

MARCH 31, 2012

# Consumer Response Annual Report

July 21 - December 31, 2011



Consumer Financial  
Protection Bureau

# Message from Richard Cordray

**DIRECTOR OF THE CFPB**



On July 21, 2011, the Consumer Financial Protection Bureau (“CFPB” or “Bureau”) began consumer response operations as the country’s first federal agency specifically mandated to protect American consumers in the financial marketplace. This Consumer Response Report to Congress describes how the Bureau is doing just that.

The CFPB’s Consumer Response team started accepting credit card complaints from consumers last year. In December 2011, the Bureau began accepting consumer complaints on mortgages. This year, we have expanded to accept complaints about other bank products and services, private student loans, and a variety of consumer loans. We expect to handle consumer complaints about all products and services within our authority by the end of 2012. Extensive cooperation from our fellow agencies helped ensure that there were no gaps in complaint handling during the rollout of the Bureau’s complaint handling capacity.

We provide these services to consumers in 187 languages, and our contact centers answer calls with little-to-no wait time. We are making every effort to be accessible to the American public – from our website’s “Tell Your Story” feature, to our toll-free phone number, to our trips across the country to hear from consumers and industry representatives. The input we have received has been exceedingly informative and helped ensure we fulfill our mandate.

This report not only provides an accounting of our consumer response efforts, but also shows that we have been successful in helping consumers resolve disputes with financial services companies. We will continue to meet this challenge and to fulfill Congress’s vision that we stand on the side of consumers to help improve their financial lives.

Sincerely,

A handwritten signature in blue ink that reads "Richard Cordray". The signature is written in a cursive, flowing style.

Richard Cordray

# Introduction

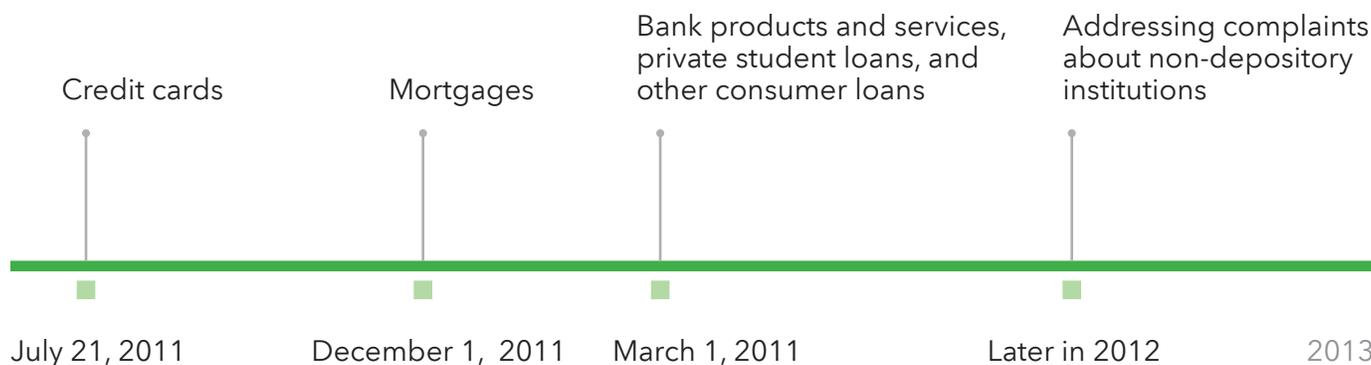
The Consumer Financial Protection Bureau (“CFPB” or “Bureau”) began consumer response operations on July 21, 2011 and became the first federal agency solely focused on consumer financial protection. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“Dodd-Frank Act”) created the Bureau to protect consumers of financial products or services and to encourage the fair and competitive operation of consumer financial markets. Taking in, resolving, and analyzing consumer complaints<sup>1</sup> is an integral part of the CFPB’s work, as Congress set forth in the Dodd-Frank Act.<sup>2</sup> The Bureau’s Consumer Response team hears directly from consumers about the challenges they face in the marketplace, brings their concerns to the attention of financial institutions, and assists in addressing their complaints.

