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Prepared Remarks of CFPB Director Richard Cordray at the Americans for Financial Reform Event on CFPB Anniversary

BY RICHARD CORDRAY

Thank you Ed for that kind introduction, and for all you do on behalf of consumers through your roles with the Public Interest Research Group and Americans for Financial Reform. I also want to thank the entire AFR coalition, as well as PIRG, the Consumer Federation of America, the Leadership Conference on Civil and Human Rights, Public Citizen, and the National Consumer Law Center for co-hosting this event. I am aware that Erin Kilroy played a key role in organizing today's event, so thank you Erin. And I am especially pleased to be here at SEIU, which works so hard to put money in people's pockets, whereas we at the Consumer Bureau work just as hard to protect them so their money can stay in their pockets until they are ready to spend it.

On behalf of the entire Consumer Financial Protection Bureau, I appreciate the invitation to celebrate our birthday with you. It is impossible to keep from smiling to see so many of our friends in the room. We know very well how involved many of you were in the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the creation of the Consumer Bureau. While she could not be here with us today, I especially want to recognize Lisa Donner for her efforts to lead such a large, diverse coalition of stakeholders both then and now – one that consistently encourages the Bureau to fulfill both the spirit and the mandate of Congress through the Dodd-Frank Act.

So let me take just a moment and comment on what is the foundation of our close friendship. Some of it is just the deep bond you build from sticking it out with each other through thick and thin. We have certainly done that. Some of it reflects the experience of being sharpened on the whetstone together, and finding that each of us is tried and true. But I like to think that the core of our friendship stems from striving always to think together, carefully and honestly, about what steps we can take to help improve the everyday lives of consumers, who struggle mightily with issues of household finances. To adapt a phrase from Abraham Lincoln, we must continue our work in the financial marketplace to see not that might makes right, but that right makes might.

The basic premise of the unfettered free market is that the discipline of the market is sufficient to assure that consumers are treated fairly. Having lived through the financial crisis, we cannot easily accept that approach as the be-all and the end-all. We do care deeply about how things come out for consumers, and we have seen that they do not always come out well. And when the economy goes off the rails, the damage done to people's lives can be severe and lasting. Many people are simply victims of circumstance, such as young people who graduated from college at the wrong time into a busted economy or families whose homes ended up deeply underwater because of foreclosures down the street.

So we have hard and important work to do. At the same time, we include you among our true friends because you give us your honest perspective on what we are doing and how we are doing it. And that is so immensely valuable to us. There has been a debate of long standing over Stephen Decatur's famous statement, "My country, right or wrong." If we tried to prevail upon you to have such blind faith in us – this agency, right or wrong – I do not think you would or should do so. Instead I think we would finally agree on the more noble formulation by Senator Carl Schurz, who restated the point a half-century later as follows: "My country right or wrong; if right, to be kept right; if wrong, to be set right." That is the path that you and we have chosen for ourselves, and it is a happy path for us to travel together.

So much, then, for philosophy. Next week marks five years since passage of the Dodd-Frank Act and four years since the Consumer Bureau opened its doors. As you well know, and with quite a bit of input from many of you in this room, Congress created this agency in response to the financial crisis with the purpose and sole focus of protecting consumers in the financial marketplace. We understand our responsibility to stand on the side of consumers and ensure they are treated fairly. Through fair rules, consistent oversight, appropriate enforcement of the law, and broad-based consumer engagement, the Consumer Bureau is working to restore people's trust and confidence in the markets they use for everyday financial products and services.

In a very short time, we have done new and important work. We have begun to supervise markets that have never had direct supervision at the federal level, including student loan servicing, credit reporting, and debt collection. We have also written mortgage origination rules to help ensure that consumers can afford to repay their loans without being set up to fail and mortgage servicing rules that help end surprises and runarounds for consumers who have bought a home. We have written rules to provide new consumer protections for remittance transfers, and we are working on rules that would provide new consumer protections for prepaid cards and prepaid accounts, as well as payday loans, debt collection, and arbitration agreements. We are providing expanded access to

financial education in the classroom, in the workplace, in libraries, in social service agencies, for servicemembers and veterans, for older Americans, for the many underserved consumers, and for all consumers generally.

