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Consumer Financial Protection Bureau Comes to Life in Six Months

Consumer abuses continue; the CFPB's oversight can't come soon enough

Washington, DC – In a scan of market developments in the six months following passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Consumer Federation of America has found financial products and services offered to American families that come complete with unfair and abusive terms and conditions, and some that violate financial laws.

"These financial traps and tricks that consumers have been dealing with since Congress passed financial reform vividly demonstrates the great need for the Consumer Financial Protection Bureau, with its ability to bring transparency to the marketplace and to write and enforce rules," said Travis Plunkett, CFA's Legislative Director. "The CFPB will rein in these practices and ensure that the marketplace provides products and services that are fair and sustainable."

"The scan shows that lenders continue to offer products and services riddled with abusive terms and conditions, and some that are outright illegal," said Susan Weinstock, CFA's Financial Reform Campaign Director. "The CFPB will be up and running on July 21 and that day cannot come soon enough."

CFA will participate in a press call tomorrow to discuss these market developments and the CFPB Progress Report developed by Americans for Financial Reform.

Below is the list of egregious practices and products that have been reported over the past six months and that the CFPB will oversee:

- **Hard-sell marketing of overdraft loans:** As part of new Federal Reserve rules, banks are now required to get consumers' consent prior to enrolling them in overdraft loan programs. Unfortunately, rather than providing clear information on the costs of overdraft loans or about cheaper options, a number of banks sent letters to their customers describing the "dire" circumstances consumers would find themselves in without overdraft "protection." Also, some banks continue to manipulate the order in which they pay debits so that they can increase overdrafts and the fees that consumers must pay. **The CFPB can prohibit payment order manipulation and ensure that banks provide information that allows consumers to make the most appropriate choices when considering whether to opt-in to overdraft loans.**

- **Pre-paid Cards with Ridiculous Fees and Missing Protections:** The Kardashian Kard that debuted in November was riddled with fees - $9.95 to own the card, $7.95 monthly payment, $1.50 fee to add funds, and fees for services like customer service phone calls, ATM withdrawals, and card cancellation. Less than one month after launching, it was pulled from the market following the bad publicity it generated and inquiries from Connecticut Attorney General Richard Blumenthal. **The CFPB can ensure that card issuers do not lure consumers into accepting cards that look cheap but are riddled with unjustifiable fees and that prepaid cards are covered by the same consumer protections that apply to bank account debit cards.**

- **Robo-signing foreclosure scandal:** To speed up foreclosures, mortgage servicing companies hired "robo-signers" to sign off on thousands of foreclosure documents every day, without ever checking on the legitimacy of the foreclosure, as they are required by law to do. **The CFPB can write and enforce rules to ensure that mortgage servicing companies follow legal procedures when foreclosing on a home.**

- **Subprime credit cards with high fees and interest rates:** According to the credit-card comparison site, CardHub.com, the number of credit card solicitations sent to subprime borrowers (those with FICO credit scores between 620 and 660) has increased by up to 300 percent since June. The average interest rate on these cards is about 20 percent. Nearly all of these cards come with an average annual fee of $39 according to CardHub.com. **The CFPB can ensure that issuers do not exceed allowable federal limits on subprime card fees and provide transparency in the marketplace so that consumers know what they are getting into when they get a card offer like this.**

- **Wrongful foreclosures on our troops:** J.P. Morgan Chase disclosed that they have foreclosed on 14 active-duty military families and overcharged 4,000 others in wrongful fees or improper interest rates. Yet under the Service Members Civil Relief Act, the interest rate for many active-duty military families cannot exceed 6 percent, and active duty service members are not subject to home foreclosure. **The CFPB's oversight of bank lending practices can stop these practices in their tracks.**

- **Internet Payday lending:** Internet payday lenders are marketing loans online at rates and terms that mire cash-strapped consumers in repeat borrowing at extremely high rates. Finance charges are in the $25 (650% APR) to $30 (780% APR) per $100 borrowed range, with built-in loan flipping in many contracts. Internet payday lenders bypass state usury laws and consumer protections by locating in lax regulatory states and making loans without complying with licensing requirements or state protections in the borrower's home state. Electronic payday loans exploit a loophole in federal consumer protections that must be closed to safeguard borrowers' bank accounts. **The CFPB can provide much-needed federal oversight of these lenders and work with states to ensure that lenders do not try to skirt state laws.**

The Consumer Federation of America is an association of nearly 300 nonprofit consumer organizations that was established in 1968 to advance the consumer interest through research, advocacy, and education.

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