BETTER MARKETS

– FACT SHEET –

The CFPB Task Force on Consumer Protection Must Help Protect Consumers, Not the Financial Services Industry

What's Happening

- In October of 2019, the Consumer Financial Protection Bureau (CFPB or Bureau) established the Taskforce on Federal Consumer Financial Protection Law (Taskforce) and charged it with "developing recommendations on harmonizing, modernizing, and updating the Federal consumer financial laws."
- On April 1, 2020, the Bureau issued a Request for Information (RFI) seeking input from the public on a range of topics, including "areas of consumer protection on which [the Taskforce] should focus its research and analysis."
- On June 1, 2020, Better Markets submitted an extensive comment letter to the Bureau raising serious concerns about the recent direction of the CFPB, the mission of the Taskforce, and its members. The facts suggest that the Taskforce is likely to issue anti-regulatory and pro-industry recommendations instead of measures that will more effectively protect consumers from the fraud and abuse that remains abundant in the financial marketplace. We laid out the steps that the Taskforce must take to ensure its actions advance the cause of investor protection and not the industry's agenda.

Why it Matters

- Most Americans rely heavily on a variety of financial products to meet their basic needs, including credit cards, auto loans, mortgage loans, and sometimes even payday loans. Because these financial products and services create huge opportunities for fraud and abuse, consumers need regulatory protections against predators in each of those markets. In the Dodd-Frank Act, Congress created the CFPB to provide those protections, and for the first five years of its existence under the Obama Administration, the agency was a true champion of consumer protection.
- However, under the current Administration, the CFPB has turned its back on consumers and catered to the financial services industry. It has watered down its rules, gutted its enforcement program, and even scaled back its budget.
- Now the Bureau has set up a Taskforce, ostensibly designed to help strengthen consumer protections in the financial industry. It would seem, however, that the Taskforce is really intended to provide cover for the Bureau's continuing effort to pull back from strong oversight of the financial services industry. If the Taskforce does so, and if the Bureau doesn't reverse course, then consumers will suffer from more and more predatory conduct when they seek out the financial products and services they need, resulting in greater financial losses and hardships.

What We Argued in Our Comment Letter

- We highlighted the dramatic changes in the Bureau over the last three years as it abruptly pivoted from an effective consumer advocate to more of an industry advocate.

- In its first five years, the Bureau 1) wrote strong rules to protect consumers from abusive practices in the areas of payday loans, mortgages, auto loans, mandatory arbitration, and others; 2) brought more than 200 enforcement actions that generated nearly $12 billion in monetary relief for consumers; and 3) set up a consumer complaint database that has helped over 1 million consumers address their disputes with financial firms.
- Under the current Administration, the Bureau has 1) sought to roll back some of its most important rules, such as the underwriting requirements in the payday lending rule; 2) brought enforcement nearly to a standstill, bringing few cases and seeking much lower monetary sanctions; 3) cut its own budget; 4) dismantled some of its specialized units; and 5) even sided with a firm under investigation that is defending itself from a subpoena by arguing before the Supreme Court that the Bureau's single-director structure is unconstitutional.

- We challenged the stated mission of the Taskforce and the credentials of its members.
  - Its charter includes a reference to "strengthening" consumer laws, but its primary focus appears to be on other priorities, including reducing regulatory burdens on the industry, modernizing or harmonizing laws and rules, and pursuing half-measures such as consumer education. While these may sound impressive, they don't adequately protect consumers from fraud and abuse.
  - The Bureau selected a chair who is notoriously and passionately anti-regulation and even anti-CFPB. The other members of the Taskforce have left public service to represent and defend the financial services industry, including payday lenders.
- Finally, we urged the Taskforce to prove that our pessimistic assessment is groundless by taking the following steps:
  - Expand the membership to include genuinely pro-consumer and pro-regulatory advocates;
  - Operate with full transparency;
  - Embrace the view that the best way to advance the cause of consumer protection is to 1) immediately halt the pattern of deregulation that has dominated the CFPB under the current Administration; 2) return to the core pillars of effective consumer protection, including strong rules, diligent oversight, and aggressive enforcement; and 3) address ongoing abuses that are already well-known.
  - Finally, we urged the Taskforce to reject a series of unfounded and fundamentally deregulatory mantras typically advanced by industry to justify weak oversight—some of which are reflected in the RFI: 1) that a top priority must be to harmonize or streamline laws or rules even while other more important consumer protection initiatives are neglected; 2) that consumer "choice" must be preserved, no matter how toxic or harmful the available options may be; 3) that the industry must be protected from strong regulation for fear that it will suffer crushing regulatory burdens, even though such sky-is-falling claims have proven baseless for a 100 years; 4) that additional disclosure obligations can take the place of strong regulatory requirements and prohibitions, even though experts have shown that disclosure alone cannot protect consumers from dishonest and abusive behavior in the financial services market; and 5) that quantitative cost-benefit analysis must be applied in the rulemaking process, notwithstanding Congress's decision to avoid imposing this unreliable, burdensome, and biased methodology on most regulators, including the CFPB.

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Better Markets is a public interest 501(c)(3) non-profit based in Washington, DC that advocates for greater transparency, accountability, and oversight in the domestic and global capital and commodity markets, to protect the American Dream of homes, jobs, savings, education, a secure retirement, and a rising standard of living. Better Markets fights for the economic security, opportunity and prosperity of the American people by working to enact financial reform, to prevent another financial crash and the diversion of trillions of taxpayer dollars to bailing out the financial system.