To date, the Bureau's enforcement activity has secured more than \$10 billion in relief for more than 17 million consumers. In the past year alone, we have rounded up key partners to join us in this work and achieve more together than any of us could have achieved by ourselves. For example, together with the Office of the Comptroller of the Currency and 47 state attorneys general, we just took action against J.P. Morgan Chase to overhaul its debt collection and debt sales practices and provide debt relief to more than half a million consumers. We recently worked with the Department of Education to obtain \$480 million in debt relief to student loan borrowers who were wronged by Corinthian Colleges, a for-profit chain of colleges that allegedly violated the law and has since declared bankruptcy. And we joined the FCC and several states to take action against Verizon and Sprint, which resulted in more than \$100 million in consumer redress and new systemic changes to prevent mobile cramming of unexpected and unjustified charges onto consumer cellphone bills.

Let me focus more specifically, however, on another key element of our work. When the Consumer Bureau opened its doors, one of the first things we did was begin to accept consumer complaints. Hearing directly from consumers in their own words about their problems with financial products and services is fundamental to our mission. It gives us a true compass, in real time, about the issues and problems that individual consumers find themselves dealing with in their financial lives. It has, in fact, turned out to be foundational to all our work.

In our first month, we handled fewer than a thousand credit card complaints. Since then, we have expanded our menu to all manner of complaints about financial products and services, including mortgages, credit cards, auto loans, student loans, deposit accounts, debt collection, credit reporting, payday loans, consumer loans, and more. As of this month, we have now handled over 650,000 consumer complaints. From this wealth of information, we have identified, categorized, analyzed, and synthesized what we have heard. We have quantified how many of these complaints involve mortgages or credit cards or debt collection and the specific types of complaints that consumers have about these and other products. We have tracked the timeframes for company responses. And we have specified how many complaints involve different kinds of relief.

Since June 2012, we have built a consumer complaint database and shared individual-level complaint data on our website, to educate the public and improve the functioning of the marketplace – a first by any financial regulator at the state or federal level.

To add to the valuable complaint information already available to the public, just a few months ago we started allowing consumers to share their specific account of what happened, in their own words, so that others may read about and better understand their experiences. A consumer who chooses to make her experience public enables more people to exert their power to improve the financial marketplace. So publishing these complaint narratives represents a milestone for consumer empowerment. They are the heart and soul of a consumer complaint.

We will now be adding to that work by inaugurating a new regular monthly feature. Starting today, we will be sharing a summary of our consumer complaints every month. Our new monthly reports will include complaint data on company performance, complaint volume, state and local information, and product trends. The reports provide a high-level snapshot of trends and analyses found in the consumer complaints we receive. They can be used to inform the public, the industry, researchers, reporters, and everyone interested in the financial marketplace.

Notably, these monthly reports will include information about a new category in the lexicon of consumer finance, which we call the “most-complained-about companies.” For example, the three most-complained-about companies in this report are Equifax, Experian, and Bank of America. Keep in mind that these are also some of the largest companies in this arena that deal with many millions of consumers, so the data needs to be viewed in context. In fact, we are working on how we can best try to “normalize” complaint data for size and volume, among other things.

The reports also will have information about whether the volume of complaints are up, down, or unchanged for that particular company from the same time last year. In addition to informing and prioritizing our work at the Bureau, we believe these analyses can help the industry identify specific areas for improvement. Indeed, our database is a very effective source of information for an institution to get a sense of what complaints are being made about their competitors and hence what kinds of problems they can work proactively to prevent or avoid in the same markets. Thus these metrics can help push companies to compete with themselves and with one another to improve their customer service, which will boost their own reputations and foster greater trust in the marketplace.

The monthly reports will also include information about complaint volume and product trends, such as which products are bringing in the most complaints. And finally, the complaint information will be broken down state-by-state, so that state officials, local consumer groups, and others can parse the information to find out what is happening in their part of the country. We also intend to shine a geographic spotlight on the voices

and messages from consumers in a particular area of the country. In this first monthly report, the focus is on Milwaukee, Wisconsin where we recently held a field hearing. This example is also meant to spur people into creating their own localized reports and seeing for themselves what consumers in their own areas are saying about the financial marketplace.

Each monthly report will also spotlight a particular product to provide more in-depth coverage of findings and trends. For this inaugural report, we chose to spotlight debt collection, given the large volume of complaints we continue to handle each month about this product.

