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Consumer Financial Protection Bureau Update

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Consumer Financial Protection Bureau

About the Consumer Financial Protection Bureau

- In 2010, the Dodd-Frank Act was enacted, leading to the transfer of certain authorities from other agencies to a new independent agency.
- In July 2011, consumer protection functions from other bank regulators transferred, and the CFPB began supervising the nation's largest depository institutions.
- Key functions: supervision, enforcement, consumer response, regulations, market monitoring, consumer education.

Mission and Vision

- Mission
 - We work to:
 - Educate
 - Enforce
 - Study

- Vision
 - A consumer marketplace:
 - Where customers can see prices and risks up front
 - Where they can easily make product comparisons
 - Where no one can build a business model around unfair, deceptive, or abusive practices
 - That works for American consumers, responsible providers, and the economy as a whole

CFPB's Statutory Objectives

- To ensure that consumers have timely and understandable information to make responsible decisions about financial transactions;
- To protect consumers from unfair, deceptive, or abusive acts or practices, and from discrimination;
- To reduce outdated, unnecessary, or overly burdensome regulations;
- To promote fair competition by enforcing the federal consumer financial laws consistently; and
- To advance markets for consumer financial products and services that operate transparently and efficiently to facilitate access and innovation.

A Diverse Toolbox

Consumer Education and Engagement

- Educate and engage consumers with focus on servicemembers, students, older Americans, and low-income and economically vulnerable consumers.

Consumer Response

- Hear directly from consumers about the challenges they face in the marketplace, bring their concerns to the attention of companies, and assist in addressing their complaints.

Research, Markets and Regulations

- Develop comprehensive expertise and insights into consumer financial markets and ensure rulewriting is informed by market knowledge

Supervision, Enforcement and Fair Lending

- Ensure compliance with federal consumer financial laws by supervising market participants and bringing enforcement actions when appropriate.

External Affairs

- Outreach to stakeholders, state and local governments and agencies, and Congress.

Legal Division

- Support efforts to make sure companies follow the law, defend consumer protection laws and regulations from legal challenge, and file briefs explaining how these laws and regulations should be interpreted.

General Background: Division of Research, Markets, and Regulations (RMR)

- Office of Research
- Markets Teams
 - Deposits, Credit Reporting, and Small Dollar Credit Markets
 - Mortgage Markets
 - Credit Markets
 - Installment Lending and Collections Markets
- Office of Regulations

RMR's Role Within the CFPB

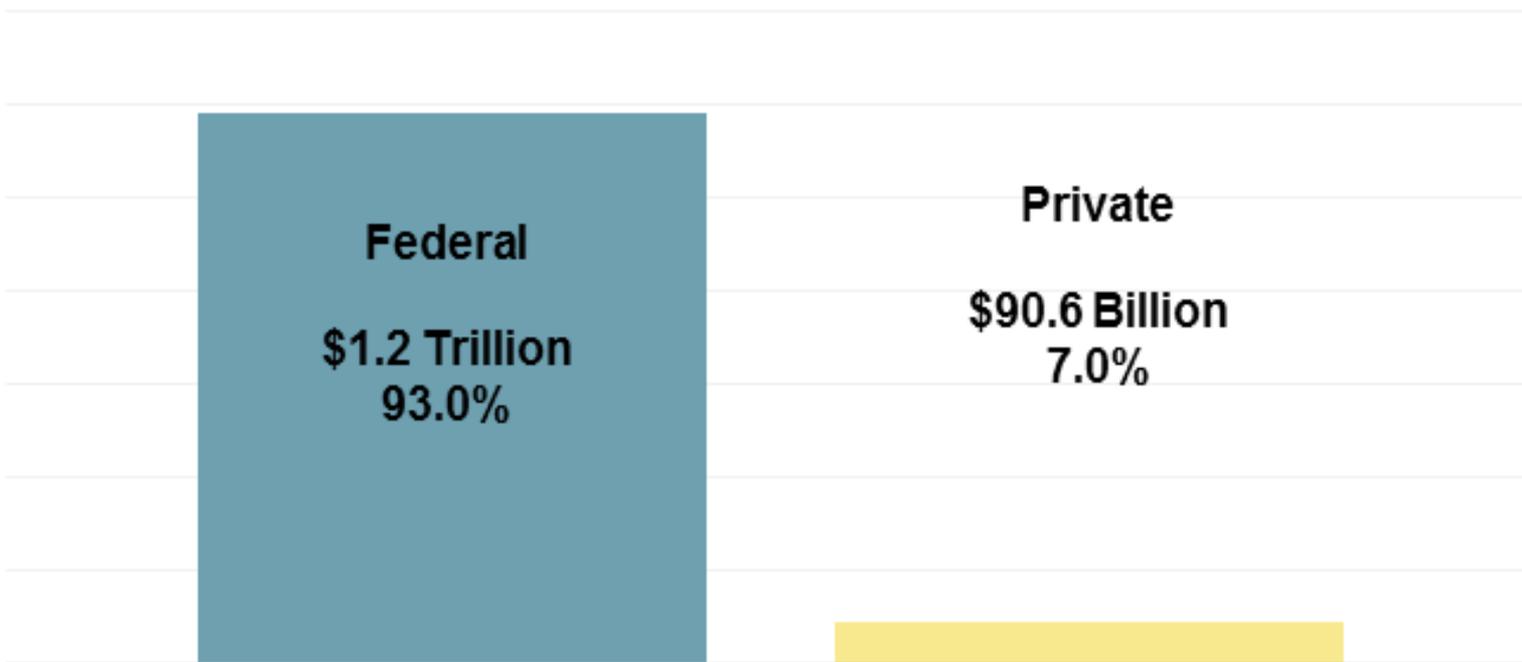
- Understanding consumer financial markets and consumer behavior.
- Evaluating whether there is a need for regulation.
- Determining the costs and benefits of potential or existing regulations.

