-companies/.

[28] *See* https://www.consumerfinance.gov/about-us/newsroom/bureau-settles-military-travel-lender-and-servicer/.

[29] *See* https://www.consumerfinance.gov/about-us/newsroom/bureau-settles-military-travel-lender-and-servicer/.

[30] *See* https://www.consumerfinance.gov/about-us/newsroom/bureau-settles-employment-background-screening-company/.

[31] *See* https://www.consumerfinance.gov/about-us/newsroom/bureau-announces-action-against-student-loan-debt-relief-operation/.

FDCPA;[32] an action 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;[33] an action against a debt-collection company for violating the FDCPA and CFPA;[34] an action against a remittance transfer services provider for violating the Remittance Transfer Rule under Electronic Fund Transfer Act (EFTA), and the CFPA;[35] 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;[36] an action against a company set up to hold and manage private student loans for providing substantial assistance to unfair acts and practices;[37] an action against a mortgage lender for violating HMDA and Regulation C by submitting mortgage-loan data for 2014 to 2017 that contained errors;[38] an action against a mortgage servicer for violating the CFPA, the Real Estate Settlement Procedures Act, and TILA;[39] an action against a debt collection law firm for violating the FDCPA and CFPA;[40] an action against a company for violating the 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;[41] and 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.[42]

In addition to the actions taken above, the Bureau referred four matters to the U.S. Department of Justice (DOJ) about discrimination pursuant to Section 706(g) of the ECOA. The referrals involved redlining in mortgage origination based on race and/or national origin, discrimination in mortgage origination based on receipt of public assistance income, and discrimination in auto origination based on race and national origin. 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 pursue 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.

---

[32] *See* https://www.consumerfinance.gov/about-us/newsroom/bureau-files-suit-against-fair-collections-outsourcing-and-michael-e-sobota/.

[33] *See* https://www.consumerfinance.gov/about-us/newsroom/cfpb-files-suit-andrew-lehman-michael-carrigan-proposed-settlement/.

[34] *See* https://www.consumerfinance.gov/about-us/newsroom/bureau-settles-asset-recovery-associates/.

[35] *See* https://www.consumerfinance.gov/about-us/newsroom/bureau-settles-maxitransfers-corporation/.

[36] *See* https://www.consumerfinance.gov/about-us/newsroom/cfpb-ftc-states-announce-settlement-with-equifax-over-2017-data-breach/.

[37] *See* https://www.consumerfinance.gov/about-us/newsroom/bureau-settles-student-cu-connect-cuso-over-itt-private-loan-program/.

[38] *See* https://www.consumerfinance.gov/about-us/newsroom/bureau-settles-freedom-mortgage-corporation/.

[39] *See* https://www.consumerfinance.gov/about-us/newsroom/bureau-settles-bsi-financial-services/.

[40] *See* https://www.consumerfinance.gov/about-us/newsroom/bureau-files-suit-against-forster-garbus-llp/.

[41] *See* https://www.consumerfinance.gov/about-us/newsroom/bureau-files-suit-against-lexington-law-pgx-holdings-and-related-entities/.

[42] *See* https://www.consumerfinance.gov/about-us/newsroom/bureau-settles-conduent-education-services/.

Activities and Data Supporting All of the Tools

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 achieve the best results for American consumers. That includes using research, market monitoring, stakeholder outreach, and the complaint process to inform the use of our tools. Complaints, along with other inputs, give us insight into consumer experiences in the marketplace that we analyze and use to improve our mission execution. Related to the pandemic, the Bureau has experienced record numbers of complaints that underscore this point. In March 2020, we saw a notable increase in inquiries related to trouble making mortgage payments. Those inquiries also highlighted concerns about when deferred payments would be due after the CARES Act forbearance period. The complaints, in addition to stakeholder feedback from the mortgage industry and consumer advocates among others, led the Bureau to work expeditiously with our interagency colleagues to address the lump sum payment issue and the concerns regarding consumer confusion around CARES Act forbearance options.

During the reporting period, we also continued to roll out enhancements to the complaint database announced in September 2019. Those enhancements included integration of financial information and resources into the complaint process to help address questions and better inform consumers before they submit a complaint, as well as modification of disclaimers to provide better context to the published data. Although outside of the reporting period, it is worth noting that in April 2020 and July 2020, respectively, the Bureau unveiled a geospatial and trends view. The new trends and map views build upon the existing capability to filter and search, and emphasize aggregation and analysis of information, while continuing to make all the underlying data available for closer examination. These new capabilities allow users to gain deeper insight into changes in the location, type, and volume of complaints over time, which provides valuable context into consumers' experiences in the financial marketplace.

While the Bureau publishes complaint data and reports on complaint trends annually in the Consumer Response Annual Report, here is the data for the period April 1, 2019, through March 31, 2020. The Bureau received approximately 372,700 consumer complaints.[43] This is an approximately nine percent increase from the prior reporting period.[44] Consumers submitted approximately 84 percent of these complaints through the Bureau's website and seven percent via telephone calls. Referrals from other state and federal agencies accounted for six percent of complaints. Consumers submitted the remainder of complaints by mail, email, and fax. The Bureau sent approximately 304,200 (82 percent) of complaints received to companies for review

[43] 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 and does not publish complaints in the Consumer Complaint Database until the company responds, confirming a commercial relationship with the consumer, or after it has had the complaint for 15 days, whichever comes first. For more information on our complaint process refer to the Bureau's website at https://www.consumerfinance.gov/complaint/process.

[44] The prior reporting period, October 1, 2018, to September 30, 2019, reported 342,500 consumer complaints. See Consumer Fin. Prot. Bureau, Semi-Annual Report Fall 2019 (Feb. 2020.), available at https://files.consumerfinance.gov/f/documents/cfpb_semi-annual-report-to-congress_fall-2019.pdf.

and response.[45] Companies responded to approximately 95 percent of complaints that the Bureau sent to them for response during the period. The remaining complaints were either pending response from the company at the end of the period or did not receive a response. Company responses typically include descriptions of steps taken or that will be taken in response to the consumer's complaint, communications received from the consumer, any follow-up actions or planned follow-up actions, and a categorization of the response. Companies' responses describe a range of relief. Examples of relief include correcting inaccurate data provided or reported in consumers' credit reports; stopping harassing calls from debt collectors; correcting account information; issuing corrected documents; restoring account access; and, addressing formerly unmet customer service issues. Ninety-nine percent of complaints sent to companies received timely responses.

Legislative Reforms

Earlier this year, the Bureau requested that Congress advance proposed legislation[46] that would authorize the Bureau to award whistleblowers who report violations of Federal consumer financial law.[47] The proposal would amend Title X of the Dodd-Frank Act and provide authority to establish a whistleblower award program. The incentive created for employees to report wrongdoing to the Bureau will assist in advancing enforcement cases, especially as it relates to fair lending violations. Under the proposed legislation, in cases where a whistleblower provides voluntary information that leads to a successful enforcement action, the Bureau will be able to pay an award based on a percentage of the monetary sanctions collected in the action. The legislative proposal was part of a suite of initiatives to advance one of my key priorities: prevention of consumer harm.

In addition, in 2019, 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 continue to stand ready to work with members of this Committee to provide the Bureau with this authority to assist in our work 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 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. As reflected in my opening message in the Report, I want to close my

---

[45] The Bureau referred 13 percent of the complaints it received to other regulatory agencies and found five percent to be incomplete. At the end of this period, 0.4 percent of complaints were pending with the consumer and 0.4 percent were pending with the Bureau. Percentages in this section of the report may not sum to 100 percent due to rounding.

[46] *See* https://www.consumerfinance.gov/documents/8627/cfpb_whistleblower-proposed-statutory-text_2020-03.pdf.

[47] *See* https://www.consumerfinance.gov/about-us/newsroom/cfpb-takes-key-steps-prevent-consumer-harm-proposes-whistleblower-award-program/.

testimony today by commending the work of all Bureau employees. During this global health emergency, our team truly rose to the occasion as they grappled with challenges in their own lives, protecting their health and the health of their loved ones, and working from home. In the midst of COVID-19, the Bureau staff continue to be focused on protecting consumers in the financial marketplace. That effort entails ensuring consumers have information on their rights, protections, and options as well as ensuring financial institutions are in compliance with Federal consumer financial law. We will continue to monitor the evolving landscape across all the markets we regulate. 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.