

## CFPB Bites of the Month - June Top 10

June 23, 2022 | [Justin B. Hosie](#) and [Eric L. Johnson](#)

In this month's Top 10 article, we share some of our top "bites" for the prior month covered during the June 15 webinar.

So, what happened at the CFPB in the past month?

Bite #10 - The CFPB bolstered state enforcement efforts.

The CFPB issued an interpretive rule addressing state efforts to pursue organizations and individuals allegedly violating federal consumer financial protection laws. The interpretive rule claims that states can enforce the Consumer Financial Protection Act to pursue claims and actions against a broad range of entities. It also indicates that CFPB enforcement actions do not put a halt to those state actions. The CFPB also indicated that it plans to consider other steps to promote state enforcement of federal consumer financial protection laws, including ways to facilitate victim redress.

Bite #9 - The CFPB and New York AG shut down a debt collection organization.

The CFPB, in partnership with the New York Attorney General, filed a proposed stipulated judgment in federal court to settle a case against a debt collection enterprise along with its owners and managers. Together, the enterprise purchased defaulted consumer debt from personal loans, payday loans, credit cards, and other sources. The CFPB and the New York Attorney General alleged that the enterprise deceived and harassed consumers, violating the Fair Debt Collection Practices Act and the Consumer Financial Protection Act. The complaint alleges that the owners, managers, and companies used the following illegal tactics to collect debts:

- Falsely threatening arrest and imprisonment,
- Lying about legal action,
- Inflating and misrepresenting amounts owed,
- Creating "smear campaigns,"
- Harassing people with repeated phone calls, and
- Failing to provide legally mandated disclosures.

The proposed stipulated judgment will require that the companies, as well as their owners and senior

managers, exit the debt collection market. The defendants also must pay a \$2 million penalty to the CFPB, which will be deposited into the CFPB's victim relief fund, and a \$2 million penalty to the New York Attorney General. If the defendants do not make timely payments, then each penalty amount will increase to \$2.5 million.

Bite #8 - The CFPB introduced its Office of Competition and Innovation.

The CFPB announced that it would open an office, now called the "Office of Competition and Innovation," as part of a new approach to help encourage innovation and competition. The office will replace the "Office of Innovation," which opened in 2018 and had replaced Project Catalyst, launched in 2014. The CFPB claims the new office will support a broader to analyze obstacles to open markets, better understand how big players are "squeezing out" smaller players, host incubation events, and, in general, make it easier for people to switch financial providers. As part of the change, the CFPB is also encouraging companies, start-ups, as well as members of the public to file rulemaking petitions to ask for greater clarity on particular rules.

Bite #7 - The CFPB explains nonbank supervision.

Recently, the CFPB announced that it will begin to use a provision of law to supervise a wider range of nonbank financial companies. Then last month, the CFPB shared a post explaining what "nonbank supervision" means. According to the CFPB, a CFPB exam is similar to a state exam. The CFPB claims that before an exam, the examined entity will be told what the CFPB will be focused on, and companies are often asked to show records or provide data so examiners can assess compliance.

Bite #6 - The CFPB says that suppressing payment data has potential for harm.

The CFPB announced that it sent letters to the CEOs asking them to explain the accuracy of consumer payment information reported to consumer reporting agencies. According to recent CFPB research, about half of the largest credit card companies contribute exact data to credit reporting companies about borrower's monthly payment amounts. Several of the largest credit card companies have suppressed actual payment amount information that they had previously provided or furnished on consumers. The CFPB indicated that suppressing actual payment amount information has the potential to impact consumers' ability to access credit at the most competitive rates.

Bite #5 - The CFPB addresses credit models using algorithms.

The CFPB published a *Consumer Financial Protection Circular* addressing adverse action notice requirements under the Equal Credit Opportunity Act (ECOA). The CFPB confirmed that federal anti-discrimination law requires companies to explain the specific reasons for taking adverse actions, even when they are relying on credit models using complex algorithms. The CFPB encouraged tech workers to provide information, and to visit the CFPB's Whistleblower Program webpage to learn more.

Bite #4 - CFPB Supervisory Highlights target credit dispute responses.

According to the recent CFPB Supervisory Highlights, examiners have found credit card companies were sending unclear notices to consumers at the end of dispute investigations. The CFPB noted that the Fair Credit Reporting Act ("FCRA") requires furnishers to conduct reasonable investigations about disputes and then "report the results of the investigation to the consumer" generally within 30 days, addressing specific information required by the FCRA. After CFPB examinations of some credit card

furnishers revised their notices to comply with the FCRA.

Bite #3 - The CFPB terminated a no-action letter issued by the prior administration.

On April 13, 2022, a loan originator notified the CFPB that it intended to add a significant number of new variables to its underwriting and pricing model, and requested termination of its prior "no action letter" from the CFPB. As requested by the company, the CFPB terminated the 2020 "no-action letter," effective immediately. The CFPB had granted the loan originator a "no-action letter" in September 2017 and a second letter in November 2020. The CFPB had immunized the lender from fair lending law claims with respect to its underwriting algorithm, while the "no-action letter" remained in force. Under the terms of the 2020 "no-action letter," the CFPB had required the lender to notify the CFPB of significant changes to its "artificial intelligence" model prior to their implementation.

Bite #2 - The CFPB sought to ban a student loan debt relief owner.

The CFPB took action against the owner of a student loan debt relief company for allegedly withdrawing hundreds of thousands of dollars from student borrowers' bank accounts, without authorization. The CFPB alleged that the company took funds from consumers, without their knowledge or consent, after obtaining their data from a company the CFPB shut down in 2016. The proposed settlement will require paying a \$175,000 fine ceasing participation in debt relief and other activities.

Bite #1 - The CFPB launched an initiative to improve customer service at big banks.

The CFPB is requested public input on how bank customers can assert their rights to better customer service with big banks. The Request for Information (RFI) asks what information would be helpful for consumers to be able to obtain from their banks. Specifically, the CFPB is interested in hearing information about the following:

- What information do people request from their bank and how are they using that information?
- What information are consumers currently unable to obtain from their bank?
- Does how a person contact their bank make a difference in their ability to get information?
- Are there customer service obstacles that inhibit their ability to bank?
- Is there value in banks disclosing who they share account information with, or compensation they may receive for sharing that information?
- What do bank customers experience in terms of wait times, disconnected calls, the ability to speak to a person at a specific location, or the quality of responses to questions?

Public input will inform future policy guidance and other initiatives regarding the rights outlined in Section 1034(c). The deadline for submitting comments is 30 days after publication in the Federal Register.

Reports Too. Besides all of these Bites, the CFPB issued a reports on the Financial Well-Being in America and the Office of Servicemember Affairs Annual Report.

Still hungry?

Join us for our next CFPB Bites of the Month: Camp CFPB on July 20. If you missed any of our previous Bites, [request a replay on our website](#).

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