

United States House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, D.C. 20515

April 22, 2022

Memorandum

To: Members, Committee on Financial Services
From: FSC Majority Staff
Subject: April 27, 2022, Full Committee Hearing entitled, “Consumers First: Semi-Annual Report of the Consumer Financial Protection Bureau”

The full Committee will hold a hearing entitled, “Consumers First: Semi-Annual Report of the Consumer Financial Protection Bureau” on Wednesday, April 27, 2022, at 10:00 a.m. ET in room 2128 of the Rayburn House Office Building and on the Cisco Webex platform. There will be one panel with the following witness:

- **The Honorable Rohit Chopra**, Director, Consumer Financial Protection Bureau

Overview

Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act), the Director of the Consumer Financial Protection Bureau (CFPB) is required to testify before the Committee on its semi-annual report.¹ The most recent semi-annual report issued by CFPB was published on April 6, 2022, which covers agency activity from April 1, 2021 to September 30, 2021.² This memo summarizes the CFPB’s most recent report and other activities since October 2021, when CFPB Director Rohit Chopra last testified before the Committee.³

Background

In response to the 2007-2009 financial crisis caused in part by a period of unchecked and rampant predatory lending, Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act, which created the CFPB as an independent agency within the Federal Reserve System to better protect consumers from unfair, deceptive, or abusive acts or practices in the financial marketplace.⁴ In establishing the CFPB, Congress explicitly laid out in statute the agency’s purpose, objectives, and functions.⁵

Since opening its doors in 2011, the CFPB has investigated and uncovered egregious and illegal conduct in the financial marketplace, including discriminatory and predatory products and services offered to consumers.⁶ The agency has received over 2.9 million consumer complaints with a 98 percent timely response rate by financial firms to those complaints.⁷ Since its founding, the CFPB has delivered over \$13.6 billion in monetary compensation, principal reductions, cancelled debts and other consumer relief through its enforcement and supervisory work.⁸ The CFPB has also issued numerous rulemakings since its creation related to consumer protection.⁹ In addition, the CFPB performs research on various consumer

¹ Dodd-Frank Act § 1016.

² CFPB, [Semi-Annual Report Fall 2021](#) (Apr. 6, 2022).

³ House Financial Services Committee (HFSC), [Bringing Consumer Protection Back: A Semi-Annual Review of the Consumer Financial Protection Bureau](#) (Oct. 27, 2021).

⁴ See CRS, [Introduction to Financial Services: The Consumer Financial Protection Bureau](#) (Jan. 13, 2022); and Constitutional Accountability Center, [Constitutional and Accountable: The Consumer Financial Protection Bureau](#) (Oct. 2016).

⁵ Dodd-Frank Act § 1021(a). Also see Dodd-Frank Act § 1021(b) and § 1022(c).

⁶ CFPB, [The Bureau](#) (Accessed Apr. 6, 2022).

⁷ Information provided by CFPB staff on April 21, 2022.

⁸ Information provided by CFPB staff on April 21, 2022.

⁹ See CFPB, [Rulemaking](#) (Accessed Apr. 6, 2022).

financial products and services, and provides free resources to the public to better understand these products and services, as well as their rights and protections afforded them under the law.¹⁰

Rulemaking Developments

Credit Reporting

On April 7, 2022 the CFPB issued a proposed rule to protect survivors of human trafficking by establishing a method for trafficking victims to submit documentation to consumer reporting agencies (CRAs), including information identifying adverse information that resulted from certain types of human trafficking, and prohibiting the CRAs from furnishing a consumer report containing the adverse information.¹¹ This rule was required by Congress as part of the Debt Bondage Repair Act sponsored by Ranking Member Patrick McHenry (R-NC), which passed the House in June 2021,¹² and was included in the National Defense Authorization Act for fiscal year 2022, and signed into law in December 2021.¹³