CFPB Rulemaking: Considerations

- Analyze information collected and analyzed prior to and during rulemaking, relevant laws and existing regulation
- Analyze statutory considerations:
- Considerations relevant to the particular authority being used (e.g. purposes and objectives of the FDCPA)
- Costs to industry and others and benefits to consumers (Dodd Frank Act § 1022)
- Impacts on small businesses (compliance with the Regulatory Flexibility Act, as amended by the Small Business Regulatory Enforcement Fairness Act)
- Paperwork burdens on industry and consumers (compliance with the Paperwork Reduction Act)
- Review comment letters
- Consult with other federal agencies (Dodd Frank Act § 1022)
- Consult with interested stakeholders across the Bureau
- Consult with industry stakeholders, academics, state governments, legislators, and consumer advocates

Total Outstanding Student Debt Stands at \$1.3 Trillion

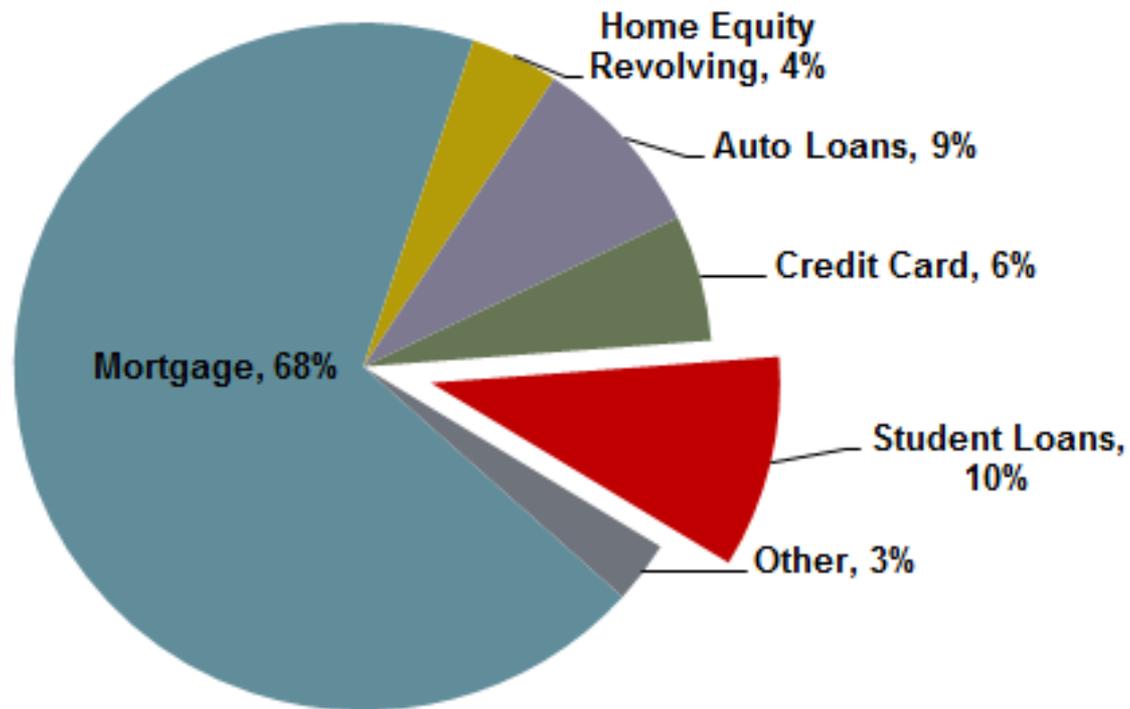
Total Student Loans Outstanding by Source



Sources: U.S. Department of Education; Federal Reserve Board.

