National Association of Consumer Advocates

April 30, 2020

The Honorable Kathleen L. Kraninger
Director
Consumer Financial Protection Bureau
1700 G Street NW
Washington, D.C. 20552

Re: Need for COVID-19 Consumer Protections

Dear Director Kraninger:

As the COVID-19 emergency continues to disrupt the lives and devastate the finances of countless American households, the undersigned state chairs of the National Association of Consumer Advocates (NACA) write to urge the Consumer Financial Protection Bureau (CFPB or bureau) to help shield consumers from the worst outcomes in the ongoing economic fallout caused by the pandemic. We anticipate that as the unpredictable crisis unfolds, consumers will be overwhelmed by harmful and exploitative conduct from unscrupulous market actors. Therefore, it is imperative that the CFPB protect those it was created to serve.

It has been nearly two months since the presidential declaration of emergency on March 13, and we are disappointed with the CFPB's response to the COVID-19 emergency so far. The agency's actions, such as restricting the flow of critical data reporting and allowing entities to delay their compliance with federal financial laws, along with the bureau's insistence with proceeding with non-essential rulemaking, are doing more harm than good for consumers.

The bureau was founded in the wake of the 2008 global financial crisis, after millions of hardworking American families were forced to bear the losses caused by irresponsible financial institutions. Its role is to ensure that the consumer financial market works for consumers, not just wealthy corporations. Now, as unemployment soars and millions face their own financial disruptions, the CFPB's mission is critical.

Debt collection abuse and unlawful vehicle repossessions, credit reporting violations, and deceptions and shortcuts in mortgage and student loan servicing are all longstanding problems for consumers that are likely to become more prevalent as a result of this crisis. Working families should be shielded from fraudulent, and unfair and deceptive business practices, especially now.

For example, we know that the CFPB has already received reports in its consumer complaint database from individuals with claims that their mortgage servicers have misled or mistreated them, and potentially violated CARES Act provisions. In addition, there have been reports that the federal economic impact payments sent to individuals to help them survive the financial consequences were instead being redirected without the recipients' consent to banks and debt collectors to satisfy debt obligations.

In the meantime, we have welcomed and encouraged emergency consumer protections implemented in many of our states. State regulators and attorneys general have stepped up and swiftly enacted much-needed protections. For example, states have prohibited creditors and debt collectors from initiating or threatening to initiate new collections lawsuits, garnishment, vehicle repossession[1]; issued guidance to credit furnishers on how to mitigate damage to consumers' credit scores and have entered into agreements with financial entities to work to avoid negative credit reports on consumers who have used COVID-19 relief measures.[2] States have also taken steps to protect homeowners and student loan borrowers by suspending residential foreclosures and insisting on safeguards for private student loan borrowers, surpassing protections in the recently passed federal CARES Act.[3] Finally, some states are reminding their regulated entities to comply with their consumer financial protection laws.[4]

We commend these actions, but a strong federal response is also needed to help consumers weather this crisis. Therefore, we call on the CFPB to fully exercise its supervisory and enforcement powers to closely monitor all entities under its authority to ensure that they are complying with federal consumer protection laws. Debt collectors, notorious for their aggressive and abusive conduct, should be closely monitored. Credit bureaus and furnishers should be made to comply with the Fair Credit Reporting Act at all times. Lenders should be strongly discouraged from making costly, high-interest loans. The CFPB should work with all mortgage and student loan servicers to employ practices that would help borrowers stay in their homes or avoid default.

Further, the bureau should ensure that specific COVID-19 relief measures available under the CARES Act and other decrees are strictly adhered to, and that regulated entities are fulfilling promises made to customers. Like our state regulators have done, CFPB must remind regulated entities to avoid temptation to engage in impermissible behaviors to pad the bottom line.

The CFPB has the capacity and responsibility to help millions of working families avoid serious financial harm. We hope that the agency will exercise its authority to act with more substance and with greater urgency.

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[1] Massachusetts Attorney General, Emergency Regulation 940 C.M.R. 35.00, https://www.mass.gov/news/ags-office-issues-emergency-regulation-to-protect-consumers-from-harmful-debt-collection. D.C. