



CONSUMER NEWS

SAN DIEGO CITY ATTORNEY'S OFFICE

Consumer Financial Protection Bureau

August 2011

As many Americans are recovering from the recession, many must still deal with the consequences from drops in home value, diminished savings accounts, lost jobs, and defaulted loans. During good financial times, some consumers borrowed money from lenders selling financial products that were overly complicated, deceptive, and unfair. Congress and the President recognized the lack of federal consumer protection in the area of financial investments and loans. They established a new federal agency for Americans to report problems with their financial products.

This newsletter discusses the role of this new federal agency: the Consumer Financial Protection Bureau.

WHAT IS THE CONSUMER FINANCIAL PROTECTION BUREAU?

The Consumer Financial Protection Bureau ("CFPB") was established after the passing of the Dodd-Frank Wall Street Reform and Consumer Protection Act in July 2010. The CFPB is funded and located within the United States Federal Reserve,

although it acts as an independent unit. The purpose of this new agency is to implement and enforce federal consumer financial law consistently for the purpose of ensuring that all consumers have access to markets for consumer financial products and services, and that those markets for consumer financial products and services are fair, transparent, and competitive.

The Consumer Financial Protection Bureau has five main goals:

- To ensure that consumers have timely and understandable information to make responsible decisions about financial transactions;
- To protect consumers from unfair, deceptive, or abusive acts or practices, and from discrimination;
- To reduce outdated, unnecessary, or overly burdensome regulations;
- To promote fair competition by enforcing the Federal consumer

financial laws consistently; and

- To advance markets for consumer financial products and services that operate transparently and efficiently to facilitate access and innovation.

EDUCATING CONSUMERS

The CFPB recognizes that an informed consumer is the first line of defense against abusive practices. This means that consumers should get the information they need to make the financial decisions they believe are best for themselves and their families. Specifically, the CFPB seeks clearly stated prices and risks up front, with nothing buried in fine print.

The CFPB is currently in the process of establishing an Office of Financial Education, which will coordinate programs relating to financial literacy and consumer education, as well as providing tools that will help families make the right financial decisions.

MORTGAGE DISCLOSURE

Along with the effort to educate consumers, the CFPB aims to make financial decisions less complicated by implementing simpler disclosure forms. The agency seeks to combine two federally required mortgage disclosure forms into a single, simpler form that makes the costs and risks of the loan clear and allows the consumer to compare offers from different lenders. Two different prototypes of mortgage disclosure forms have already been released and the Bureau expects to conduct several rounds of evaluations and revisions, including Spanish and English versions. It plans to have a finalized set of forms by July 2012.

These forms are part of the agency's "Know Before You Owe" project, which is all about giving consumers upfront information to help homebuyers understand if they can afford the mortgage loan and if they can get a better loan somewhere else.

CONSUMER CREDIT

The CARD Act of 2009 has largely curtailed unfair and deceptive credit practices, but the CFPB has focused efforts on studying the credit market to ensure that the market remains as fair and transparent as possible.

As part of the agency's goal to study consumer finance markets, the CFPB held a conference to bring together credit card industry representatives, consumer groups, academics, and government experts to review data on how current credit card regulations, coupled with the recession and its aftermath, have affected supply, demand, and pricing within the credit card industry. The agency also undertook a voluntary survey of the nine largest card issuers, representing about 90 percent of

the market. The CFPB hopes to use the data collected to further clarify price and risk to make it easier for consumers to make direct product comparisons.

Additionally, the CFPB was directed to conduct a study and produce a report to Congress on variations among credit scores sold to creditors and consumers by certain consumer reporting agencies to ensure that they are not disadvantaging consumers.

STUDENT LOANS

Under the Dodd-Frank Act that created the CFPB, the agency is to create a private education loan ombudsman, who will be in charge of identifying abusive lending practices as well as collecting and studying complaints from borrowers about student loans. The CFPB has authority over all private student lenders, including banks and non-banks.

FINANCIAL INSTITUTIONS

The CFPB was established, in part, to supervise banks, credit unions, and other financial companies to ensure compliance with Federal consumer financial laws. Among other things, the CFPB protects consumers by writing and enforcing laws that restrict unfair, deceptive, or abusive acts, taking consumer complaints, ensuring equitable access to credit, and conducting examinations of banks.

CONTACTING THE BUREAU

The Dodd-Frank Act directs the CFPB to facilitate the collection, monitoring of, and response to consumer complaints regarding the financial products and services within its control. The feedback is expected to assist the CFPB in identifying areas of concern and help the agency in its supervision and other responsibilities.

Consumer complaints can be filed on the agency's website: <http://www.consumerfinance.gov>, or by phone at (855) 411-2372 (toll-free, with English and Spanish capabilities). Various services will be rolled out in phases, and the website specifically mentions that the CFPB will be able to assist with credit reporting and debt collection to come in the near future. As of late July 2011, the website is only accepting credit card complaints, but the website will direct you to the appropriate agency for any other financial concerns.

In the meantime, the website suggests that consumers visit <http://www.MyMoney.gov>, a government website dedicated to the basics of financial education. It gathers some of the most useful tools and resources from various federal government websites all on one website. The website is meant to provide resources to assist consumers in common financial decisions like buying a home, balancing a checkbook, or paying for school.

The CFPB also has a twitter account, Facebook page, a blog, and a YouTube channel. These are accessible at: <http://twitter.com/cfpb>
<http://facebook.com/cfpb>
<http://consumerfinance.gov/feed>
<http://youtube.com/CFPB>

CITY ATTORNEY'S ROLE:

The San Diego City Attorney maintains a Consumer & Environmental Protection Unit that also handles consumer complaints. Matters that are within the jurisdiction of the CFPB are solely federal matters that cannot be handled by the City Attorney's Office. The Unit does, however, enforce state laws prohibiting false advertising, unfair business practices, and theft by businesses in

consumer transactions. For matters that are not within the jurisdiction of the CFPB, occurred in the City of San Diego, and involve consumer transactions, call the Consumer Hotline at (619) 533-5600.

Like the CFPB, the City Attorney's Office believes it is important to educate our citizens as to their rights under the law when dealing with businesses. Members of the CEPU speak to community groups, schools, and civic organizations on "How to Protect Yourself from Consumer Fraud." If your group would like to have a speaker make such a presentation, please contact the CEPU at the hotline number. The CEPU also publishes this monthly newsletter to provide information on current topics of interest to consumers.

**San Diego
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Sources:
<http://www.consumerfinance.gov>

The information provided in this newsletter is intended to convey general information and is not intended to be relied upon as legal advice.

To report violations of consumer protection laws, call the City Attorney's Hotline at **(619) 533-5600**.