

The Consumer Financial Protection Bureau (CFPB), Recent Developments: June 2, 2014 – June 6, 2014

CFBP Field Hearing on Mobile Financial Services June 12th

The CFPB announced last week that it will hold a field hearing on mobile financial services on June 12th at 10 a.m. CT in New Orleans, Louisiana. “The event will feature remarks from Director Richard Cordray, as well as testimony from consumer groups, industry representatives, and members of the public.” The hearing, which is open to the public, may be streamed live on the CFPB’s blog.¹

CFBP Student Loan Ombudsman Testifies Before U.S. Senate Committee on the Budget

On June 4th, Rohit Chopra, the CFPB’s Student Loan Ombudsman, testified before the U.S. Senate Committee on the Budget on the effect of student loan debt on the economy and potential means to address the issue.² In his testimony, Chopra stated that “the financial crisis...contributed to substantial increases in the amount of student debt owed by Americans who have since graduated from college. Therefore, it is important to focus on – and act to address – the impact of the \$1.2 trillion in student debt already owed by more than 40 million Americans.”

This level of debt, Chopra argued, is having a negative effect on consumer consumption and thus on the economy more broadly. Chopra described this as the “student debt domino effect.” This effect has caused a decline in household formation and first-time home purchases because it is more difficult for people with higher debt burdens to obtain mortgage financing. Similarly, Chopra argued that student debt has had a negative effect on other areas of the economy, such as entrepreneurship and the formation of small businesses, and the ability to save for retirement.

Describing student loan servicers as “the primary point of contact on student loans for more than 40 million Americans,” Chopra identified their “inadequate servicing” as a chief factor contributing to growing student loan debt. He said that the problems with student loan servicing that the CFPB has encountered “bear an uncanny resemblance to the problems faced by struggling homeowners when dealing with their mortgage servicers.” Chopra also said that a servicer’s role is integral to addressing the problems of student loan debt and those servicers should be held more accountable.

Touting the federal student loan modification programs, Chopra advocated for servicers to provide private student loan borrowers with greater options to refinance and restructure their loans. Chopra also voiced his concern about the lack of transparency and market information available on student loans. He suggested that “[b]etter data and transparency will help us to better understand the demographics and professions where borrowers may be experiencing distress, as well as whether lenders and servicers are fairly serving their customers.”

¹ View the field hearing on June 12th [here](#).

² See Chopra’s written testimony [here](#).

Bolstering the case for more regulation of the student loan servicing market, Chopra stated that because student borrowers do not select their loan servicer, “[o]rdinary market forces won’t guarantee reasonable customer service, while potentially magnifying incentives to cut corners.” In fact, the CFPB recently gained authority to supervise non-bank student loan servicers when it finalized a rule defining larger participants in the market. Chopra also recommended in a recent report that Congress consider applying the recent reforms made to servicing in the credit card and mortgage servicing markets to the student loan servicing market.

The Consumer Financial Protection Bureau (CFPB), created by the Dodd-Frank Wall Street Reform and Consumer Protection Act, implements and enforces federal consumer financial law. Greenberg Traurig monitors the CFPB’s activities, including the almost daily movement on multiple industry fronts that the CFPB makes as it redefines consumer finance law. An entirely new system has been and is being created for the consumer financial services industry. Once complete, the question will be, “How does our clients’ business match up?” Our GT CFPB Team regularly observes and analyzes the actions of the CFPB in order to advise clients in best practices, risk management and compliance procedures.

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