The Consumer Response team began taking consumer complaints about credit cards on July 21, 2011; it began handling mortgage complaints on December 1, 2011; and it began accepting complaints about bank products and services, private student loans, and other consumer loans on March 1, 2012.

The CFPB’s phased-in approach to taking complaints has allowed Consumer Response to develop strong foundations over time. Based on feedback from consumers and companies, as well as its own observations, the Consumer Response team identifies new opportunities to improve its processes and implement changes with each product launch. By applying the lessons learned through previous complaint function rollouts, the Consumer Response team has improved its intake process, enhanced communication with companies, and ensured the system’s ease-of-use and effectiveness for consumers. The CFPB aims to provide services that are trusted by consumers and companies alike and, by the end of 2012, expects to handle consumer complaints on all products and services under its authority.

<sup>1</sup> Consumer complaints are submissions that express dissatisfaction with, or communicate suspicion of wrongful conduct by, an identifiable entity related to a consumer’s personal experience with a financial product or service.

<sup>2</sup> Dodd-Frank Act, Public Law 111-203, Section 1021(c)(2).



Consumers may contact the CFPB about products and services beyond those listed above. The Bureau answers these inquiries and refers consumers to other regulators or additional resources where appropriate.

The CFPB also created a “Tell Your Story” feature on its website that gives consumers the opportunity to share their experiences – positive or negative – with consumer financial products and services. These submissions, like formal complaints, are reviewed by CFPB staff to help the Bureau understand current issues in the financial marketplace.

In keeping with the CFPB’s statutory responsibility and its commitment to accountability, this report provides an overview of how Consumer Response handles complaints and presents an analysis of complaints received over the period from July 21 through December 31, 2011.<sup>3</sup>

<sup>3</sup> This report addresses the reporting requirement of Dodd-Frank, Public Law 111-203, Section 1013(b)(3)(c). Future reports will cover a preceding calendar year.

# How The CFPB Handles Complaints

The CFPB accepts complaints through its website and by telephone, mail, email, fax, and referral from other agencies. The CFPB's U.S.-based contact centers handle calls with little-to-no wait times, providing services to consumers in 187 languages and for hearing- and speech-impaired consumers via a toll-free telephone number. Cutting-edge technology, including secure company and consumer portals, makes the process efficient and user-friendly for consumers and companies. For companies, the CFPB provides secure channels for communicating directly with dedicated staff about technical issues.

Consumer Response screens all complaints submitted by consumers based on several criteria. These criteria include whether the complaint falls within the CFPB's primary enforcement authority, whether the complaint is complete, or whether it is a duplicate of a prior submission by the same consumer. Screened complaints are sent via a secure web portal to the appropriate company.<sup>4</sup> The company reviews the information, communicates with the consumer as needed, and determines what action to take in response. The company reports back to the consumer and the CFPB via the secure "company portal." The Bureau then invites the consumer to review the response. Consumer Response prioritizes for review and investigation complaints in which the consumer disputes the response or where companies fail to provide a timely response.<sup>5</sup> Consumers can log onto the secure "consumer portal" available on the CFPB's website or call the toll-free number to receive status updates, provide additional information, and review responses provided to the consumer by the company.

<sup>4</sup> If a particular complaint does not involve a product or market that is within the Bureau's jurisdiction or one currently being handled by the Bureau, Consumer Response refers it to the appropriate regulator.

<sup>5</sup> The CFPB initially requested that companies respond to complaints within 10 calendar days, but increased the requested response time to 15 calendar days when Consumer Response began handling mortgage complaints on December 1, 2011.



Throughout this process, Consumer Response is supported by CFPB colleagues who provide subject matter expertise and help monitor complaints involving certain groups.

# Results

## HOW COMPLAINTS REACH THE CFPB

Between July 21 and December 31, 2011, the CFPB received 13,210 consumer complaints, including 9,307 credit card complaints and 2,326 mortgage complaints.<sup>6,7</sup>

Forty-four percent of all complaints were submitted through the CFPB's website and 14.7 percent via telephone calls. Referrals from other regulators accounted for 34.9 percent of all complaints received. The rest were submitted by mail, email, and fax.