Mortgage Servicing

In June 2021, the CFPB finalized rules requiring mortgage servicers to offer streamlined loan modification options to homeowners with COVID-19-related hardships and requiring that certain procedural safeguards be met before servicers can initiate foreclosure on loans secured by a borrower's principal residence.¹⁴ These enhanced foreclosure protections for homeowners affected by the pandemic crisis were in effect beginning in August 31, 2021 until December 31, 2021.¹⁵ In March 2022, the CFPB published a report indicating that although the share of mortgages in forbearance fell between March 2021 and January 2022, Black and Latinx borrowers were overrepresented in those who were in forbearance.¹⁶

Small Business Loan Data Collection

On January 6, 2022 the comment period closed on CFPB's proposed rules to implement Section 1071 of the Dodd Frank Act, which establishes how financial institutions must collect and report demographic data on credit applications submitted by women-owned, minority-owned, and small businesses.¹⁷ CFPB's proposal would cover credit provided to small businesses with \$5 million or less in gross annual revenue for its preceding fiscal year. It would also require lenders that made at least 25 loans in each of the two preceding calendar years to collect and report certain data about small business borrowers, the credit products and terms of the loan, as well as borrower demographic data.¹⁸

London Interbank Offer Rate (LIBOR)

On December 7, 2021, the CFPB finalized rules to facilitate lenders' transition away from using LIBOR as an index for consumer credit products.¹⁹ In anticipation of the LIBOR's sunset in June 2023, the proposal amends the open-end and closed-end provisions with examples of replacement indices for LIBOR indices and permits creditors for home equity lines of credit (HELOCs) and credit card issuers to transition to using a replacement index on or after April 1, 2022.²⁰ Similarly, Congress passed the

¹⁰ See CFPB, [Data and Research](#) (Accessed Apr. 6, 2022).

¹¹ CFPB, [Prohibition on Inclusion of Adverse Information in Consumer Reporting in Cases of Human Trafficking \(Regulation V\)](#) (Apr. 7, 2022).

¹² FSC Republicans, [McHenry: Debt Bondage Repair Act Will Help Victims Regain Their Financial Freedom and Begin to Rebuild Their Lives](#) (Jun. 15, 2021).

¹³ [Pub. L. No. 117-81](#) (2021)

¹⁴ *Id.*

¹⁵ CFPB, [Executive Summary of the 2021 Mortgage Servicing Rule](#) (Jun. 28, 2021).

¹⁶ CFPB, [New Data on the Characteristics of Mortgage Borrowers During the COVID-19 Pandemic](#) (Mar. 23, 2022).

¹⁷ CFPB, [Small business lending data collection rulemaking](#) (Accessed Apr. 8, 2022).

¹⁸ *Id.*

¹⁹ CFPB, [Facilitating the LIBOR Transition \(Regulation Z\)](#) (Accessed Apr. 8, 2022).

²⁰ *Id.*

Consolidated Appropriations Act of 2022 on March 15, 2022, which included a provision similar to H.R. 4616, the Adjustable Interest Rate (LIBOR) Act sponsored by Rep. Brad Sherman (D-CA). The provision creates a safe harbor to help ensure that the LIBOR reference rate is retired on schedule while protecting consumers, investors, and market participants from uncertainty related to the rate’s discontinuation.²¹

Other Rulemakings

Other guidance and rules noticed include, but are not limited to: an advisory opinion clarifying that consumer reporting agencies that use matching procedures, such as only using the consumer’s name to determine whether a particular item of information relates to a particular consumer in preparing a consumer report, are not taking reasonable steps to assure maximum possible accuracy under the Fair Credit Reporting Act;²² an update to Unfair Deceptive Abusive Acts and Practices (UDAAPs) examination procedures to guide evaluation of discriminatory practices as potential “unfair” practices;²³ and several rules regarding civil penalties, mortgage lending data disclosures, and the pricing of mortgages and other consumer loan products.²⁴

