Consumer Financial Protection Bureau
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FACTSHEET

Consumer Financial Protection Bureau: Establishing strong consumer protections

The Consumer Financial Protection Bureau (CFPB) was created in the wake of the financial meltdown to stand up for consumers and make sure they are treated fairly in the consumer financial marketplace. Establishing strong consumer protections is core to the Bureau carrying out its mission.

Since opening its doors in July 2011, the Bureau has put in place new, common-sense mortgage rules to protect consumers against the problems that led to and prolonged the housing crisis. The CFPB has also crafted new protections for money transfers and credit cards, and new rules to supervise larger nonbank entities such as debt collectors, credit reporting agencies, student loan servicers, international money transfer providers, and auto finance companies for the first time at the federal level.

The CFPB is focused now on rules that root out deception, debt traps, and dead ends across consumer financial products and services, including payday lending and debt collection. The Bureau has also proposed a rule regarding mandatory arbitration agreements in consumer financial contracts. The goal is a marketplace where the costs and risks are clear and no consumer is harmed by unfair, deceptive, or abusive acts or practices.

New consumer protections

Back-to-basics Mortgage Rules

The mortgage market is the largest consumer financial market by dollar volume, worth about $10 trillion. Risky mortgage lending contributed to the crash of the American economy, and shoddy mortgage servicing practices compounded the misery by pushing many consumers into foreclosure when there were available alternatives. The CFPB addressed these problems by putting in place a set of mortgage rules to protect consumers at every stage of the process – from shopping for a loan, to closing on a mortgage, to paying it back. These rules represent a back-to-basics approach to the mortgage market.

- *Know Before You Owe* Mortgage Disclosures**:** The Bureau issued rules that require easier-to-use mortgage disclosure documents that consumers receive when they are applying for and closing on a mortgage. The new Loan Estimate is a single, plain language disclosure that consumers receive no more than three business days after they apply for a mortgage. Consumers can use this new form to compare the costs and features of different loans. The new Closing Disclosure is provided to consumers at least three business days before closing on a loan so they have time to review their loan terms and costs and avoid surprises at the closing table.

- Protections against Mortgage Debt Traps: The Bureau's Ability-to-Repay rule protects consumers from getting trapped in mortgages they cannot afford by requiring lenders to make a good faith, reasonable determination that prospective buyers have the ability to repay their loans. The rule also protects borrowers from risky lending practices such as "no doc" loans and underwriting on the basis of low initial "teaser" rates that may have contributed to some homeowners ending up in delinquency and foreclosure.

- Protections against Mortgage Servicing Surprises and Runarounds**:** The Bureau's mortgage servicing rules establish strong protections for homeowners by ensuring that borrowers in trouble get a fair process to avoid foreclosure when possible. The rules also protect mortgage borrowers from costly surprises by requiring servicers to provide borrowers with clear and timely information about mortgage payments. The rules require policies for fixing errors, keeping track of documents, and processing payments.

- Protections against Selling Consumers CostlierMortgages: The Bureau's loan originator rules are designed to prevent mortgage loan originators from profiting by selling borrowers more costly and sometimes riskier loans. The rules ban certain incentives that encouraged loan originators to sell more expensive loans to consumers in the run-up to the financial crisis. The Bureau's rule also requires loan originators to meet standards to ensure that consumers are served by ethical and knowledgeable loan originators.

- Improved Information about Access to Credit in the Mortgage Market: As part of the Home Mortgage Disclosure Act, many mortgage lenders are required to disclose information about their home mortgage lending activity. The CFPB issued a rule to improve information reported about the residential mortgage market, which will help better understand borrowers' access to credit. Additional mortgage information will help federal and state regulators, lenders, consumer groups, and researchers better monitor the market and help spot troublesome trends.

- Protections from High-Cost Mortgages: The Bureau's rule for high-cost mortgages strengthens consumer protections by banning certain risky features and requiring that consumers receive housing counseling before taking out such loans. For all other loans, the Bureau's rules require that mortgage applicants receive information about homeownership counseling so consumers know where to get help when deciding what loan is best for them.

