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, credit cards, and prepaid accounts, as well as regulating the use of mandatory arbitration clauses in agreements for various types of consumer financial products and services. The Bureau has also developed 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 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 a rule that requires 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 Costlier and Riskier Mortgages: The Bureau's loan originator rule is 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 and riskier 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 for 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 other loans, the Bureau's rules generally require that mortgage applicants receive information about homeownership counseling organizations, 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 that 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 April 2013, the CFPB announced a new rule making it easier for spouses and partners who don't work outside of the home to qualify for credit cards. The rule allows card issuers to consider for credit card applications or credit limit increases third-party income if the applicant has a reasonable expectation of access to it. The Bureau expects that it will ease access to credit particularly for stay-at-home spouses or partners who can rely on accessible income of their spouse or partner. 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.

Strong Federal Protections for 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 generally use these products to make payments, store funds, get cash at ATMs, receive direct deposits, or send funds to other consumers. In October 2016, the CFPB issued strong, new federal consumer protections for the prepaid market. The new rules require financial institutions to limit consumers' losses when funds are stolen or cards are lost, investigate and resolve errors, and give consumers free and easy access to account information. The Bureau also finalized new "Know Before You Owe" disclosures for prepaid accounts to give consumers clear, upfront information about fees and other key details. The rules generally go into effect April 1, 2018.

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 companies, 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 companies.

- 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 has 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.

Ban on 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 July 2017, the CFPB finalized a rule that prohibits mandatory arbitration clauses that deny groups of consumers their day in court. The rule also requires that companies that choose to use arbitration clauses for individual disputes submit to the CFPB certain records, including initial claims and counterclaims, answers to these claims and counterclaims, and awards issued in arbitration. The rule will apply to contracts entered into more than 241 days after the rule is published in the Federal Register.

On the horizon

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 payments that they are unable to afford. In June 2016, the CFPB proposed a rule aimed at ending payday debt traps by requiring lenders to determine that consumers have the ability to 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 reviewing the more than one million public comments received on the proposed rule.

Proposals to Protect Consumers in the Debt Collection Market

Debt collection is a multi-billion dollar industry and affects about 70 million consumers who have debt in collection, some of whom may be wrongly contacted by debt collectors. This market is also one of the single biggest sources of complaints to the federal government about consumer financial products or services. In summer 2016, the CFPB outlined proposals that would overhaul the debt collection market to bring about better accuracy and accountability. The proposals being considered would help to limit excessive or disruptive communications from collectors and make it easier for consumer to access information about the debt and know their rights.

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. After several years of research, we believe that there are consumer protection concerns with regard to these programs. Consumers do not shop based on overdraft fee amounts and policies, and the market for overdraft services does not appear to be competitive. Under the current regulatory regime consumers can opt in to permit their financial institution to charge fees for overdrafts that occur at ATMs and in point-of-sale debit transactions, but the complexity of the system may complicate consumer decision making. Despite widespread use of disclosure forms, the regime produces substantially different opt-in rates across different depository institutions, and our supervisory and enforcement work indicates that some institutions are aggressively steering consumers to opt in. We are engaged in consumer testing of revised opt-in forms and considering whether other regulatory changes may be warranted to enhance consumer decision making.

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 regulations implementing consumer financial protection laws: 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 remittances rule, Regulation X, which implements the Real Estate

Settlement Procedures Act, Regulation Z, which implements the Truth in Lending Act and includes many of 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.