
Consumer Financial Protection Bureau

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Producer: Clare Foran

Director: Jessica Guzik

Key Terms

Consumer Financial Protection Bureau (CFPB)

Federal agency charged with oversight and regulation of federal consumer financial protection laws. The bureau may also write rules to enforce consumer financial legislation.

Dodd-Frank Act

Law passed in 2010 (full title: Dodd-Frank Wall Street Reform and Consumer Protection Act) creating the Consumer Financial Protection Bureau and implementing sweeping financial regulatory reforms.

Predatory Lending

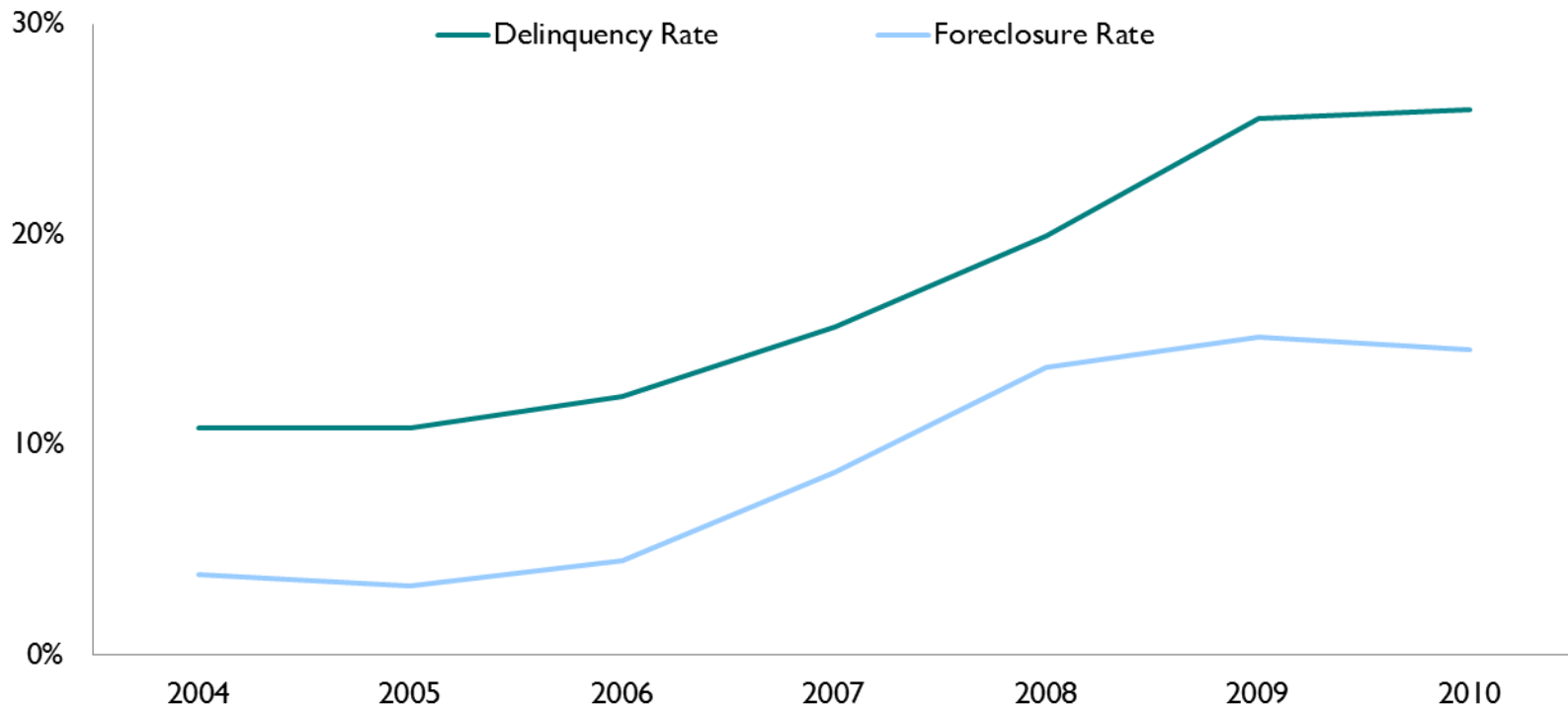
Action taken on the part of a lender to lead borrowers into taking out high-risk loans. A Federal Deposit Insurance Corporation audit report defines predatory lending as “imposing unfair and abusive loan terms on borrowers.”

Subprime Loans

High-risk loans made to individuals with bad credit or no credit history. Subprime loans carry a higher interest rate than prime loans due to the high probability that the borrower may default on the loan.

