Financial

Federal Official Reaches Out to States on Consumer Finance Help

By Charlene Crowell
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Although the Dodd-Frank Financial Reform Act requires regular reporting to Congress by the Consumer Financial Protection Bureau, the still-new agency is actively working to engage other federal and state officials too.

On March 6, CFPB Director Richard Cordray reached out to the nation's state attorneys generals to share the Bureau's recent progress and also request continued collaborations to protect the nation's consumers. In a keynote address before the National Association of Attorneys General, Director Cordray heralded strategic partnerships, special initiatives and shared plans for new areas of action.

"Our goal is straightforward but the responsibility looms large," said Director Cordray. "We are determined to make consumer financial markets work better for all Americans, for the honest businesses that serve them, and for the economy as a whole."

In recognition of the collaborative efforts with state attorneys general in reaching the recently-announced mortgage settlement, Cordray assured officials that mortgage markets will remain an urgent CFPB priority.

In addition, CFPB will soon require mortgage servicers to improve the clarity of billing statements. Servicers will also be required to provide consumers with written, advance notice of interest rate adjustments on hybrid, adjustable-rate mortgages. Currently, as many as 10 million mortgage borrowers are at risk of default and nearly 4 million are more than 90 days delinquent.

Administratively, CFPB is now organized into functional teams across several lending areas for research, supervision and enforcement. In addition to mortgages, these teams will examine credit cards, payday loans, overdraft fees and an emerging consumer issue – debt settlement.

A newly-proposed rule that has yet to take effect will supervise all debt collectors in the United States with more than $10 million in annual receipts resulting from collection activities. Once final, the rule will enable CFPB's supervision team to examine and determine whether debt collectors are complying with the law.

"While debtors need to pay back their creditors," said Cordray, "the methods used by some debt collectors are just unconscionable. Harassment. Inexcusable language and threats. Repeated late-night phone calls ... Some of this activity is downright illegal, and none of it comports with any proper vision of a civilized society."

A December 2011 study by the Better Business Bureau found that consumer complaints on debt collection jumped 17 percent in just one year. Additional findings from the study included:

· Debt buyer-collectors pay pennies on the dollar for billions of dollars in delinquent debts that have been charged off and then try to collect the face amount of the debts.

· Income increased an average of 58 percent in one year for two large debt buyer-collectors.

· After unsuccessful oral or written attempts to collect a debt, collectors have filed suits in courts, often obtaining default judgments, and then garnishing the wages or attaching bank accounts of the debtor.

· The suits are often filed with scanty or false information regarding the debt, and sometimes are backed by affidavits which are robo-signed at the rate of hundreds daily per worker by employees who have no knowledge of the debt.

CFPB intends to work closely with state attorneys general along with the Federal Trade Commission and Department of Justice on debt collection practices.

According to Corday, "Our goal is to help the honest debt collectors do their jobs responsibly and see that the rest are either rehabilitated or run out of business once and for all. Until we do so, we will be failing all those people who are counting on us to change the world for the better – including ourselves."

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