

## **CFPB Observer: Recent Developments from July 13-31, 2015**

### **CFPB Launches Monthly Consumer Complaint Snapshot**

On July 16, the CFPB announced the launch of a new consumer complaint report that it will issue on a monthly basis, highlighting recent consumer complaints it has received. Each monthly report will include complaint data on company performance, complaint volume, state and local information, and product trends. The reports will also include a section focusing on a particular product and a particular geographic location. For example, the July report focused on debt collection and on Milwaukee, Wis. While the new monthly report has been criticized, complaints remain an important source of information for financial institutions because they inform the CFPB's work and can help the industry identify areas where the CFPB may focus its supervisory and enforcement activities.

### **CFPB Issues Cautionary Letters to Retail Sellers Regarding Military Allotment Practices**

On July 20, the CFPB sent letters to multiple companies that sell retail goods to military service members cautioning the companies regarding their marketing practices and use of the military allotment system as a payment method. The Department of Defense's (DOD) military discretionary allotment system generally permits service members to direct automatic payments from their paycheck. However, the DOD recently revised the regulations governing the allotment system. The new regulations, which became effective in January, prohibit the use of allotments by service members to purchase, lease, or rent personal property. The CFPB expressed concern in the letters that the retail companies were inappropriately advertising use of military allotment as a means of payment for their goods.

### **CFPB Issues Final Rule Postponing TRID Effective Date**

On July 21, the CFPB issued a final rule delaying the effective date of the TILA-RESPA Integrated Disclosure Rule (TRID) until Oct. 3, 2015. TRID was originally scheduled to become effective Aug. 1, 2015; however, because of an administrative error made by the CFPB, by law the earliest TRID could have become effective was Aug. 15, 2015. The CFPB then delayed the effective date another two months because it believed "that moving the effective date may benefit both industry and consumers with a smoother transition to the new rule."

## **CFPB Enforcement Action Against Student Loan Services Company**

On July 23, the CFPB announced an enforcement action against Student Financial Aid Services, Inc. (SFAS) for allegedly illegal sales and billing practices. SFAS formerly operated websites, such as FAFSA.com, that offered services related to student loans. For example, FAFSA.com assisted consumers in completing the federal government's Free Application for Federal Student Aid (FAFSA). SFAS operated the websites at the time of the allegedly illegal conduct, but FAFSA.com is now controlled by the Department of Education. According to the complaint, SFAS allegedly misled consumers about the cost of the services using deceptive sales tactics. In addition SFAS deceived consumers by re-enrolling and automatically charging without their knowledge or consent.

Under the terms of the consent order, SFAS must provide consumers with \$5.2 million in relief, cease its allegedly illegal marketing and billing practices, and pay a \$1 civil monetary penalty to the CFPB (SFAS has limited financial resources, but by imposing a civil monetary penalty, consumers may be eligible for additional relief from the CFPB's Civil Penalty Fund in the future).

## **CFPB Enforcement Action Against Mortgage Servicer for Loan Servicing Practices**

On July 30, the CFPB announced an enforcement action against a mortgage servicer that specializes in servicing defaulted loans for its allegedly illegal mortgage servicing practices. For example, the servicer allegedly failed to honor trial loan modifications that consumers had entered into with prior servicers before the loans were transferred. The servicer also allegedly misrepresented to consumers the amount of money in their escrow accounts and falsely claimed they were due a refund.

Under the terms of the consent order, the servicer must cease the allegedly illegal mortgage servicing practices, provide consumers with \$1.5 million in restitution, and pay a \$100,000 civil monetary penalty to the CFPB. In addition, the servicer must "create a detailed data integrity program that tests, identifies, and corrects errors in loans transferred to it to ensure that it has accurate information about consumers' loans." Finally, the servicer must honor all prior loss mitigation agreements on transferred loans.

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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