

Consumer Financial Services Bites of the Month - August 20, 2025 - "August is Over CFPB"

August 25, 2025 | [Justin B. Hosie](#), [Eric L. Johnson](#) and [Kristen Yarows](#)

In this month's article, we share some of our top "bites" covered during the August 2025 webinar.

Bite 18: CFPB Withdraws Rule that Would Have Rescinded State Official Notification Rule

On July 21, 2025, the CFPB withdrew a rule that would have rescinded procedures for state officials to notify the CFPB when enforcing the Consumer Financial Protection Act. The CFPB published the rule on May 21, 2025, and accepted comments through June 20, 2025. The rule said that it would be withdrawn if the CFPB received *significant adverse* comments. Since the CFPB did receive significant adverse comments, it withdrew the rule. The Federal Register notice regarding the withdrawal noted that the CFPB will address comments received in a subsequent rulemaking.

Bite 17: CFPB Lifts Consent Order Against Credit Union

On July 21, 2025, the CFPB terminated its consent order against a credit union and waived any alleged non-compliance pursuant to its authority under 12 U.S.C. § 5563(b)(3), which addresses how orders involving the CFPB can be modified, terminated, or set aside. The CFPB announced that the credit union fulfilled certain obligations under the order, including paying a \$1.5 million civil money penalty and verifying that mandatory refunds were made. The consent order resolved allegations that the credit union's online and mobile banking platforms were implemented in violation of the Consumer Financial Protection Act because it disrupted consumers' access to their accounts.

Bite 16: Legislation Introduced on AI in Financial Services

On July 30, 2025, House Financial Services Committee Chairman French Hill (R-AR), alongside other Representatives and Senators, introduced *H.R. 4801, the Unleashing AI Innovation in Financial Services Act*. The legislation promotes artificial intelligence in financial services through regulatory sandboxes for AI test projects at federal financial regulatory agencies. The regulatory sandboxes (or AI innovation labs) would allow regulated entities to apply for controlled testing environments to develop and experiment with artificial intelligence applications under government oversight. Entities would be

required to apply through their primary regulator and demonstrate that their AI projects promote the public interest, improve efficiency or competitiveness, and do not pose a systemic risk to the financial system.

Bite 15: FTC Drops Disparate Impact Claims Against Auto Dealer

On August 13, 2025, it was reported that the FTC dropped its claims of discrimination against three Texas-based auto dealerships that allegedly discriminated against Black and Latino customers by charging more for add-on products. In April 2025, President Trump issued an Executive Order that directed federal agencies to "deprioritize" enforcement actions based on disparate impact. The FTC filed a motion to partially lift the stay of administrative proceedings to amend its administrative complaint and drop the disparate impact claims "out of an abundance of caution" to comply with the Executive Order. The administrative law judge ruled that the FTC could remove its disparate impact claims. However, the FTC will continue pursuing its claims against the auto dealerships regarding alleged hidden fees and unwanted add-on products.

Bite 14: Trump Issues Executive Order Prohibiting "Debanking"

On August 7, 2025, President Trump issued an Executive Order: *Prohibiting Politicized or Unlawful Debanking*, that directs federal banking regulators to adopt policies to ensure that financial institutions do not use reputational risk or other equivalent concepts as a basis for restricting access to banking services. According to the Executive Order "no American should be denied access to financial services because of their political or religious beliefs," and "banking decisions must solely be made on the basis of individualized, objective, and risk-based analyses." The Order requires Federal banking regulators to review financial institutions for past or current policies encouraging politicized or unlawful debanking and take remedial actions, including fines or consent decrees. The Order also requires Federal banking regulators to review supervisory and complaint data for instances of unlawful debanking based on religion and refer such cases to the Attorney General. President Trump accused Federal regulators of encouraging banks to flag individuals for transactions with companies, or for using terms like "Trump" or "MAGA" in peer-to-peer payments, without evidence of criminal activity.