- New Timeframe for Escrow Accounts**:** The Bureau's rule for escrow accounts generally extends the amount of time required for escrow accounts for higher-priced mortgage loans from one to five years. An escrow account helps consumers better manage the true cost of owning a home with insurance and tax costs collected with each mortgage payment.

- Improved Access to Appraisal Reports**:** The Bureau's rule for appraisals generally requires that mortgage lenders provide applicants with free copies of all appraisals and other home-value estimates prior to closing so that consumers know how the property's value was determined. The CFPB also issued a joint rule with five other financial regulatory agencies that established new appraisal requirements and consumer disclosures for certain "higher-priced mortgage loans."

Protections for Consumers Sending Money Abroad

Consumers transfer tens of billions of dollars from the United States to family members, friends, and businesses in foreign countries each year. These international money transfers were generally not covered by federal consumer protections prior to the creation of the CFPB. The CFPB's rule, which took effect in October 2013, generally requires remittance providers to disclose the exchange rate and fees associated with a transfer so that consumers know how much money will be received on the other end. The rule also requires generally transfer providers to allow consumers to cancel a transfer – usually within 30 minutes – and holds them accountable for fixing certain errors.

Credit Card Access for Stay-at-Home Spouses and Partners

In October 2013, the CFPB's rule went into effect making it easier for spouses and partners who don't work outside of the home to qualify for credit cards. The rule allows those who are 21 or older to rely on accessible income of their spouse or partner for credit card applications or credit limit increases. Previously card issuers could generally only consider an individual applicant's independent income or assets. Census data indicates that over 16 million married people do not work outside the home. That equates to approximately one out of every three married couples who now may have easier access to credit cards as a result of the Bureau's rule.

First-Ever Federal Nonbank Supervision

The CFPB supervises certain businesses that offer financial products and services – meaning the Bureau can examine these companies for legal violations and monitor for risks to consumers. The Bureau supervises depository institutions and credit unions with total assets of more than $10 billion, and their affiliates. The Bureau also has authority to supervise all nonbanks in certain markets, regardless of size, including mortgage companies, payday lenders, and private student loan companies. Additionally, the CFPB can supervise the larger participants of other nonbank markets that the Bureau defines by rule.

- Debt Collectors**:** In January 2013, the CFPB became the first federal agency to supervise nonbank debt collectors. This authority extends to about 175 debt collectors, which account for over 60 percent of the industry's annual receipts. The CFPB also supervises large banks and certain nonbank lenders as they collect their own debts.

- Consumer Reporting Companies**:** In September 2012, the CFPB became the first federal agency to supervise consumer reporting companies. This authority extends to about 30 consumer reporting agencies, which account for over 90 percent of the consumer reporting market. The CFPB also supervises large banks and certain nonbank institutions that supply information to credit reporting agencies.

- Nonbank Student Loan Servicers**:** In March 2014, the CFPB became the first federal agency to supervise certain nonbank student loan servicers. This authority has brought new oversight to the nation's second largest consumer debt market – student loans – which have seen a rise in borrower delinquency in recent years. More than 40 million Americans with student debt depend on student loan servicers to serve as their primary point of contact about their loans. The Bureau also supervises student loan servicing at large banks.

- International Money Transfer Providers**:** In December 2014, the Bureau became the first federal agency with the authority to supervise certain nonbank international money transfer providers. This authority brings new oversight to larger nonbank international money transfer providers and will help the Bureau to ensure that providers are adhering to the CFPB's protections for consumers sending money abroad.

- Nonbank Auto Lenders**:** In June 2015, the CFPB became the first federal agency to supervise larger nonbank auto lenders to provide more complete oversight over the auto lending and leasing marketplace.

On the horizon

Proposed Rules to Ban Arbitration Clauses that Block Group Lawsuits

Many consumer financial products like credit cards and bank accounts have mandatory arbitration clauses that generally prevent groups of consumers from joining together to sue their bank or financial company for wrongdoing. These widely used clauses leave consumers who believe their rights have been violated with no choice but to seek relief on their own – usually over small amounts. With this clause, companies can sidestep the legal system, avoid accountability, and continue to pursue profitable practices that may violate the law and harm numerous consumers. In May 2016, the CFPB proposed a rule that would prohibit mandatory arbitration clauses that deny groups of consumers their day in court. The proposal would also require that companies that choose to use arbitration clauses for individual disputes submit to the CFPB the arbitration claims filed and awards issued. The Bureau is receiving public comments on the proposed rule.