Each complaint that people take time to submit to the Consumer Bureau can provide invaluable information and insight. Consumer complaint data is part of our DNA and these complaints play an important role in our supervision of companies, our enforcement actions, our rulemakings, and our engagement with servicemembers, students, the economically vulnerable, and older Americans. Each complaint is a chance for us to evaluate a perceived problem and see if it can be addressed successfully. But more importantly, complaints make all the difference by informing our work and helping us identify and prioritize problems. We know that if we hear about the same problem from fifty consumers, it likely looms larger than if we hear about it only from one or two.

All of these complaints have real people behind them. Each tells us a story about how consumers view their experiences with financial institutions, as they struggle to manage the ways and means of their economic lives. Often consumers ask simply to be treated with fairness, dignity, and respect. And we all know in our hearts that this is exactly what each of us deserves.

For example, being on the hook for a debt you do not owe is stressful and can be scary. If you do not know where to turn, you might feel hopeless. We heard from William, who was receiving calls for a debt he did not owe. William tried to resolve the issue for more than four years, and saw his credit being ruined in the process. He said, “None of them could do anything ... except tell me I had to pay them the \$8,500.” But because he submitted a complaint to us, he was able to end the prolonged standoff in just one week. “Just to have the situation resolved ... that just felt good,” William said. “In a situation for me that was seemingly endless and hopeless, the CFPB helped me to find resolution. It’s a new day.”

Every success of this kind is a thrill for us. One consumer tagged her story about the relief she and her husband got from our handling of a mortgage complaint with the theme from *Mighty Mouse*: “Here They Come, to Save the Day!” We all got a good laugh out of that one, but it was also poignant because apparently it was exactly how she felt.

As our complaint data is made available to the public regularly through these monthly reports, companies will have more incentive to address potential shortcomings in their businesses that are harming consumers. This should encourage companies to improve the overall quality of their products and compete more vigorously over good customer service. We are already seeing this happen. In the credit card market, for example, the JD Power surveys are showing consistent improvement in customer satisfaction with their credit card issuers. There are three reasons for that, in my view: the important reforms made by the CARD Act; the focus that consumers themselves have put on paying down credit card debt; and the changes that companies have made in their customer service.

It is that last point that I would focus on here: how certain companies are demonstrating their ability to “up their game” by consciously improving their customer service to not rush people off the phone. In particular, the use of the “net promoter score” approach to handling complaint calls in the credit card market has done wonders for customer satisfaction and has created more trust and confidence in those financial providers. So that is a sensible and meaningful best practice. I would urge all financial institutions to adopt that same approach across all their product lines, and financially incentivize those who directly handle complaints to focus on and carry out this more productive outlook. At the same time, our approach to consumer complaints can work in tandem to help companies reduce compliance risk, reduce litigation risk, and reduce reputational risk. It can and will help financial institutions attract, retain, and grow their customer base to expand their business in a more consumer-friendly manner.

If we can help spur competition based on consumer satisfaction, this has the potential to improve the functioning, transparency, and efficiency of the financial marketplace. We have seen how PIRG and others are already beginning to “scorecard” companies based on this data, and we want to encourage more of that. You can help us by seeing that these things happen more routinely and consistently for the benefit of consumers.

Everyone comes to understand from their own experiences how issues of consumer finance deeply affect their lives. All the ways we deal with money, and all the ways we may need to borrow money to create opportunities for ourselves – to go to school, to buy a car, to buy a home, to start a business – are fundamental to our chances in life. Student loans, auto loans, mortgages, credit cards, bank accounts, and other financial products can help people achieve their goals. But we have also seen that these products can pose risks that may undermine or even destroy people’s deepest aspirations.

At the Consumer Bureau, we are guided in all our work by our mission statement and our vision statement, which we worked with now-Senator Elizabeth Warren to put

together in our formative early days. We aim to be, and I quote, “a 21st century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives.” Our vision statement, which I also will quote, foresees “a consumer finance marketplace where customers can see prices and risks up front and where they can easily make product comparisons; in which no one can build a business model around unfair, deceptive, or abusive practices; and that works for American consumers, responsible providers, and the economy as a whole.”

These are high standards to live up to, and we know that try as we might we will never manage to live up to them fully. But the aspiration to be better, and to do the right thing as best we can discern it, continues to motivate and inspire us each and every day. Thank you for all of your welcome efforts to help us make it so.

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The Consumer Financial Protection Bureau is a 21st century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. For more information, visit consumerfinance.gov.