Consumer Complaints

According to the Fall 2021 Semi-Annual Report, the CFPB received 872,400 consumer complaints from October 1, 2020 through September 30, 2021,²⁵ and since has received over 600,000 additional complaints.²⁶ The CFPB also reported receiving 994,000 complaints in 2021, and about 99 percent of the complaints it sent to companies in 2021 received a timely response.²⁷ The most complained about consumer financial products and services in 2021 were credit or consumer reporting (71 percent of all complaints), debt collection (12 percent), credit cards (4 percent), checking and savings (4 percent), and mortgages (3 percent), comprising about 94 percent of all complaints received in 2021.²⁸ Between January and September 2021, the CFPB received over 500,000 credit or consumer reporting complaints, as compared with over 319,000 in 2020 overall.²⁹ The CFPB also reported on complaints from special consumer populations, including servicemembers and older consumers, for whom the most complained about consumer financial products and services in 2021 were credit or consumer reporting, debt collection, and mortgages.³⁰ Between September 1, 2020 and August 31, 2021, among the 5,300 student loan complaints received, the most complained about topics were “dealing with your lender or servicer,” “struggling to repay your loan”, and “problem with a credit report or credit score”.³¹

Enforcement Actions

Since October 1, 2021, the CFPB announced 8 public enforcement actions including complaints filed, consent orders, and settlements.³² In March 2022, CFPB Director Chopra announced plans to sharpen the CFPB’s focus on repeat corporate offenders,³³ including by dedicating supervision and enforcement resources to hold large recidivist financial institutions accountable for repeated misconduct. On April 12, 2022 the CFPB filed a lawsuit against TransUnion and two subsidiaries, and former senior

²¹ Congressman Brad Sherman, [Sherman Bill to Protect U.S. Financial System from \\$16 Trillion LIBOR Uncertainty Included in Bill That Will Pass House Tonight](#) (Mar. 9, 2022); See also, [Adjustable Interest Rate \(LIBOR\) Act of 2021 \(H.R. 4616\)](#) (Accessed Apr. 22, 2022).

²² CFPB, [Fair Credit Reporting: Name-Only Matching Procedures](#) (Nov. 2021).

²³ CFPB, [Unfair, Deceptive, or Abusive Acts or Practices \(UDAAPs\) examination procedures](#) (Mar. 16, 2022).

²⁴ CFPB, [Final Rules](#), last accessed Apr. 8, 2022.

²⁵ CFPB, [Semi-Annual Report Fall 2021](#) (Apr. 6, 2022).

²⁶ CFPB, [Consumer Complaint Database](#) (last accessed Apr. 22, 2022).

²⁷ CFPB, [CFPB 2021 Consumer Response Annual Report](#) (Mar. 2022).

²⁸ *Id.*

²⁹ CFPB, [Annual report of credit or consumer reporting complaints](#) (Jan. 2022).

³⁰ CFPB, [CFPB 2021 Consumer Response Annual Report](#) (Mar. 2022).

³¹ CFPB, [Report of the CFPB Education Loan Ombudsman](#) (Oct. 2021).

³² CFPB, [Enforcement Actions](#) (Accessed Apr. 21, 2022).

³³ CFPB, [“Reining in Repeat Offenders”: 2022 Distinguished Lecture on Regulation, University of Pennsylvania Law School](#) (Mar. 28, 2022).

executive John Danaher for violating a 2017 law enforcement order stopping the company from engaging in deceptive marketing regarding credit scores and credit-related products. On April 21, CFPB joined New York State’s Attorney General to file a lawsuit against MoneyGram International, Inc. and MoneyGram Payment Systems, Inc. (MoneyGram) for systemically and repeatedly violating consumer financial protection laws and leaving customers stranded when it failed to deliver funds promptly to recipients abroad.³⁴ During fiscal year 2021, enforcement actions resulted or will result in financial institutions, businesses, and individuals providing more than \$450.9 million in monetary relief to harmed consumers.³⁵ According to the 2021 Fall Semi-Annual report, three fair lending public enforcement actions were filed.³⁶

