

## Consumer Financial Services Bites of the Month - July 16, 2025 - "July Morning with the CFPB"

July 31, 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 July 2025 webinar.

### **Bite 18: CFPB Drops Settlement with Credit Union**

On July 2, 2025, media outlets reported that the CFPB dropped its settlement with a credit union over its alleged overdraft fees. Under the consent order, the CFPB had alleged that the credit union overcharged overdraft fees in two ways: (1) charging overdraft fees when the service member had sufficient funds at the point of sale but a negative balance once the purchase was posted to the account, sometimes days later; and (2) charging overdraft fees when the servicemember had a peer-to-peer payment that showed the funds were available, but they didn't post until the next business day due to specific cutoff times. The CFPB settled with the credit union in November 2024, for \$95 million, the largest ever assessed against a credit union. The settlement required the credit union to pay a \$15 million fine and pay \$80 million in refunds to serve members who were charged allegedly charged the overdraft fees.

### **Bite 17: CFPB's Top Fair Lending Official Put on Leave**

The CFPB's assistant director for the Office of Fair Lending and Equal Opportunity was placed on administrative leave late on July 7, 2025. The official had reportedly raised concerns over acting CFPB Director Vought's multiple attempts to fire agency staff and raised concerns about the agency's management of the Home Mortgage Disclosure Act database. In April 2025, President Trump ordered federal agencies to stop using disparate impact analyses in their enforcement work. The CFPB announced in April that it will no longer focus on redlining in its examinations. The CFPB has also moved to vacate or amend several fair lending settlements. Based on an earlier submitted Declaration in the National Treasury Employees Union lawsuit against Acting Director Vought, this official was the only manager in the Office of Fair Lending and Equal Opportunity.

### **Bite 16: CFPB Issues New Policy on Criminal Referrals**

On June 27, the CFPB published a Policy Statement in the Federal Register to describe its plan to address criminally liable regulatory offenses. On May 9, 2025, President Trump issued Executive Order 14294, called *Fighting Overcriminalization in Federal Regulations*,

instructing each agency to publish guidance in the Federal Register describing its plan to address criminally liable regulatory offenses. "Criminal Regulatory Offense" means a "federal regulation that is enforceable by a criminal penalty." The Policy Statement included that the CFPB intends to take the following steps to address criminal regulatory offenses: within 365 days, the CFPB will provide the OMB director with a report of: (1) all criminal regulatory offenses enforceable by the CFPB or the DOJ; and (2) for each criminal regulatory offense, the range of potential criminal penalties for a violation and the applicable *mens rea* standard. The CFPB will consider whether a criminal regulatory offense is included in this report when considering a criminal referral to the DOJ or CFPB's Inspector General. The CFPB will also examine its statutory authority and determine whether there is authority to adopt a background *mens rea* standard for offenses that applies unless a specific regulation states an alternative *mens rea*. In all future notices of proposed rulemaking and final rules, the CFPB will include a statement identifying if the rule or proposed rule is a criminal regulatory offense, the authorizing statute, and *mens rea* requirement for each element with citations.

#### **Bite 15: Fed Inspector General Asked to Investigate CFPB**

On June 26, 2025, the Chairman of the House Committee on Financial Services Subcommittee on Oversight and Investigations sent a letter to the Acting Inspector General for Federal Reserve Board, asking for an investigation into certain CFPB actions under the previous administration. The letter asserted that the "Biden Administration's weaponization of the CFPB and its overreaching regulations extended beyond the scope of the CFPB's mandate and raised serious concerns that legal businesses will continue being targeted based on ideological differences." The request asked for an investigation into: (1) the CFPB's decisions to broaden its authority to include discrimination and expand the meaning of the term "credit" under the Truth in Lending Act; (2) the CFPB's decision to expand the definition of "credit" under the Truth in Lending Act to promulgate their overdraft lending rule; (3) former Director Chopra's coordination with state attorneys general; and (4) the time and costs associated with enforcement actions brought under former Director Chopra as compared to prior directors.

#### **Bite 14: Senate Official Rules on Measures to Defund CFPB**

On June 19, 2025, the Senate Parliamentarian advised that provisions in the "One Big, Beautiful Bill" that zero-ed out the CFPB's funding ran afoul of the Senate's Byrd Rule. The Byrd Rule essentially bars policy matters from being addressed in the budget reconciliation process. The Senate official ruled that the measure to defund the CFPB falls outside the limits of reconciliation. She also ruled that a measure to reduce the Federal Reserve staff salaries fell outside the limits. The measures must either be removed from the bill or altered to comply with the rules of reconciliation. If they were to remain in the bill, then they would have been subject to a 60-vote requirement. On June 27, the Senate Parliamentarian ruled that the measure to cut maximum CFPB funding from 12% of the Federal Reserve's earnings to 6.5% could be approved by a simple majority vote. A measure to eliminate the funding cut failed, and President Trump signed the "One Big, Beautiful Bill" which included the funding reduction on July 4<sup>th</sup>.

#### **Bite 13: CFPB Proposes Changes to Civil Penalty Fund**

On June 18, 2025, the CFPB published a proposed rule to amend how the Consumer Financial Protection Act's Civil Penalty Fund may be used. Under the CFPA, the Civil Penalty Fund can currently be used for payments to victims of activities subject to civil penalties and to the extent that victims can't be located or payments are not practicable. In such a case, the CFPB may use those funds for consumer education and financial literacy programs. The proposed rule would remove references to allocating funds for consumer education and financial literacy programs. In the 12 years since the CFPB's rule re: its interpretation of what kinds of payments to victims are appropriate and the procedures for allocating \$\$ to victims, consumer education and financial literacy programs, the CFPB has allocated approximately \$3.6 billion from the Civil Penalty Fund and only used its discretion to allocate funds to consumer education and financial literacy programs with respect to a single program. From 2013-2016, the CFPB allocated \$28.8 million for that one consumer education and financial literacy program. As to why the CFPB is now proposing this rule? Well, the CFPB now believes that the 2013 Rule provides neither adequate guardrails for the agency's exercise of its discretion nor adequate transparency to the public regarding a potentially significant expenditure. Without guardrails, the CFPB states that it could lead to incentives to bring enforcement actions for the purpose of increasing or enlarging the operational scope of the CFPB.

#### **Bite 12: CFPB Rescinds Procedural Rule on Rulemaking**

On June 18, 2025, the CFPB published a final rule rescinding the CFPB's 2012 rule that specified how the CFPB issues rules and when rules are considered issued. The 2012 rule provided that a CFPB rule is considered issued upon posting the final rule to the CFPB's website when the Office of the Federal Register has not yet made the document available for public inspection or published it in the Federal Register. The CFPB rescinded the rule because it "reconsidered the necessity of deeming a rule to have been issued as of the date the final rule is posted on the CFPB's website, which typically occurs at the time the final rule is transmitted to the Office of the Federal Register but before that office makes the document available for public inspection and publishes it in the Federal Register." According to the CFPB, the concern that gave rise to the 2012 rule is no longer relevant.

#### **Bite 11: CFPB Delays Small Business Lending Rule Compliance**

On June 18, 2025, the CFPB announced that it was delaying compliance for the Small Business Lending Rule for about one year. Back in April 2025, the CFPB announced that it would not prioritize enforcement or supervision related to the rule forecasting possibly rewriting the requirements. This interim final rule included that the compliance dates are being delayed in light of court orders in ongoing litigation. The interim final rule is effective July 18, 2025, and comments must be received on or before then. The interim final rule contains a table on compliance dates with the highest volume lenders moving to a new compliance date of July 1, 2026, moderate volume lenders moving to January 1, 2027, and the smallest volume lenders moving to October 1, 2027.

#### **Bite 10: CFPB Publishes Update to Credit Invisibles Estimate**

On June 23, 2025, the CFPB announced that it had made a technical correction and update to its credit invisibles estimate. Back in 2015, the CFPB released a report that included estimates of the U.S. adult population who, in December 2010, did not have a credit or who had insufficient credit history to have a credit score. The new report indicates that after data corrections, an estimated 5.8% of adults (13.5 million consumers) were credit invisible in December 2010 compared with the earlier estimate of 11% (25.9 million consumers). The estimated share of adults with a scored credit record increased by almost six percentage points, from 81.6% to 87.5% (191.3 million consumers to 225.3 million consumers) between 2010 and 2020. The share of adults with unscored credit records in December 2010 was revised from 7.4% to 12.7%, highlighting the impact of including previously excluded data, such as records with deferred student loans, collections, or closed accounts.

### **Bite 9: CFPB Considers Civil Penalty Fund for Fintech Collapse Victims**

On June 23, it was reported that the CFPB is considering using its civil penalty fund to refund customers who lost money as a result of a fintech's collapse last year. The Silicon Valley fintech connected other fintechs with banks and provided ledgers to track transactions. The company went bankrupt, and the bankruptcy trustee found that up to \$95 million of consumer funds were missing. The CFPB filed a statement of interest in the company's bankruptcy proceeding on June 20, 2025. The statement of interest advocated for the company's Chapter 11 bankruptcy to be converted to Chapter 7 rather than being dismissed. The CFPB is advocating for a Chapter 7 liquidation because it would allow for a more efficient resolution, enable enforcement actions against the estate, and open the door for consumer relief through the civil penalty fund.

### **Bite 8: CFPB Ends Order with Bank over Mortgage Data**

On June 5, 2025, the CFPB terminated another consent order early. The CFPB terminated its consent order with a large bank over allegations that the bank submitted false mortgage data. The bank settled the case with the CFPB in November 2023, and the consent order had a five-year monitoring term. The consent order included a requirement that the bank pay a \$12 million fine. On the CFPB's website where it previously shared the consent order, it provided a notice saying that the Bank has fulfilled its obligations under the order, including paying the civil money penalty. The CFPB terminated the consent order three years early.

### **Bite 7: NY AG Settles Lawsuit with Remittance Provider**

On June 16, 2025, New York Attorney General Letitia James settled a lawsuit against an international money transfer provider. The CFPB and the New York AG sued this company in April 2022, alleging that the company failed to make funds available to its customers on time, failed to efficiently resolve errors, and failed to provide accurate information to its customers. In April 2025, the CFPB withdrew from the lawsuit, leaving just the NY AG in as plaintiff. The NY AG's settlement requires the company to pay a \$250,000 penalty and comply with all relevant consumer protection laws. The settlement provides that the company must provide accurate disclosures and investigate errors in a timely fashion. The New York AG's press release said, the settlement with OAG ensures that the

company "does not escape accountability for its illegal actions impacting New Yorkers, despite CFPB's decision to withdraw from the lawsuit."

#### **Bite 6: CFPB Takes Action Against Pawnbroker**

On July 11, 2025, the CFPB announced a settlement with a pawnbroker and its subsidiaries over allegations that the company violated the Military Lending Act. The CFPB originally filed the lawsuit in November 2021 alleging that the company violated the MLA by entering into pawn transactions with consumers covered under the MLA charging rates that exceeded the MLA's maximum allowable rate of 36%. The CFPB also alleged that the agreements contained arbitration provisions violating the MLA. The CFPB further alleged that these actions violated a 2013 consent order with the CFPB against a predecessor company. The proposed order requires the company to set aside \$5 million for full redress, pay a \$4 million fine to the CFPB's victims relief fund, and come into compliance with the MLA.

#### **Bite 5: FTC Resolves Case with Crypto CEO**

On June 27, 2025, the FTC reached a settlement with a cryptocurrency company's CEO. The FTC filed a complaint against the cryptocurrency company and its CEO back in October 2023, alleging that they falsely promised that the consumer's deposits were FDIC-insured. According to the FTC's complaint, the company's customers lost more than \$1 billion in cryptocurrency when the company failed. The complaint also alleged that when the company failed, it blocked consumers from accessing their assets for over a month. The FTC reached a settlement with the company back in November 2023. The proposed settlement with the CEO requires him to pay \$2.8 million and prohibits him from marketing or selling crypto, among other restrictions.

