Prepared Remarks of Richard Cordray
Director of the Consumer Financial Protection Bureau

Greenlining Institute's Economic Summit

San Francisco, Calif.
April 4, 2014

Thank you, José, for those kind words and for all the work you are doing for Bay Area residents, which is being noted across the country. Thank you as well to Orson and the Greenlining board, staff, coalition, and academy for having me here today. You are highly respected by me and by my colleagues at the Consumer Financial Protection Bureau for your strong advocacy and keen understanding of the circumstances of the most vulnerable among us.

We appreciate the important role that Greenlining played in urging the creation of the CFPB. We also know how hard Greenlining pushed for authorizing the Offices of Minority and Women Inclusion in the federal financial regulatory agencies. Orson and I have discussed our joint interest in making sure we achieve full implementation of these mandates, and I have also had the opportunity to get input from leading members of Congress on these issues. As a result, we have recently changed our internal structure to elevate the role of our OMWI in addressing issues of diversity and inclusion throughout the Bureau.

Let me also reaffirm that we share your commitment to ensuring that all communities can access safe and affordable credit. And we appreciate your work to close the racial wealth gap, expand the American dream of homeownership, strengthen access to capital for minority- and women-owned businesses, shed sunlight on discriminatory lending practices, and foster a growing number of diverse policy leaders.

Maya Angelou once said that "in diversity there is beauty and there is strength." I believe that statement applies not only to individuals and to organizations, but also to the entire consumer financial marketplace. We learn more all the time about why diversity is the right thing to do, how it creates a more productive mix of people and makes the best business sense. We look to Greenlining as an inspiration in this realm. I have read your Racial Equity Framework with great interest. It touches on areas where we are working diligently to effectuate change.

We have also been doing some hard thinking about how we can better achieve diversity and inclusion within our own workplace, and we appreciate Greenlining's insights toward this end. We understand diversity as a core principle and a way of being, rather than just a series of occasional check-the-box exercises. We have set high standards for ourselves and our work, as reflected in our high levels of diversity in hiring and contracting. But meeting these standards across the board requires commitment at the highest levels, and that must begin with me as the head of the agency.

Increasingly, we are focused on achieving diversity and inclusion not only in hiring and contracting, but also in matters of our culture and the career development of our colleagues. Issues have arisen within the Bureau that bring these considerations into sharp relief, and we are determined to address them appropriately to make sure our own employees are being treated fairly, just as we insist that financial institutions must treat consumers fairly. Quite simply, we cannot afford sameness and groupthink. We are standing up for all Americans in the consumer financial marketplace, and we need to understand the broad and varying outlook of those we serve. Diverse backgrounds, perspectives, and experiences are important assets in carrying out our mission. Our immediate goal is to create a workplace where we can, individually and collectively, do our best work to improve the lives of consumers across this country.

At the Consumer Bureau, we embrace a vision of a market that works for consumers and for responsible providers alike. But we have observed some obstacles that stand between us and our vision for the marketplace – obstacles that we refer to as "the four Ds." They are certainly problems that you see all too often: deceptive marketing, debt traps, dead end markets, and discrimination. Those are the four Ds that we are working hard to address.

***

Deceptive practices are undeniably a problem in many markets. Deception creates an uneven playing field for consumers. People cannot make sound financial choices if they are given false or inaccurate information. We faced an epidemic of false or misleading information in the lead-up to the financial crisis. Some lenders withheld important information, while others blatantly deceived consumers. As a result, too many homebuyers ended up with complicated mortgage products that could not be made to work, products that they often did not understand. These products were doomed to fail, and chances are that if consumers had known better, they would have avoided them. We now hear these stories from people all the time – stories filled with personal tragedy and lasting regret.

So one of our signature projects at the Consumer Bureau has been our "Know Before You Owe" effort to make information more understandable and more accessible. In the field of student loans, this takes the form of our "Paying for College," a set of tools available on our website to help parents and students walk through the issues involved in financing higher education, including comparing costs of different college offers and being able to project your monthly payments down the road. In the mortgage market, we have engaged in exhaustive consumer testing to develop new forms that people can understand and rely on.