Spending and Staffing

As of September 30, 2021, the CFPB spent approximately \$598.0 million in FY 2021 funds, which includes \$352.8 million for 1,591 employees for both compensation and benefits.³⁷ During the same period, the CFPB had received \$595.9 million for FY 2021 from the Federal Reserve with a maximum allowable cap at \$717.5 million.³⁸ This compares with \$537.2 million in transfers from the Federal Reserve as of September 30, 2020, with a maximum allowable funding cap of \$695.9 million for fiscal year 2020.³⁹ As of September 2021, the CFPB’s workforce was 50 percent female, which remained unchanged since the last reporting period.⁴⁰ People of color represented 43 percent of employees, which is a 2 percent increase from fiscal year 2020,⁴¹ and half of women identify as a person of color, compared to 36 percent of men.⁴² In fiscal year 2021, the CFPB hired 165 permanent employees, among them 53.3 percent were women and 52.7 percent were people of color.⁴³ The CFPB also noted that while 15 percent of employees identified as people with disabilities, 3 percent of permanent employees identified as having a “targeted disability”, which remained unchanged since the previous reporting period.⁴⁴

Reports, Initiatives, and COVID-19 Response

Since October 2021, the CFPB has issued several reports and publications on various topics, including consumers’ use of payday loans, consumer complaints, credit card late fees, homeowners in forbearance, emergency savings and financial security, the financial challenges of justice-involved individuals, overdraft fees, diversity and inclusion in the financial services industry, disputes on credit reports, student debt, access to credit and banking in rural communities, and consumer finances during the pandemic.⁴⁵ According to the recent Semi-Annual Report, the CFPB continued to respond to the COVID-19 pandemic’s impact on consumers, reporting on delinquencies, use of assistance, credit card utilization, and access to credit, and updating resources for consumers, including information on mortgages, rental assistance, credit reporting, debt collection, student loans, and frauds and scams.⁴⁶ In March and April of 2022, the CFPB published reports on credit reporting challenges and other financial consequences that consumers face as a result of medical billing and collections, drawing on complaints submitted by consumers on topics such as inaccurate medical bills or collection notices for debts not owed.⁴⁷ In March

³⁴ CFPB, [CFPB Charges TransUnion and Senior Executive John Danaher with Violating Law Enforcement Order](#) (Apr. 12, 2022); *See also*, CFPB, [CFPB and NY Attorney General Sue Repeat Offender MoneyGram For Leaving Families High and Dry](#) (Apr. 21, 2022).

³⁵ CFPB, [CFPB Financial Report Fiscal Year 2021](#) (Nov. 2021).

³⁶ CFPB, [Semi-Annual Report Fall 2021](#) (Apr. 6, 2022).

³⁷ *Id.*

³⁸ CFPB, [CFPB Financial Report Fiscal Year 2021](#) (Nov. 2021).

³⁹ CFPB, [Annual Performance Plan and Report Fiscal Year 2020](#) (Feb. 2020).

⁴⁰ CFPB, [Semi-Annual Report Fall 2021](#) (Apr. 6, 2022).

⁴¹ *Id.*

⁴² CFPB, [OMWI FY 2021 Annual Report to Congress](#) (Mar. 2022).

⁴³ *Id.*

⁴⁴ CFPB, [Semi-Annual Report Fall 2021](#) (Apr. 6, 2022).

⁴⁵ CFPB, [Research & Reports](#) (Accessed Apr. 6, 2022).

⁴⁶ CFPB, [Semi-Annual Report Fall 2021](#) (Apr. 6, 2022).

⁴⁷ CFPB, [CFPB Estimates \\$88 Billion in Medical Bills on Credit Reports](#) (Mar. 1, 2022); and [CFPB Report Spotlights Medical Billing Challenges](#) (Apr. 20, 2022).

2022, Experian, Equifax and Transunion announced that beginning July 1, 2022, they will remove nearly 70% of medical collection debt tradelines from consumer credit reports.⁴⁸ These reforms to debt collection and credit reporting were included in Chairwoman Waters’ bill, H.R. 2547, the Comprehensive Debt Collection Improvement Act and Representative Pressley’s bill, H.R. 3621, the Comprehensive CREDIT Act, which were each passed in the House in 2021 and 2020, respectively.