The tables presented below show complaints by type, actions taken, company response, and consumer review of company responses.<sup>8</sup>

## CONSUMERS' CREDIT CARD COMPLAINTS

Table 1 shows the most common types of credit card complaints that the CFPB has received as reported by consumers. Over 69 percent of all credit card complaints fell into these 10 categories.

Table 1: Most Common Credit Card Complaints Reported by Consumers

	#	%
Billing disputes	1,278	13.7%
Identity theft / Fraud / Embezzlement	1,014	10.9%
APR or interest rate	950	10.2%
Other	854	9.2%
Closing / Cancelling account	478	5.1%
Credit reporting	437	4.7%
Credit card payment / Debt protection	383	4.1%
Collection practices	378	4.1%
Late fee	364	3.9%
Other fee	334	3.6%
<b>CREDIT CARD COMPLAINTS IN TOP 10 TYPES</b>	<b>6,470</b>	<b>69.5%</b>

<sup>6</sup> This analysis excludes multiple complaints submitted by a given consumer on the same issue and whistleblower tips.

<sup>7</sup> All data are current as of December 31, 2011.

<sup>8</sup> Percentages in tables may not sum to 100 percent due to rounding.

The CFPB has generally relied on the consumer’s characterization of his or her complaint to identify the nature of it for analytical purposes, and the consumers are generally correct. However, the CFPB’s experience to date suggests that consumers have different interpretations of what these categories mean. For example, one consumer might choose billing dispute to categorize a problem that another would describe as a concern with a provider’s setting or changing of an interest rate. To improve the reliability of these data, the Bureau will clarify the consumer’s options to promote more consistent categorization of complaints.

## CONSUMERS’ MORTGAGE COMPLAINTS

Table 2 shows the types of mortgage complaints that the CFPB has received as reported by consumers.

Table 2: Types of Mortgage Complaints Reported by Consumers

	#	%
Applying for the loan (Application, originator, mortgage broker)	235	10.1%
Receiving a credit offer (Credit decision/Underwriting)	65	2.8%
Signing the agreement (Settlement process and costs)	96	4.1%
Making payments (Loan servicing, payments, escrow accounts)	501	21.5%
Problems when you are unable to pay (Loan modification, collection, foreclosure)	889	38.2%
<b>TOTAL MORTGAGE COMPLAINTS</b>	<b>2,326</b>	<b>100.0%</b>

Nearly 60 percent of consumers filed complaints about making payments or problems when they are unable to pay. Consumers that have filed these complaints generally appear to be driven by a desire to seek agreement with their companies on foreclosure alternatives. As with credit card complaints, consumers appear to interpret these categories differently.

## HOW COMPANIES RESPOND TO CONSUMER COMPLAINTS

Approximately 9,885 (or 75 percent) of all complaints received between July 21 and December 31, 2011, were sent by Consumer Response to companies for review and response.<sup>9</sup> Table 3 shows how companies responded to these complaints during this time period.

Responses include a description of any steps taken or that will be taken in response to the complaint, communications received from the consumer as a result of any steps taken, any follow-up actions or planned follow-up actions in further response to the complaint, and categorization of the response. Beginning December 1, 2011, response category options included “closed with relief,” “closed without relief,” “in progress,” and other administrative options. Relief is defined as objective, measurable, and verifiable monetary value to the consumer as a direct result of the steps taken or that will be taken in response to the complaint. Where a company responds “closed with relief,” additional space is provided to describe that relief and to assign an estimated dollar amount.<sup>10</sup> “Closed without relief” indicates that the steps taken by the company in response to the complaint did not result in monetary value to the consumer that is objective, measurable, and verifiable, but may have addressed some or all of the consumer’s complaint involving non-monetary requests. Consumers are given the option to review and dispute company responses with and without relief.

Companies responded to 88.1 percent of the complaints sent to them. Companies report closing over 55 percent of complaints with relief and approximately 31 percent without relief.

<sup>9</sup> The remaining complaints have been referred to other regulatory agencies (10.9 percent), found to be incomplete (5.4 percent), or are pending with the consumer or the CFPB (4.7 percent and 4.2 percent, respectively).