Bite 13: FDIC Updates Approach to Pre-Filled Information for CIP Rule

On August 5, 2025, the FDIC released a Financial Institution Letter that updates the agency's supervisory approach regarding whether an FDIC-supervised institution can use pre-populated consumer information for the purpose of opening an account to satisfy Customer Identification Program requirements. The CIP rule, among other things, requires financial institutions to implement reasonable procedures for verifying the identity of a person seeking to open an account, to the extent reasonable and practicable, and maintain records of the information used to verify a person's identity. The CIP rule requires an institution to collect certain information from a customer opening an account. It is the FDIC's position that the requirement to collect identifying information "from the customer" under the CIP rule does not preclude the use of pre-filled information. FDIC examiners will consider the pre-filled information as from the customer provided that (1) the customer has opportunity and the ability to review and

correct the accuracy of the information, and (2) the institution's processes for opening an account that involves pre-populated information allow the institution to form a reasonable belief as to the identity of its customer and are based on the institution's assessment of the relevant risks, including the risk of fraudulent account opening or takeover.

Bite 12: CFPB's Chief Legal Officer Writes Letter to GAO

On July 31, 2025, media outlets reported that the CFPB's Chief Legal Officer sent a letter to the Government Accountability Office ("GAO") in response to GAO's letter investigating Acting Director Vought's decision to reject funding for the CFPB this year. The CFPB's Chief Legal Officer wrote that it was taking issue with "weaponization of the Impoundment Control Act of 1974 (ICA) for political purposes." According to the letter, doing so "continues to harm GAO's credibility with the Executive Branch and with Congress." The letter said that the CFPB's "Acting Director acted well within his legal authorities in declining to request further funds from the Federal Reserve System (Federal Reserve) for FY 2025, actions that implicated neither the Anti-Deficiency Act nor the ICA." The letter accuses GAO of using Acting Director Vought's February 8, 2025, social media post about his decision to decline to request funding from the Federal Reserve as its sole predicate for the GAO's letter. The CFPB's Chief Legal Officer copied the Speaker of the House, Mike Johnson, and Senate Majority Leader, John Thune, and said, "I am copying Congressional leadership, who may be interested in the most recent attempt by GAO to undermine both President Trump and Congress."

Bite 11: FTC Publishes Notice on Referrals for Criminal Regulatory Offenses

On July 29, 2025, the FTC published guidance in the Federal Register on the factors it will consider when deciding whether to refer alleged violations of criminal regulatory offenses to the U.S. Department of Justice for prosecution. Executive Order 14294, called "Fighting Overcriminalization of Federal Regulations," directed each agency to publish guidance describing its plan to address criminally liable regulatory offenses within 45 days. The FTC will consider several factors when deciding whether to refer an alleged regulatory violation to the DOJ for criminal prosecution, including in summary: (a) the harm or risk of harm caused; (b) the resulting potential gain; (c) whether the accused had specialized knowledge, expertise, or was licensed in an industry related to the rule or regulation at issue; and (d) any evidence of general awareness of the unlawfulness of the conduct knowledge of the regulation at issue.

Bite 10: FTC Awarded Grant to Upgrade Data Processing

On July 28, 2025, the Federal Trade Commission announced that it received a \$14.6 million Technology Modernization Fund (or "TMF") grant that will enable the FTC to enhance its in-house data processing capabilities and improve the way it analyzes data used in its investigations, saving both time and money. The FTC said that the grant will help it "meet President Trump's goal to make government more efficient and cost effective by improving the agency's ability to monitor and identify fraud and anti-competitive conduct." The FTC will use the grant to develop a comprehensive cloud-based analytics platform that leverages AI tools and train staff to handle complex

data analysis in-house. The FTC also said that this grant will help reduce the amount of time it takes to sift through data from weeks to hours, thus saving millions of dollars by reducing the FTC's reliance on more costly outside contractors.

Bite 9: CFPB Sued over Dismantling Section 1071 Rule

On July 23, 2025, media outlets reported that a group of consumer-aligned advocacy groups sued the CFPB, alleging that it illegally dismantled its data-collection rule. The lawsuit claims that the CFPB and acting director Vought of "unlawfully withholding and unreasonably delaying" implementation of the Section 1071 rule. The rule was finalized under the Biden Administration and became the target of multiple industry lawsuits. The lawsuits argued that the amount of data required from lenders is too burdensome. Last month, the CFPB extended its compliance deadlines by another year, making the earliest compliance date July 2026. The new lawsuit criticized the CFPB's compliance date postponement for being adopted without notice and comment. The lawsuit asks for a court decision that would vacate the recent postponement and require the agency to begin collecting data from lenders.