But cleaning up deception in the marketplace also requires tough action, so we have adopted a number of substantive new mortgage regulations to protect consumers in this multi-trillion-dollar market. Those rules ban no-doc loans that allowed many transactions to be based on falsified or incomplete borrower information, and they ban misleading mortgages that are underwritten over teaser rates rather than the actual cost over the entire life of the loan. We also have taken on credit card companies that misled consumers with deceptive sales pitches about add-on products. Through enforcement actions, we have obtained hundreds of millions of dollars in refunds for many millions of consumers. Several of the largest credit card companies misled consumers and caused them to pay for services they did not get or for products they could not use. In some instances, subprime consumers were targeted, so the very people with the least money to spend were the ones getting the worst deals.

Our enforcement actions against deceptive practices have been numerous and varied. We have gone after payday lenders and debt collectors. We have gone after companies that claim to provide mortgage relief and debt-settlement services, but really just take people's money and leave them worse off. We have secured court orders, imposed penalties, frozen assets, and shut down fraudulent operations – with more on the way. We want those who cynically exploit consumers by using deceptive tactics to know that if they do so, they will pay the price.

***

A second major problem, which we know you see all the time, is the debt traps that cause people to get stuck in a downward spiral that deeply undermines their personal finances. Products marketed as short-term solutions to immediate needs can be risky for consumers. People in a tough situation with nowhere else to turn may think their only option is to use such products. But after they get trapped in a high-cost loan, the fees alone can eat up all the money they can afford to repay. As a result, they often end up borrowing again and again.

Payday lending is one area we see as a potential debt trap for consumers. We issued a report last spring which found that payday loans put many consumers at risk of turning what is supposed to be a short-term, emergency loan into a long-term, expensive debt burden. And just last week we published a follow-up report which found that more than 80 percent of payday loans are rolled over or renewed within two weeks. On top of that, more than half of all payday loans are made to people who are stuck in cycles of seven or more loans, which means the fees they pay have generally exceeded the entire amount of the original loan. Although we recognize that small-dollar loans can be helpful to consumers if they are used responsibly, we must make sure that consumers who can afford to take on and repay such debt can get the credit they need without jeopardizing or undermining their finances.

We are the first federal agency to supervise payday lenders and be in position to ensure that they are complying with federal consumer financial law. In November, we took our first enforcement action against a payday lender. We found that Cash America, one of the largest short-term, small-dollar lenders in the country, was robo-signing court documents in debt collection lawsuits and that it was illegally overcharging servicemembers and their families. We ordered Cash America to refund $14 million to consumers and put a halt to these practices. We also levied a $5 million penalty for interfering with our examination by destroying documents before we came. We are now in the late stages of our considerations about how we can formulate new rules to bring much needed reforms to the market for small-dollar loans.

***

The third D that we are addressing refers to markets that create frustrating and damaging "dead ends" for consumers. These problems are characteristic of markets where consumers cannot exert their influence by "voting with their feet" – markets like debt collection, loan servicing, and credit reporting. In these markets, consumers typically cannot choose the company they work with, and when problems arise they often cannot get answers, leaving them frustrated with nowhere to turn. When we see such problems, it is our job to make sure that consumers are treated fairly.

The best estimates are that 30 million Americans – one in seven consumers – came out of the financial crisis with one or more debts in collection, for amounts that now average $1,500 per person. Collection of consumer debts serves an important role in the proper functioning of credit markets. But certain debt collection practices have long been a source of frustration for many consumers, generating a heavy volume of complaints at all levels of government. Our consumer response team has received over 30,000 complaints about debt collection practices just since last July, and the volume continues to grow.

So we are taking action to remedy bad practices in the market. In December, we filed a lawsuit against CashCall, an online loan servicer. We believe that they violated federal law by seeking to collect on loans that were void or otherwise uncollectable because they violated state caps on interest rates or state licensing requirements. And in November we signaled that we are going to take a comprehensive look at the regulations that apply to this industry when we published an Advance Notice of Proposed Rulemaking asking consumers for feedback about their experiences with debt collections and asking the industry for information about their practices. We will take the appropriate steps to ensure that collectors are seeking to recover debts from the right person in the right amount. One of our particular concerns is how the accuracy of account information can degrade as it is passed on from the original creditor to debt collection firms and sometimes to multiple rounds of debt buyers.

We are also concerned about how sloppy practices by loan servicers can harm consumers. We know servicers play a critical role in the mortgage market. They collect and apply payments to loans. They work out modifications to loan terms. And they handle the difficult foreclosure process. As a result, their effects on borrowers and communities can be profound. So, much like in debt collection, we are working to root out illegal practices that harm consumers.

