

September 12, 2012

This morning, Richard Cordray, Director of the Consumer Financial Protection Bureau (CFPB), testified before the Senate Committee on Banking, Housing and Urban Affairs. Mr. Cordray was asked to testify to discuss the release of the CFPB's semi-annual report to Congress. This is the first such report produced by the new agency which was created by the Dodd-Frank Wall Street Reform Act.

In opening the hearing, Chairman Jeff Merkley (D-OR) said that a lack of consumer protection was at the heart of the financial crisis and praised the work of the CFPB. Ranking Member Richard Shelby (R-AL) expressed a concern held by many Republicans that the CFPB is immune from oversight. He also said ambiguity in the Dodd-Frank legislation regarding the CFPB was leading to poor implementation.

In testimony, Mr. Cordray said that the agency has focused on mortgages, student loans and credit cards during its first year of operation. He said the agency was working to reduce deceptive practices by institutions but also to increase financial literacy on the part of consumers. To this effect, the agency has pursued a "Know Before You Owe" campaign which it hopes will reduce the number of consumers who take out loans that they cannot afford or do not understand. He also highlighted an online consumer complaint process that has received over 72,000 complaints from consumers. He said that the complaints were notably concentrated on mortgage concerns. Senator Mike Crapo (R-ID) noted that these complaints are made public and asked Mr. Cordray what precautions the agency used to ensure that they were valid. Mr. Cordray said that all comments were screened before they were posted to the internet and that the agency verified that the consumer was actually involved in a relationship with the institution.

During questioning, the Committee focused on small and community banks and on poorly served consumers. Mr. Cordray addressed many concerns regarding the regulatory burden that would be placed on banks, noting that compliance challenges would be more burdensome for small and community banks. Mr. Cordray said a community bank advisory council had been convened to get feedback from these institutions. He said the agency would address this issue on a rule-by-rule basis and would exempt smaller providers from rules when it was appropriate. He said small institutions were not the problem in the system but that a balance must be found to protect consumers across the board.

Mr. Cordray noted that the number of consumers that were unbanked or under-banked has been growing and that many consumers have been driven to use nonbanks. He said the agency was regulating nonbanks as well as banks in order to introduce protections into this market but was also looking to drive these consumers into the banking system. He noted that the CFPB was working to ensure that banks only loan to credit-worthy consumers and that nonbanks must be held to the same standards if consumers are driven into that market. This led Senator Crapo to suggest that availability of credit might be reduced as a result.

Director Cordray told the Committee that a Qualified Mortgage rule would be finalized by January and that it was currently open for comment. He indicated that the agency would not have time to convene a small business advocacy review panel on the rule.

Read the [Semi-Annual Report to the President and Congress](#).
Read [Director Cordray's testimony](#) or view the hearing.