Consumer Financial Protection Bureau

Director Kraninger's Remarks for the Release of the Taskforce on Federal Consumer Financial Law's Report and Recommendations

JAN 05, 2021

Thank you, Andrew. It's a pleasure to be with you all today to discuss the Taskforce on Federal Consumer Financial Law's report and recommendations on improving consumer protection.

I want to personally acknowledge and thank the members of the Taskforce for their herculean effort in timely producing this report. The Taskforce consists of five members who possess more than a combined 150 years of experience in the consumer protection, economic, and legal fields. The members of the Taskforce are Dr. Howard Beales, Dr. Thomas Durkin, Jean Noonan, William MacLeod, and Todd Zywicki, the Taskforce's chair.

Second, I want to acknowledge the individuals that participated in the Taskforce's March 2020 listening session, as well as those who submitted comments in response to the Taskforce's Request for Information. I know the Taskforce took extensive public input, including by surveying relevant, publicly available research and stakeholder information. Lastly, I want to thank the dedicated Bureau staff who supported, met with, and provided insight to the Taskforce.

Today, I will go over the mission and purpose of the Taskforce along with some of the Taskforce's key recommendations and how we can utilize these recommendations moving forward.

In October 2019, the Bureau announced its intent to form a Taskforce focused on harmonizing and modernizing federal consumer financial laws. We were, in part, inspired by the 1968 National Commission on Consumer Finance (NCCF), which had an extensive impact on credit regulation through its thoughtful recommendations. In the 50 years since the NCCF's report, we have seen the rise of the internet age. The internet has transformed the financial industry, including its offering of products and services, as well as how it interacts with consumers. It was high time for the Bureau to assess the impact of that dramatic evolution on consumer financial laws and regulations.

As government regulators, we need to ensure how we regulate and supervise the financial industry keeps up with technological advances. Accordingly, we established the Taskforce to identify regulatory gaps and identify regulations that need simplification or

modernization. Closing gaps, along with simplifying and modernizing regulations, ensures we can most effectively carry out our mission of empowering, supporting, and protecting consumers.

The Taskforce was officially chartered in January 2020, and its five members began their daunting task of taking a fresh look at consumer financial laws and regulations, gathering evidence, and forming recommendations to improve and strengthen the regulatory system. Their report takes a holistic approach to the consumer finance regulatory framework with the interests of the consumer at its core. The Taskforce's recommendations span spurring innovation, increasing competition, expanding access to credit, reducing friction in financial markets, effectively enforcing the law, and empowering consumers.

The report consists of approximately 100 recommendations, which, like the 1968 commission, we hope are given great weight by policymakers in considering how to improve consumer financial law. The recommendations are made to the Bureau, Congress, and state and federal regulators.

As I read the Taskforce's report, I was struck by how many of the recommendations' themes the Bureau already practices. We are committed to providing financial institutions with smart regulations and regulatory certainty as well as fostering responsible innovation within the financial sector. We know that when you have smart regulations and an innovative marketplace, there is more competition, which means more affordable products and services for consumers. Just this past October, the Bureau's Technology & Innovation Office, Office of Fair Lending and Equal Opportunity, and Office of Innovation hosted a Tech Sprint. The Tech Sprint brought together multi-stakeholder, interdisciplinary teams that were focused on improving adverse action notice disclosures. Improving these disclosures can help educate consumers and thereby increase their chances for accessing future credit, as well as support financial institutions in determining the barriers consumers face when trying to access credit. The technological innovations proposed during the Tech Sprint will better inform the Bureau as to how to improve these disclosures. Having said that, I know there is more we can do, and I expect the report's recommendations will help us broaden and sharpen our approaches to innovation. In one recommendation to the Bureau, the Taskforce suggests the Bureau increase its capabilities for researching competition issues – I agree. That is one area where the Bureau needs to further mature, as analyzing the competitive impacts of proposed actions will better support the Bureau's understanding of how those actions will affect consumers.

The report's recommendations also discuss promoting financial inclusion through access to products and services offered in the financial markets. One area that the Taskforce focuses on is bringing limited English proficiency consumers into the financial marketplace – specifically recommending the Bureau develop a foreign language disclosure scheme allowing institutions to reach out to LEP consumers in their preferred language without necessarily having to maintain a full-service foreign language infrastructure. Financial services providers want to be able to take steps to offer LEP consumers products and

services, but they are often wary of running afoul of regulations. The Bureau will soon be taking a step in this direction by issuing guidance.

In discussing these issues, I would be remiss if I did not reference the Bureau's recent Request for Information on enforcing the law that is on point here – the Equal Credit Opportunity Act. We raised several issues related to ECOA that would ensure enforcement of an important law to prohibit lending discrimination while also promoting financial inclusion. So, in addition to carefully reviewing the Taskforce's recommendations, we are also excited to consider the RFI comments to determine what further steps we can take to reduce friction in financial markets while protecting consumers.

The Taskforce also endorsed the Bureau's focus on prevention of consumer harm but noted several ways we can further that goal in the use of our tools, particularly supervision and enforcement. While emphasizing the Bureau should not engage in regulation by enforcement, the Taskforce proposed we issue a policy statement on the concept of consumer harm and on determination of appropriate consumer restitution and civil penalties in matters that would reflect optimal redress and deterrence. It also endorsed issuance of Enforcement Highlights and a civil penalty matrix, and while these must be done thoughtfully, the Bureau should pursue both of those ideas.

As you will all see as you dig into this detailed report, the Bureau, along with other governmental bodies, will be able to use the Taskforce's recommendations to modernize the framework of consumer financial law and regulation. However, as the earlier examples highlight, the Bureau is already committed to many of the recommended ideas presented in the report. As such, these recommendations will not require us to build a new path forward, but they will help to better define and illuminate our current path.

I want to thank everyone for joining us today. I also want to reiterate my thanks to Todd and all the members of the Taskforce. Their efforts over this past year, along with all the Bureau's associated efforts, will ensure we are best equipped to protect consumers by maintaining a fair, competitive, and transparent financial marketplace. Thank you.

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