Student Loans Second Only to Mortgage Loans

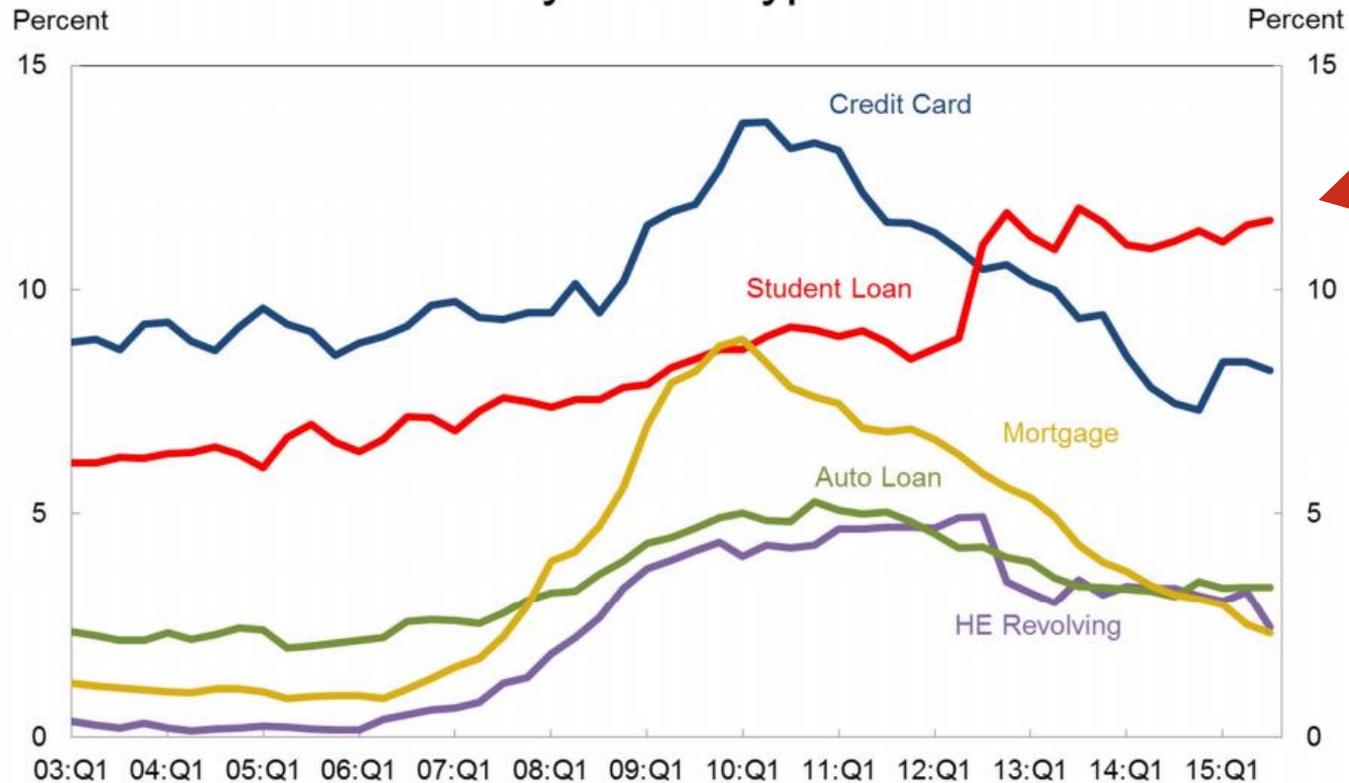
Composition of Household Debt: 2015 Q3



Source: Federal Reserve Bank of New York.

Delinquency Rates: Student Loans vs. Other Loans

Percent of Balance 90+ Days Delinquent by Loan Type



Source: FRBNY Consumer Credit Panel/Equifax

Topics of Continued Interest

- We continue to engage with leaders in the student loan market on a range of topics that impact consumers, including:
 - Loan modifications
 - Payment processing
 - Credit reporting
- Some business processes, as operationalized, may not always be congruent with established policies.
- Systems put in place to service loans made under the FFEL program may not be responsive to new customer needs (e.g., enrollment in income-driven payment programs).

Current Scope of CFPB Supervisory Authority

- For federal consumer financial laws.
- Banks and other depository institutions with assets over \$10 billion.
- Certain nonbanks regardless of size: mortgage industry participants, payday lenders, and private student lenders.
- Larger participants: CFPB has also defined larger participants in the market for consumer debt collection (which includes collectors of federal loans), consumer reporting agencies and student loan servicing.
- In March of 2014, we launched our examination program for nonbank student loan servicers.