During the reporting period, CFPB launched and participated in several initiatives, including the Interagency Task Force on Property Appraisal and Valuation Equity (PAVE), which focuses on issues of bias in home appraisals. In February 2022, the CFPB clarified that appraisal discrimination is illegal under the federal Fair Housing Act and the Equal Credit Opportunity Act (ECOA) in a letter to the Appraisal Foundation⁴⁹ and proposed an outline for an interagency automated valuation models (AVM) rulemaking, which includes a fifth factor on non-discrimination.⁵⁰ In November 2021, CFPB issued a Request for Information (RFI) seeking public input on Home Mortgage Disclosure Act (HMDA) rules, and on the effects of recent changes to the rules.⁵¹ In January 2022, the CFPB launched an initiative to examine inappropriate fees that consumers are charged by financial institutions and issued a RFI seeking public input on those fees,⁵² which has received over 80,000 comments.⁵³ In March 2022, the CFPB launched an initiative on financial issues facing rural communities.⁵⁴ Earlier this month, the CFPB released its plan to advance equity, outlining action items to integrate racial and economic equity through its mission and work and in its workforce, which includes performance and accountability measures.⁵⁵

Responding to Emerging Technologies

During the reporting period, the CFPB conducted its first examination of machine learning-based loan underwriting and origination.⁵⁶ In the fall of 2021, the CFPB issued two sets of orders pursuant to Section 1022(c)(4) of the Consumer Financial Protection Act, to collect information on the business practices of large technology companies operating payments systems in the United States,⁵⁷ and to five companies offering “buy now, pay later” (BNPL) credit.⁵⁸ On October 21, 2021, the CFPB’s orders sought information on how large technology companies collect and use data; to understand those companies’ policies on access restrictions and how they affect the choices available to businesses and consumers; and to understand how payment platforms prioritize consumer protections under laws such as the Electronic Fund Transfer Act (EFTA) and the Gramm-Leach-Bliley Act (GLBA).⁵⁹ In November 2021, the CFPB also issued an RFI seeking public input on those technology companies, which closed in December 2021.⁶⁰ On December 16, 2021, CFPB issued orders to seek information about debt accumulation associated with use of BNPL credit, regulatory arbitrage, and data harvesting in a changing consumer credit market, and relatedly, in January 2022, the CFPB issued an RFI seeking public input on the BNPL market, how consumers interact with those providers, and how current business models impact the broader marketplace and operating payments systems, which closed in March 2022.⁶¹

⁴⁸ Experian, [Equifax, Experian, and TransUnion Support U.S. Consumers With Changes to Medical Collection Debt Reporting](#) (Mar. 18, 2022).

⁴⁹ CFPB, [Appraisal discrimination is illegal under federal law](#) (Feb. 4, 2022).

⁵⁰ CFPB, [Consumer Financial Protection Bureau Outlines Options To Prevent Algorithmic Bias In Home Valuations](#) (Feb. 23, 2022).

⁵¹ CFPB, [CFPB Seeks Input on Detecting Discrimination in Mortgage Lending](#) (Nov. 2021).

⁵² CFPB, [Consumer Financial Protection Bureau Launches Initiative to Save Americans Billions in Junk Fees](#) (Jan. 2022).

⁵³ CFPB, [CFPB Extends Opportunity for Public to Provide Input on Junk Fees](#) (Mar. 2022).

⁵⁴ CFPB, [New effort focused on financial issues facing rural communities](#) (Mar. 10, 2022).

⁵⁵ CFPB, [Equity Action Plan](#) (Apr. 14, 2022).

⁵⁶ CFPB, [Semi-Annual Report Fall 2021](#) (Apr. 6, 2022).

⁵⁷ CFPB, [CFPB Orders Tech Giants to Turn Over Information on their Payment System Plans](#) (Oct. 21, 2021).