Bite 8: CFPB Announces Accelerated Rulemaking for Personal Financial Data Rights Rule

On July 29, 2025, media outlets reported that the CFPB filed two documents in the ongoing litigation over its Personal Financial Data Rights Rule ("PFDR Rule") that it released October 2024. The documents noted that within the next three weeks, the CFPB plans to issue an advanced notice of proposed rulemaking to reconsider its PFDR Rule. The CFPB plans to use the rulemaking "with a view to substantially revising it and proposing a robust justification." The CFPB wrote in its motion that it seeks to comprehensively reexamine the PFDR Rule "alongside the stakeholders and broader public to come up with a well-reasoned approach to these complex issues that aligns with the policy preferences of new leadership and addresses the defects" in the initial PFDR Rule. The CFPB requested the court put the ongoing litigation on hold and extend all briefing deadlines until after it completes the new rulemaking process. On May 23, 2025, the CFPB filed a notice in the ongoing litigation, indicating that CFPB leadership has determined that the final rule "is unlawful and should be set aside."

Bite 7: Judge Reinstates FTC Commissioner Slaughter

On July 17, 2025, a judge for the U.S. District Court for the District of Columbia ruled that FTC Commissioner Slaughter must be reinstated, after President Trump fired Commissioner Slaughter back in March. The ruling applied a 90-year-old Supreme Court decision, *Humphrey's Executor v. United States*, and held that the FTC commissioners are protected from removal by the president except for cause. According to the decision, the "law on the removal of FTC Commissioners is clear," Commissioner Slaughter "remains a rightful member of the Federal Trade Commission until the expiration of her Senate-confirmed term on September 25, 2029." According to the ruling, FTC Chairman Ferguson and other commission officials are barred from "removing Ms. Slaughter from her lawful position as an FTC Commissioner or otherwise interfering with Ms. Slaughter's right to perform her lawful duties as an FTC Commissioner until the expiration of her

term or unless she is lawfully removed by the President for 'inefficiency, neglect of duty, or malfeasance in office.'" Former Commissioner Bedoya had also sued for reinstatement; however, Bedoya's claims were dismissed as moot since he had resigned to seek employment elsewhere. The same day that the court issued the ruling, the Trump Administration filed an appeal. On July 22, the U.S. Circuit Court of Appeals for D.C. issued an administrative stay in the case.

Bite 6: Appeals Court Allows CFPB Layoffs to Proceed

On August 15, 2025, media outlets reported that the U.S. Court of Appeals for the District of Columbia Circuit issued a 2-1 ruling that allows the Trump administration to proceed with plans to fire most of the CFPB's employees. The appeals court vacated the district court's preliminary injunction that required the CFPB to reinstate all terminated probationary and term employees, refrain from any work stoppage, and rescind contract terminations. The majority held that "the district court lacked jurisdiction to consider the claims predicated on loss of employment, which must proceed through the specialized-review scheme established in the Civil Service Reform Act." The appellate panel ruled that Acting Director Vought's effort to fire up to 90% of the CFPB's staff did not constitute final agency action, and therefore, was not reviewable by the courts under the Administrative Procedure Act. The union has seven days to petition for a rehearing *en banc* to the full D.C. Circuit, which would effectively stay any mass firings.

Bite 5: NY AG Takes Action over Peer-to-Peer Company

On August 13, 2025, the New York Attorney General filed a lawsuit against the parent company of a peer-to-peer payments platform. The parent company is a financial technology company that is owned and controlled by a group of large national banks. The lawsuit alleged that the app's focus on fast and irreversible transfers left consumers susceptible to fraud and allegedly has allowed scammers to obtain over \$1 billion in user funds from 2017 through 2023. The New York Attorney General alleged that the company rushed to get the platform to market, failed to implement safeguards, and failed to take action to stop fraud on the platform. The lawsuit further alleged that the company lacked safeguards to prevent scammers from using misleading email addresses, such as those associated with trusted businesses or government entities. The CFPB filed a similar lawsuit in December of 2024 but dropped the lawsuit in March of 2025. The New York AG is seeking restitution and damages for affected New Yorkers, as well as a court order for the company to implement and maintain anti-fraud measures.