<sup>10</sup> The CFPB initially asked companies to categorize their response as “full resolution provided,” “partial resolution provided,” “no resolution provided,” or another administrative option. While companies’ responses under the initial categorizations were maintained, for operational and reporting purposes responses categorized as “full resolution provided,” or “partial resolution provided” are considered a subset of “closed with relief” and responses categorized as “no resolution provided” are considered a subset of “closed without relief.”

Table 3: How Companies Have Responded to Consumer Complaints

	All		Credit Card		Mortgage	
	#	%	#	%	#	%
Company reported closed with relief	5,476	55.4%	4,785	64.1%	306	18.6%
Company reported closed without relief	3,028	30.6%	2,069	27.7%	768	46.7%
Company provided administrative response	203	2.1%	112	1.5%	71	4.3%
Company reviewing	1,178	11.9%	497	6.7%	498	30.3%
<b>TOTAL COMPLAINTS SENT TO COMPANY</b>	<b>9,885</b>	<b>100.0%</b>	<b>7,463</b>	<b>100.0%</b>	<b>1,643</b>	<b>100.0%</b>

Beginning December 1, 2011, companies had the option to report an amount of relief with a response of “closed with relief.” By December 31, 2011, companies had reported relief amounts in response to more than 500 complaints. The CFPB is reviewing reported relief amounts to ensure reporting is consistent with the CFPB’s definition of relief.

## CONSUMERS’ REVIEWS OF COMPANIES’ RESPONSES

Once the company responds, the CFPB provides this response to the consumer for review. Where the company responds “closed with relief” or “closed without relief,” consumers are given the option to dispute the response.<sup>11</sup> Complaints with disputed company responses are among those prioritized for investigation. Table 4 shows how consumers responded to the 7,349 complaints where they were given the option to dispute that companies report as closed or where full or partial resolution was reported. Consumers are asked to notify the CFPB within 30 days if they want to dispute a company’s response. Nearly 40 percent of such consumers did not dispute the responses provided. Approximately 13 percent of consumers have disputed the responses provided. The rest were pending with consumers at the end of this period.

<sup>11</sup> Initially consumers were given the option to dispute responses from companies that indicated a resolution had been provided. With the shift to closure categories, consumers are given the option to dispute both responses with and without relief.

Table 4: Consumer Review of Company Responses

	All		Credit Card		Mortgage	
	#	%	#	%	#	%
Pending consumer review of company’s reported resolution	3,488	47.5%	2,400	41.3%	809	77.4%
Consumer did not dispute company’s reported resolution	2,910	39.6%	2,681	46.1%	76	7.3%
Consumer disputed company’s reported resolution	951	12.9%	734	12.6%	160	15.3%
<b>TOTAL COMPLAINTS FOR CONSUMER REVIEW</b>	<b>7,349</b>	<b>100.0%</b>	<b>5,815</b>	<b>100.0%</b>	<b>1,045</b>	<b>100.0%</b>

## CONSUMER RESPONSE INVESTIGATIONS

After requesting that companies respond to all complaints filed and giving consumers the opportunity to review and dispute company responses, Consumer Response primarily focuses its review and investigation efforts on those complaints where the consumer disputed the response or where the company failed to provide a timely response. Consumer Response also periodically investigates groups of complaints to survey product- and issue-specific trends. Consumer Response investigations seek to determine why a company failed to provide a timely response (if applicable) and whether the consumer's dispute of the company's response (if applicable) justifies additional review with regard to the company's minimum required actions under the consumer financial protection laws within the CFPB's authority. In the course of an investigation, Consumer Response may ask companies and consumers for additional information. When a Consumer Response investigation is completed, Consumer Response sends the consumer a summary. In some cases, Consumer Response has referred complaints to colleagues in the CFPB's Division of Supervision, Enforcement, and Fair Lending and Equal Opportunity for further action.

Listening and responding to consumers is an integral part of the CFPB's work to understand issues in the financial marketplace. As Consumer Response processes complaints, it also continues to identify new ways to improve its processes to make them as efficient, effective, and easy-to-use as possible. The Bureau uses consumer complaints to inform its work in making prices and risks clearer, protecting consumers of financial products and services, and encouraging financial markets to operate fairly and competitively.