Student Loan Servicing Examination Findings

- On a periodic basis, we publish *Supervisory Highlights*, a report offering anonymized findings from our examination program.
- The Fall 2015 edition featured student loan servicing findings, including issues related to:
 - Allocation of partial payments
 - Issues involving payment systems
 - Misrepresentations regarding the ability to discharge student loans in bankruptcy
 - Misrepresentations about late fees
 - Paying off loans – best practice

Student Loan Servicing RFI

- In 2015, the CFPB received 30,000 responses from consumers and industry stakeholders to an RFI on servicing practices.
- Student loan customers reported encountering difficulties in:
 - Enrolling in an income-driven repayment plan
 - Resolving servicing errors
 - Making payment allocation requests
 - Managing loans that have been transferred
- Industry stakeholders identified certain student loan servicing practices where there is significant diversity in the marketplace and suggest that policymakers require consistent approaches to common servicing functions.

Joint Statement of Principles on Student Loan Servicing

- Issued by U.S. Department of Education, U.S. Treasury Department and the CFPB in September 2015.
- Goal is to ensure that student loan servicing practices are:
 - Consistent
 - Accurate and actionable
 - Accountable
 - Transparent

Notable Student Loan Actions by Federal Agencies

- **Servicemember Benefits & SCRA:** Based on referral of complaints from CFPB, DOJ and FDIC found Sallie Mae and Navient in violation of the SCRA related to improper processing of benefits for servicemembers.
- **Payment Processing:** FDIC found Sallie Mae and Navient in violation of the FTC Act for applying partial payments in a manner that maximized late fees for consumers and for improperly imposing late fees for certain on-time monthly payments.
- **Debt Relief Scams:** CFPB has taken action against student loan “debt relief” companies for charging high fees and failing to deliver on promised benefits.
- **For-profit colleges:** CFPB sued ITT and Corinthian Colleges for illegal predatory lending practices related to institutional private student loan programs. In 2015, the CFPB announced more than \$480 million in debt relief for current and former Corinthian students as part of the sale of Corinthian-owned schools to ECMC.

Going Forward

- Operations and compliance– emphasis on servicing quality.
- On the horizon: servicing & credit reporting.
- Continued need for direct proactive engagement with industry on emerging issues.

CFPB & Fair Credit Reporting Act (FCRA)

- Furnishing is mandatory for federal student loans (20 USC 1080a).
- FCRA establishes an accuracy standard for furnishing to CRAs.
- CFPB has released a number of resources for student loan market participants furnishing to CRAs.
 - Bulletin for Furnishers on Disputed Information (February 2014)
 - Education Loan Examination Guide (December 2013)
 - Bulletin for Furnishers on Investigations (September 2013)
- Areas of interest:
 - Income-driven payment plans
 - Unintended consequences of the use of certain special reporting codes (e.g. disability discharge for veterans vs. standard TPD)
 - Rehabilitation

CFPB Debt Collection Rulemaking and Guidance Authority

- FDCPA
 - Third-party debt collectors and debt buyers
 - UDAAP, disclosure, and other requirements
- Dodd-Frank Act
 - Creditors, third-party debt collectors, and debt buyers
 - UDAAP and Disclosures

CFPB & Debt Collection

- In October 2012, we finalized a rule supervising larger participants in the debt collection market.
- CFPB has the authority to examine debt collectors with more than \$10 million in annual receipts, supervising for compliance with the FDCPA and other Federal consumer financial laws.
- We published debt collection examination procedures so that market participants and the public can better understand how our exam program functions.
- In July 2013, we began accepting complaints from individual consumers about debt collection.

Debt Collection Advance Notice of Proposed Rulemaking (ANPR)

- CFPB issued an ANPR for debt collection in November 2013.
- ANPR is broad-based to reflect the many issues in debt collection.
- Comment Period Closed February 28, 2014.
- SBREFA
- NPR
- Rule
- Regulation Implementation

CFPB Debt Collection Enforcement Actions

In Re American Express

- \$85 million in restitution and \$27.5 million in penalties for deceptive debt collection and other illegal practices.

In Re Cash America

- \$14 million in restitution and \$5 million in penalties for robo-signing, illegally overcharging servicemembers, and exam misconduct.

In Re ACE Cash Express

- \$5 million in restitution and \$5 in penalties for unfair, deceptive, and abusive payday loan debt collection practices.

CFPB v. Frederick J. Hanna & Associates, P.C.

- Successful litigation against debt collection law firm.

CFPB v. Corinthian Colleges, Inc.

- Successful litigation against for-profit college for predatory lending and illegal debt collection practices

Questions?

Thank you!

For more information, visit:

www.consumerfinance.gov



Consumer Financial
Protection Bureau