Proposed Rules to End Payday Loan Debt Traps

Millions of American households borrow money with payday loans, vehicle title loans, and certain other forms of installment credit involving access to the consumers' bank or prepaid accounts. The Bureau has serious concerns that risky lender practices in these markets are pushing borrowers into debt traps. Chief among these concerns is that consumers are too often being set up to fail with loan payments that they are unable to afford. In June 2016, the CFPB proposed rules aimed at ending payday debt traps by requiring lenders to take steps to make sure consumers can repay their loans. The proposal would also restrict lenders from attempting to collect payment from consumers' accounts in ways that tend to rack up excessive fees. The Bureau is receiving public comments on the proposed rules.

Proposed Rules to Bring Strong Federal Protections to Prepaid Products

Prepaid products are consumer accounts typically loaded with funds by a consumer or by a third party, such as an employer. Consumers can use these products to make payments, store funds, get cash at ATMs, receive direct deposits, and send funds to other consumers. In November 2014, the CFPB proposed strong, new federal consumer protections for the prepaid market. The Bureau's proposal would require prepaid companies to limit consumers' losses when funds are stolen or cards are lost, investigate and resolve errors, provide easy and free access to account information, and adhere to credit card protections if a credit product is offered in connection with a prepaid account. The Bureau also proposed new *Know Before You Owe* prepaid disclosures that would provide consumers with clear information about the costs and risks of prepaid products upfront. The Bureau expects to finalize these rules in 2016.

Developing Proposed Rules to Protect Consumers in the Debt Collection Market

More than one-in-four adults in the U.S. has a debt in collection. This market is also one of the single biggest sources of complaints to the federal government about consumer financial products or services. In November 2013, the CFPB took the first step toward considering consumer protections for the debt collection market. The Bureau is now in the process of developing proposed rules to increase consumer protections in this marketplace. Issues under consideration include the accuracy of information used by debt collectors, how to ensure consumers know their rights, and the communication tactics collectors use.

Weighing New Consumer Protections for Checking Account Overdraft Practices

An overdraft occurs when a consumer spends or withdraws more money than is available in his or her checking account and the financial institution advances funds on the consumer's behalf. Banks and credit unions generally charge an overdraft fee for each transaction that they choose to cover. For one-time debit card purchases and ATM withdrawals, federal regulations prohibit a financial institution from charging an overdraft fee unless the consumer has agreed – opted in – to such fees. The CFPB launched a public inquiry in 2012 on how checking account overdraft practices impact consumers, focusing on areas such as overdraft frequency, fees, and transparency to consumers. In 2013, the CFPB issued a report that found that overdraft is a costly service. It also raised concerns that bank policies, procedures and practices governing overdraft are complex could be potentially challenging for consumers. Building on this work, in 2014 the CFPB issued a report finding that a small number of consumers are paying large amounts for overdraft, often for advances of small amounts of money for short periods of time. The Bureau is continuing to engage in additional research and has begun consumer testing initiatives relating to the noted opt-in process.

Resources on CFPB rules

eRegulations

The Bureau's eRegulations tool makes regulations easier to read and navigate. The tool currently includes most of the Bureau's major regulations: Regulation C, which implements the Home Mortgage Disclosure Act (HMDA) and includes recent changes to the HMDA rule, Regulation E, which implements the Electronic Fund Transfer Act and includes the Bureau's new remittances rule, Regulation X, which implements the Real Estate Settlement Procedures Act, Regulation Z, which implements the Truth in Lending Act,which includes the Bureau's Back-to-Basics Mortgage Rules, as well as many other consumer protection requirements.

Regulatory Implementation

The CFPB provides resources to help stakeholders understand federal consumer financial protection rules and their implications, as well as to support timely and efficient regulatory implementation of new rules to protect consumers.

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The Consumer Financial Protection Bureau is a 21st century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. For more information, visit www.consumerfinance.gov.