Bite 4: FTC Takes Action Against Debt Relief Scheme

On July 14, 2025 a federal court granted the FTC's motion for a temporary restraining order and asset freeze for an alleged debt relief services scheme. The FTC's complaint alleged that seven companies and three individuals operated a program that falsely claimed to reduce consumers' debt by 75% or more. The complaint also alleged that the defendants posed as banks and credit bureaus and targeted older Americans and veterans. The complaint further alleged that the defendants received approximately \$100 million from consumers and sought monetary relief. According to the complaint, the defendants collected illegal advance fees from consumers and violated the FTC's Do

Not Call requirements by soliciting debt relief services through both inbound and outbound telemarketing. The complaint asserts causes of actions for violations of the FTC Act, the Telemarketing Sales Rule, the Impersonation Rule (a rule that became effective in April 2024), the Fair Credit Reporting Act, and Section 521 of the Gramm-Leach Bliley Act (which prohibits obtaining customer information through false pretenses).

Bite 3: Massachusetts AG Takes Action Against Student Loan Company

On July 10, 2025, the Massachusetts Attorney General reached a settlement with a Delaware-based student loan company over allegations that the company's lending practices violated various consumer protection and fair lending laws. The Massachusetts Attorney General issued an Advisory in April 2024, clarifying that existing state consumer protection laws apply to emerging technology including artificial intelligence (AI). The Massachusetts Attorney General alleged that this student loan company used AI models that could lead to disparate harm to Black, Hispanic, and non-citizen applicants and borrowers. The Massachusetts Attorney General alleged that the company failed to take reasonable measures to mitigate fair lending risks in its underwriting practices, including failing to test its models for disparate impact and training its models on arbitrary, discretionary human decisions. The Massachusetts Attorney General also alleged that the company used a "knockout rule" to automatically deny applications based on immigration status and sent inaccurate adverse action notices that prevented applicants from understanding their own creditworthiness. The settlement agreement requires the company to pay \$2.5 million, implement steps to mitigate risks of unfair lending, and regularly report compliance to the Attorney General.

Bite 2: Ninth Circuit Upholds Summary Judgment in CFPB Case

On August 7, 2025, the Ninth Circuit Court of Appeals upheld summary judgment for the CFPB, Minnesota Attorney General, North Carolina Attorney General, and California Attorney General, in a case involving a student loan debt relief company and its owner. In the 2019 lawsuit, government agencies alleged that companies operated as a common enterprise to deceive thousands of student-loan borrowers from more than \$71 million in illegal fees. In 2023, the district court ruled that the companies violated the law when they charged consumers up to \$1,899 to enroll in transactions that all eligible federal student-loan borrowers could seek for free, through the United States Department of Education. As part of the judgment that the Ninth Circuit upheld, the owner was ordered to pay a monetary judgment of over \$95 million in restitution jointly with his co-defendants and \$148 million in civil penalties.

Bite 1: FTC Takes Action Regarding Subscriptions

On August 12, 2025, the FTC settled a case against an online dating company over alleged unlawful practices related to advertising, cancellation, and billing. The FTC filed a complaint against the company in September 2019, alleging that it deceptively misrepresented free six-month subscriptions to consumers by failing to adequately disclose the conditions to qualify for the free subscription. The FTC alleged that the company induced approximately 2.5 million consumers to sign up for subscriptions and

provided approximately 30,000 free subscriptions to those consumers. The FTC also claimed that the company suspended accounts of paying users who filed billing disputes against the company and did not refund the consumers. The company agreed to settle the allegations and pay \$14 million in redress, to provide simple mechanisms for consumers to cancel their subscriptions and no longer take adverse actions against consumers for billing disputes, among other terms.

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