#### **Bite 4: FTC Takes Action Against UK-Based Payment Processor**

On June 16, 2025, the FTC settled its lawsuit with a UK-based payment processor and its subsidiary over allegations that the company processed payments for deceptive tech-support telemarketers that targeted American consumers. The FTC had alleged that the company and its subsidiary violated the FTC Act, the Telemarketing Sales Rule, and the Restore Online Shoppers' Confidence Act. In 2024, the same company's client paid the FTC \$26 million to settle allegations that it violated the FTC Act and the Telemarketing Sales Rule. The FTC alleged that the company facilitated schemes that allegedly used fake virus alerts and pop-up messages to impersonate familiar brands like Microsoft or McAfee. The FTC also alleged that the company charged consumers for automatically renewing subscriptions without disclosing that consumers would incur recurring charges. The proposed settlement permanently bans the company from engaging in telemarketing or using pop-up messages about computer security and requires the company to pay \$5 million. The proposed settlement also prohibits the company from assisting merchants or engaging in tactics to avoid fraud or risk-monitoring programs established by banks or the card networks.

#### **Bite 3: FTC Takes Action Against International Retail Store**

On June 20, 2025, the FTC settled its lawsuit with an international retail store. The FTC

filed the lawsuit in June 2022, and the lawsuit alleged that the company failed to stop fraud in its money transfer services. The complaint alleged that the company failed to implement effective anti-fraud policies and procedures, failed to properly train its employees, and failed to warn customers about potential fraud-related money transfers. In 2023, the FTC amended the complaint to add in details related to the Telemarketing Sales Rule allegations. A district court dismissed the TSR claim in July 2024. This presented the FTC with a significant hurdle to obtain monetary relief for consumers through the litigation. In November 2024, the 7<sup>th</sup> Circuit granted the company permission to appeal certain rulings. The stipulated order imposes a \$10 million judgment and prevents the company from providing money transfer services without fraud detection.

### **Bite 2: 8th Circuit Vacates FTC's Negative Option Rule**

On July 8, 2025, the U.S. Court of Appeals for the Eighth Circuit issued an opinion vacating the FTC's Negative Option Rule, just days before its effective date. The FTC originally set a compliance date for May 14, 2025, which was pushed back until July 14, 2025. The Eighth Circuit held that procedural deficiencies in the rulemaking process were fatal to the Rule and vacated it entirely. Section 22 of the FTC Act requires the FTC to conduct a separate preliminary analysis for the public review and comment in any case in which the FTC issues a notice of proposed rulemaking and the Rule has an economic impact that is greater than \$100 million. In the NPRM, the FTC explained that it had "preliminarily determined" that the proposed amendments would not surpass the \$100 million threshold. In January and February 2024, the FTC held informal hearing sessions before an ALJ who found that the proposed would have an annual effect that surpassed the \$100 million on the national economy.

### **Bite 1: Texas Court Vacates CFPB's Medical Debt Rule**

On July 11, 2025, a Texas federal judge vacated the CFPB's Medical Debt Rule that was finalized in January. The Medical Debt Rule precluded consumer reporting agencies from including medical-debt information in consumer reports when providing it to creditors for making credit determinations, and forbid creditors from considering medical-debt information when making credit decisions. Two trade groups sued the CFPB arguing that the Rule exceeded the CFPB's authority and violated the Administrative Procedure Act. After the change in administration, the CFPB and the trade associations filed a joint motion for consent judgment in which they agreed that the Rule exceeded the CFPB's authority. The court held that the proposed consent judgment is "fair, adequate, and reasonable" and that the Rule exceeds the CFPB's statutory authority. The judge vacated the Rule in its entirety.

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