⁵⁸ CFPB, [Consumer Financial Protection Bureau Opens Inquiry Into “Buy Now, Pay Later” Credit](#) (Dec. 2021).

⁵⁹ CFPB, [CFPB Orders Tech Giants to Turn Over Information on their Payment System Plans](#) (Oct. 21, 2021).

⁶⁰ CFPB, [Notice and Request for Comment Regarding the CFPB’s Inquiry Into Big Tech Payment Platforms](#) (Nov. 2021).

⁶¹ CFPB, [Notice and Request for Comment Regarding the CFPB’s Inquiry Into Buy-Now-Pay-Later \(BNPL\) Providers](#) (Jan. 2022).

Appendix - Legislation

- **H.R. 2069, the “Home Loan Quality Transparency Act” (Velazquez).** This bill would expand requirements for public disclosures by depository institutions regarding mortgages and home equity lines of credit. Specifically, institutions with more than \$30 million in total assets that originate fewer than 500 mortgage loans or open-end lines of credit annually would no longer be exempt from certain enhanced HMDA reporting, as required by the Dodd-Frank Act.
- **H.R. 2123, the “Diversity and Inclusion Data Accountability and Transparency Act” (Beatty).** This bill would require regulated entities to provide information necessary for the Offices of Minority and Women Inclusion (OMWI), including CFPB’s OMWI, to carry out their duties.
- **H.R. 5974, the “Veterans and Consumers Fair Credit Act” (C. García).** The bill would extend the 36% interest rate cap required under the Military Lending Act to all consumer loans.
- **H.R. _____, the “Expanding Access to Credit through Consumer-Permissioned Data Act” (Williams).** The bill would codify into statute a provision in Regulation B that implements the Equal Credit Opportunity Act to require lenders to consider additional credit information not typically included on a consumer's credit report, in the evaluation of a borrower for a mortgage, upon the request of a consumer to include that information. It also requires lender to provide each mortgage applicant a disclosure explaining the applicant’s right to provide additional credit information to the creditor for consideration including examples of such additional information.
- **H.R. _____, the “Small Business Fair Debt Collection Protection Act” (Lawson).** This bill would extend the Fair Debt Collection Practices Act (FDCPA), which currently protects consumers from certain predatory debt collection practices, to cover small business borrowers.
- **H.R. _____, the “Credit Reporting Accuracy After a Legal Name Change Act”.** The bill would prohibit the nationwide credit reporting agencies from including a transgender consumer’s former name on their credit report, following a legal name change.
- **H.R. _____, “Repeat Offenders and Megabank Accountability Act”.** The bill would require the CFPB, Federal Reserve, FDIC, and OCC to design a strategic plan outlining how they would utilize the full extent of their existing authorities to hold large financial institutions accountable for a pattern of repeated compliance failures, including those that result in extensive consumer harm. This bill would require Consumer Compliance ratings for megabanks be publicly disclosed, similar to Community Reinvestment Act exam disclosures, as well as their CAMELS ratings no later than two years after an exam. The bill would also require megabanks to publicly disclose when they have harmed more than 50,000 consumers, or when the amount of anticipated consumer remediation exceeds \$10 million, and promptly remediate harmed consumers within a short timeframe. Additionally, the bill would require megabank boards to include directors with current and relevant banking or regulatory experience, limit the number of additional company boards they could serve on, and bar management from serving in key board leadership roles. This proposal is based, in part, on the Committee’s recent investigation of Wells Fargo.⁶²

⁶² FSC, [Waters Releases Staff Report on Pattern of Consumer Abuse from Wells Fargo](#) (Sep. 29, 2017); FSC, [In Advance of Wells Fargo Hearings, Waters and Green Release Investigative Report Exposing Failures of Megabank’s Management, Board, and Regulators](#) (Mar. 4, 2020); and FSC Hearing, [Holding Megabanks Accountable: An Update on Banking Practices, Programs and Policies](#) (May 27, 2021).