Attorney General Ellison testimony on importance of CFPB

House Financial Services Committee, Rep. Patrick McHenry, chair; Rep. Maxine Waters, ranking member
Subcommittee on Financial Institutions and Monetary Policy, Rep. Andy Barr, chair; Rep. Bill Foster, ranking member

"Consumer Financial Protection Bureau: Ripe for Reform"
March 9, 2023, 10:00 A.M.

Chair Barr, Ranking Member Foster, and members, thank you for the opportunity to address you today on the importance of the Consumer Financial Protection Bureau.

I'd like to begin by discussing a case Minnesota brought with the CFPB. Back in October 2019, my Office, alongside the CFPB, North Carolina, and the Los Angeles City Attorney's Office, sued a series of companies and individuals running a fraudulent student loan debt relief scheme that falsely promised to help people pay off their student loans and obtain student loan forgiveness in the process. In this time, when over 40 million Americans owe $1.75 trillion in student loans, these companies preyed upon over 87,000 desperate consumers and illegally collected over $95 million in fees from them. Together we shut them down, and this past December, issued refund checks to these consumers. Without the CFPB, we wouldn't have been able to get that result. Not only did the Bureau provide resources to give us the bandwidth to bring this case, but it is only because of the CFPB's civil penalty fund that we were able to secure $95 million in refunds to compensate victims when the companies and people we sued couldn't afford to pay the full amount. If not for the CFPB, these consumers would have likely received only a fraction of what they paid, if anything. Instead, they have been made whole and can move forward with their lives.

This is just one example of dozens where states like Minnesota have joined with the Bureau to act against companies and hold them accountable for defrauding consumers.

And this is not a political, red-state/blue-state issue. The CFPB has joined together with states regardless of politics to stop fraudulent actors. For example, in 2020, all fifty states joined the CFPB in suing one of the country's largest mortgage companies for numerous unfair and deceptive practices relating to servicing borrowers' mortgages. In 2021 Georgia joined the CFPB in suing a company offering fraudulent credit-repair and debt-relief services. And in just the last three and a half years, Arkansas and South Carolina have each joined suit with the CFPB twice.

I could go on.

These cases get meaningful results for consumers. As of the end of 2022, the CFPB has recovered $16 billion for consumers, obtaining relief for 192 million consumers nationwide.

States like Minnesota have historically served at the forefront of efforts to protect consumers against fraudulent and abusive practices, and for over a decade the CFPB has served as a critical enforcement partner to us in our efforts. This is what

Congress intended when it created the CFPB in response to the 2008 financial crisis, and this is how it should remain.

But the Bureau doesn’t just sue alongside states. It is essential in acting as another cop on the consumer protection beat, particularly in targeting areas where the States have inherent challenges in regulating fraud and abuse, like where payday lenders evade state regulation by moving online or offshore, or claiming tribal affiliation. The CFPB can act where States can’t, and the existence of this parallel agency reduces the risk that fraudsters will dodge scrutiny, adds tools to stop wrongdoing, and deters abuses from occurring in the first place.

In addition to its enforcement and regulatory roles, the CFPB also serves a critical informational function, conducting and publishing studies on relevant financial issues, offering consumer guides on important decisions like taking out a car loan to buying a house to paying for college to planning for retirement, and sharing information that allows states to monitor market practices and trends and quickly identify abuse. States like Minnesota take advantage of these resources, for example by using the CFPB’s consumer complaint database to track patterns of misconduct in our states .

The CFPB is important for protecting consumers. But, let me be clear: The CFPB's destruction would topple the whole system like dominos.

I was there when the Dodd-Frank Act was passed. What the Dodd-Frank Act did was put fear into every crook looking to take advantage of consumers. I'm not shocked that industry is trying to dismantle the CFPB. It's akin to any drug-dealer wanting less law enforcement presence in the area they sell drugs.

Listen, if your business model is not about bilking consumers, you have nothing to worry about from the CFPB. But if your aim and your goal is to "hook 'em and crook 'em" and take advantage of consumers, of course you're horrified. And all this stuff about, 'Oh, yeah, they got too much authority, they take in too much money, we can't talk to them, we can't control them,' this is all nonsense.

The CFPB was deliberately funded as are other financial regulatory agencies because consumer protection is important to the safety and soundness of our nation. If you disagree, look no further than what the 2008 crisis showed us. We cannot go back.

The arguments against the CFPB fall short. The Federal Reserve itself is funded not by Congress but by banking fees. The U.S. Postal Service, the U.S. Mint, and the Federal Deposit Insurance Corp., which protects bank depositors, and more, are also *not* funded by annual congressional appropriations. Even, programs like Social Security and Medicare are paid for by mandatory spending, not annual appropriations.

Ask yourself:

- What happens to all the Fed's actions on monetary policies?
- What happens to all of the rules over the past 10+ years?
- What happens to all the mortgages? Are those mortgages illegal under those rules?
- What happens to all the debt collection?
- If you're striking down what's not appropriated, what about the broader social safety net? What about social security?

The proposed “reforms” and potential Supreme Court action would torpedo the entire financial system.

The free market needs regulators. Even Adam Smith would agree. It is a recognized fact that the market needs regulation. In order to have a fair market place, all parties must compete fairly, not break the rules, and not take advantage of consumers. That’s where the CFPB steps in, to make sure we have a fair market place. These regulators are critical to not only our financial system, but the international financial system.

As I wrap up, whether it's in cases or investigations against student loan debt relief companies like the first one I mentioned, cases against banks, mortgage servicers, or others, or its other functions like handling consumer complaints or providing information on critical financial issues, the CFPB has been a vital partner for the states. Any action—whether an overbroad judicial remedy or Congressional overreach—that would jeopardize or invalidate the CFPB's efforts threatens incredible harm to consumers nationwide and to the States in our efforts to combat fraud and abuse in the marketplace. For example, changes that overhaul the CFPB or destroy it altogether risk the increased spread of predatory lenders preying on our most vulnerable communities, financial tech firms running wild in their pursuit of profit, and even banks dragging the country into another mortgage crisis. Additionally, it risks causing massive uncertainty in numerous industries that have relied on rules and regulations created by the Bureau for over a decade in implementing policies.

I want to thank you for your time, diligence, and attention in addressing this important issue. I am certain every member of the House, without exception, recognizes how important the CFPB has been in protecting consumers, and I am asking you to oppose efforts to dismantle this critical agency.