We worked hard to put in place new mortgage servicing rules that took effect in January – rules that are designed to prevent servicers from giving consumers the runaround, as they have done for years. And we will back these rules with the supervision and enforcement authorities that Congress conferred on us. In fact, we have already taken enforcement action in this area: along with 49 state banking agencies and Attorneys General, we ordered Ocwen, the nation's largest nonbank mortgage servicer, to compensate consumers for years of systemic and significant servicing errors. Ocwen must refund $125 million to people who already lost their homes and provide $2 billion in relief to underwater homeowners who are in danger of losing their homes.

In addition, we have taken the necessary steps to begin supervising some of the largest student loan servicers in the country. This market, too, is home to many practices that are not up to proper standards, and many people groaning under severe student loan burdens are poorly served in ways that only magnify their problems. And in the credit reporting industry, we have been exercising our supervisory authority to improve practices that will better ensure the accuracy of information contained in people's credit reports and their ability to get errors corrected. These markets are affecting people's lives, often in profound ways, and we are committed to making sure that consumers are treated fairly even where they regularly encounter dead ends because they are unable to exercise the ultimate control of voluntary consumer choice among providers.

***

The fourth D we are taking on is perhaps the most damaging of them all – discrimination. The greatest challenges some consumers face do not come from deceptive materials, debt traps, or the structures of markets, but rather are rooted in something much more basic – unlawful treatment based on prohibited characteristics like race or national origin.

We agree with Greenlining – and Justice Brandeis – that "sunlight can be the best disinfectant and the electric light the best policeman." Public disclosure of information can be one of the best tools to address discrimination in lending. And so we are taking steps to expand transparency about people's access to credit in the mortgage market through potential changes to information reported under the Home Mortgage Disclosure Act, known as HMDA. It will help the public know more about how lenders are serving their communities, and we will be better able to identify possible discriminatory lending patterns. And as we make this information more accessible to the public, through new tools like the HMDA technology we unveiled just recently, we enable others to help us determine what the information shows and fashion better public policy.

At the end of last year, we identified discriminatory patterns in auto lending. In partnership with the Department of Justice, we ordered Ally, one of the top indirect auto lenders, to pay $98 million to address discrimination against more than 235,000 minority consumers caused by a discretionary pricing system that lacked effective monitoring and controls. This was the largest auto loan discrimination case in U.S. history, and it indicates our joint resolve on the issue.

We also took action against National City Bank, which had charged higher prices on mortgage loans to African-American and Hispanic borrowers. Through this action, we obtained $35 million in consumer refunds. We will continue to keep a close eye on the consumer financial markets to ensure that people are not subject to illegal disparities on the basis of race or other protected categories – whether intentional or not.

***

As we look to rid the marketplace of these four Ds and promote responsible business practices, we also want to help consumers protect themselves. We want consumers to be able to avoid problems in the first place and to know what they can do when they experience a problem. So we have been developing a number of tools to help.

We urge you to let people know that anyone who believes they have been mistreated can file a complaint about consumer financial products or services, including mortgages, credit cards, student loans, auto loans, bank accounts, credit reporting, debt collection, payday loans, and more. They can do so on our website at consumerfinance.gov or by calling 855-411-CFPB, where they can receive assistance in many different languages. It is quite an easy and fast process, and more than 300,000 people have done it so far. In appropriate cases, we are able to get people some monetary relief; in other cases, they may get an error fixed on their credit report or relief from harassing debt collectors. Bringing us these complaints helps us see the pattern of what consumers are telling us, in real time, all over the country, which is very valuable to our work.

Also on our website, consumers can tell their stories – either positive or negative – about a consumer financial product or service. They can find over a thousand answers to frequently asked questions about consumer finance, through a feature called "Ask CFPB." They can view our Spanish language website, analyze our public database of complaints, learn how to prevent elder financial exploitation, find financial protection resources for servicemembers, see new remittance rights, and more. All of this is available on our website, www.consumerfinance.gov.

So we are using every one of our tools to build a fairer marketplace characterized by responsible business practices. Your engagement with us helps improve our work to protect consumers. So thank you again for having me here, and for all you do. And let me close by quoting President Theodore Roosevelt, who ushered in the progressive movement and said something we all should take to heart: "More and more it seems to me that about the best thing in life is to have a piece of work worth doing and then to do it well." Much remains to be done before we can say that of ourselves, but together we can dedicate our efforts to that worthy aspiration.

###