Predatory Lending Pushed Homeowners into Foreclosure During U.S. Financial Crisis

Delinquency and Foreclosure Rates for U.S. Subprime Mortgage Loan Holders






Analysis

- Leading up to the U.S. financial crisis, home ownership increased, largely because homes were financed through subprime loans offered by predatory lenders
- When interest rates rose from 1% to 5.35% between 2004 and 2006, homeowners began to default on their mortgages and subprime mortgage foreclosures spiked

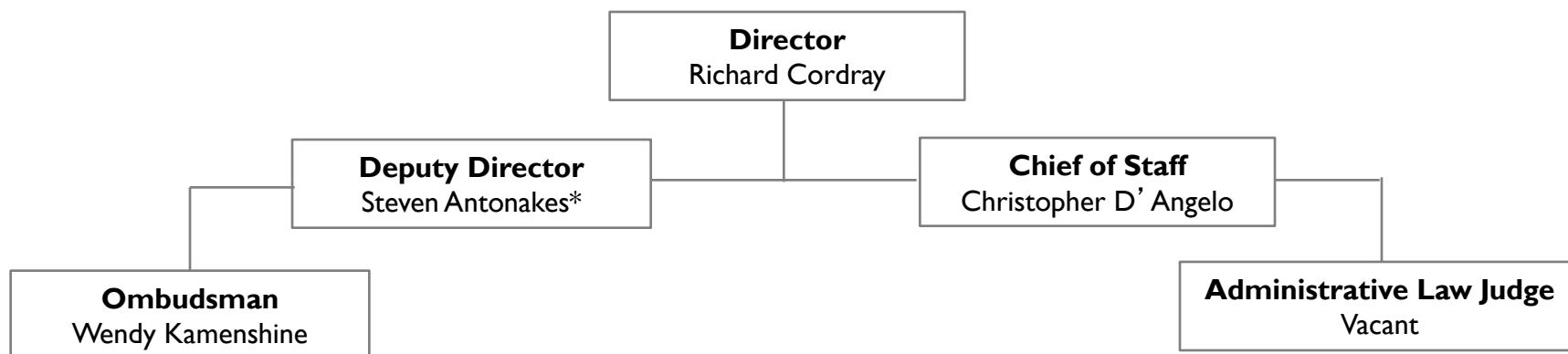
CFPB Created to Educate Consumers, Enforce Regulations, and Study Consumer Financial Markets

Three Main Roles of the Consumer Financial Protection Bureau

Role	Description	Case Study
 Education	The CFPB educates Americans about financial regulatory reform and works to increase transparency so individuals understand how financial laws affect them	In April 2013, CFPB moderated a discussion called “Money Talk” on Twitter in partnership with Kids.gov, bringing together financial advisors and other experts to discuss how parents can educate children on spending and saving habits
 Regulation	The CFPB regulates banks, credit unions and other financial entities; enforces consumer protection laws; and creates rules needed to carry out financial regulatory reform	In December 2012, the CFPB sued Payday Loan Debt Solution, Inc., alleging that the company had violated the Dodd-Frank Act and the Federal Trade Commission’s Telemarketing Sales Rule
 Research	The CFPB conducts research and data analysis to uncover financial and economic trends and better understand consumer behavior	In July 2012, the CFPB concluded a study on private student loan markets and submitted findings to Congress to help inform future policy decisions regarding student loan regulation

