PREPARED STATEMENT OF
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BEFORE THE
COMMITTEE ON FINANCIAL SERVICES
UNITED STATES HOUSE OF REPRESENTATIVES

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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 McHenry, Ranking Member Waters, and Members of the Committee, thank you for inviting me to this hearing to present the Consumer Financial Protection Bureau's (CFPB) submission of its Semiannual Report to Congress.

Since the creation of the CFPB, the agency has returned $20.7 billion to consumers through law enforcement activity and created unquantifiable returns for the over 205 million Americans harmed by the illegal practices that we have stopped. We are currently on track to save customers $20 billion in junk fees every year. The CFPB created a consumer complaint function that is on track to process over 2 million consumer complaints about banks or financial companies this year. And since I last reported to you, our victims relief fund returned our billionth dollar to consumers harmed by frauds and scams.

But our work is far from over. Since my last report to Congress six months ago, we have advanced several key initiatives on financial data, medical debt, and credit cards.

First, we are making major progress when it comes to financial privacy in an increasingly digital marketplace. I hope we can all agree that the United States must lead when it comes to a competitive and innovative market for consumer financial services. At the same time, this cannot be at the expense of unchecked surveillance and intrusion of privacy, as we have seen in China and other markets.

The CFPB has continued to make progress towards finalizing open banking rules to develop data sharing standards and privacy protections when customers transfer their financial transaction data to third parties. We finalized the first part of the open banking framework last week – governing standard setting bodies – which will set the stage for finalizing the rest of the rule this fall.

We are also moving forward to propose a rule under the Fair Credit Reporting Act to restrict uses of certain sensitive data by data brokers. Around the world, digital data brokers have proliferated. Right now, data brokers compile dossiers on Americans that can be easily purchased by scammers and stalkers, as well as by state and non-state actors in countries of concern. This proposal is part of the broader government effort to protect our national security and servicemembers from countries of concern that might seek to purchase and exploit sensitive data on Americans.

While the CFPB is taking important steps on protecting financial data, it is critical that Congress must act too. Since my last appearance, there have been reports that large financial firms like PayPal and JPMorgan Chase are planning to use sensitive data about people's income and spending to fuel surveillance-based targeting. These plans to monetize sensitive financial transaction data are a reminder that the United States is slowly lurching toward more financial surveillance and even financial censorship.

For decades this Committee has played a critical role when it comes to protecting financial data, while also promoting competition and new offerings. The CFPB is actively monitoring developments in the market, and we are eager to work with all of you to put into place stronger protections against abuse and misuse of data. We also believe there are opportunities to advance legislation to accelerate open and decentralized banking in our country.

Second, we recently announced a proposal to prohibit the inclusion of medical bills in credit scores and credit reports. This rule will prevent debt collectors from using the credit reporting system to coerce patients to pay inflated or erroneous bills. In addition, our research showed medical bills on credit reports make loan underwriting less accurate. The probative value of medical bills is so low that it is causing lenders to deny safe and profitable loan applications with low credit risk, including as many as 22,000 mortgage applications every year.

We are also looking more broadly at emerging medical financial products, including ones offered in health care facilities. We welcome further discussions with all of you on how to address potential harms before they become widespread.

Lastly, I would like to highlight our work in the credit card market. In March we narrowed an exemption from Congress's prohibition on unreasonable and disproportionate credit card penalties. We revisited a regulatory exemption for fees up to $41. Since the exemption was originally created, we have obtained access to better cost and fee volume data. We looked at that data and found the exemption was about five times too high, so we lowered it to $8 for the largest card issuers. Credit card companies will still be able to penalize customers, and they will be able to charge a fee exceeding $8 if they can show that it's reasonable. We estimate that American families will save more than $10 billion in late fees annually once that rule goes into effect.

More broadly, we all need to pay close attention to this market. For the first time ever, last year credit card balances exceeded $1 trillion. And in the last two years we have seen delinquencies rising to levels we have not seen in years—over 10 percent of credit card balances are now more than ninety days delinquent.

The CFPB recently looked at credit card pricing over time and discovered that the banks are charging 400 basis points more in interest spread than they did 10 years ago. The difference is $25 billion to American families every year.

We have also found that most of this excess is coming from large banks. For all credit tiers, large banks are charging 800 basis points more than smaller banks and credit unions.

Late fees are also higher now than they have been since passage of the CARD Act. Late fees reached $4 billion per quarter at the end of 2022, nearly doubling since 2015.

And we've seen major issues in credit card rewards programs as well, which often drive credit card spending. Our complaint database is full of stories of disappearing points, points that can't be redeemed, or rewards that are retroactively devalued. Last month we held a joint hearing with the Department of Transportation, where we heard first-hand from people who have experienced bait-and-switch tactics, or who simply can't navigate the labyrinthine obstacles card companies create to make it hard to redeem points.

Since credit cards are the most common lending product in our country with over 750 million cards in circulation, it's critical that we have a market where small financial institutions can compete to offer consumers the best possible rates and fees.

These are just some of the many initiatives the CFPB is pursuing to ensure that our financial system is helping American families and businesses get ahead. Thank you for the opportunity to appear before you. I look forward to taking your questions.