Former Ohio Attorney General Rich Cordray Heads Bureau

Organizational Structure of CFPB Upper Management



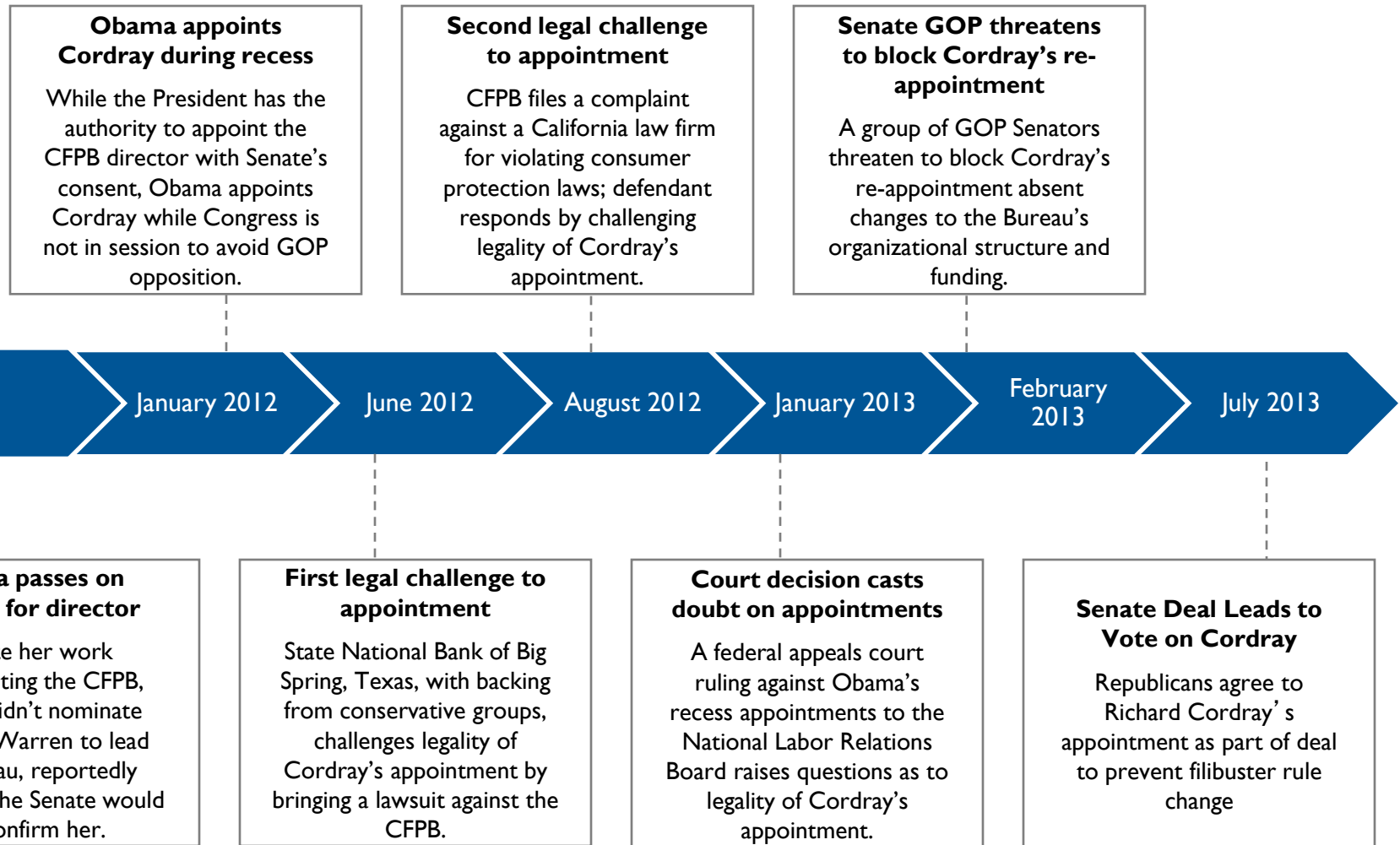
Analysis

- Pres. Barack Obama appointed former Ohio Attorney General Richard Cordray Director of CFPB in January 2012
- Senate Republicans agreed in July 2013 to vote on Cordray's reappointment
- While many federal agencies have a board of directors, CFPB's organizational structure provides for a single director to oversee all activity within the agency

*Position currently filled on an Acting basis

Source: Consumer Financial Protection Bureau, 2013.

CFPB Controversial Since Inception



Critics Hope to Force Changes to CFPB Structure

Critics of the CFPB argue that having only a sole director of the bureau could lead to an abuse of power

CFPB's broad, sweeping powers, some of which have not been clearly defined, have led critics to comment that the bureau could be used as a tool to serve special interests

List of Changes to CFPB Proposed by Group of GOP Senators

1. Creation of bipartisan board of directors

2. Implementation of appropriations process for allocation of funds used by the Bureau

3. Establishment of greater checks on the power of the Bureau

The CFPB is not subject to the Congressional appropriations process for budget allocations; critics have raised concerns about this lack of Congressional oversight

Analysis

- On February 1, 2013, a group of 43 GOP senators sent a letter to President Obama outlining their chief criticisms of the CFPB and proposing three major changes to the structure of the organization
- Sen. Mike Carpo (R-Idaho), who spearheaded CFPB reform, has said that any leverage the Republicans had to force changes to the CFPB has been undercut by the filibuster deal
- Republicans are now waiting for electoral gains in 2014 and 2016 before further pursuing any major reforms; in the meantime, Republicans may pursue minor reforms that have bipartisan support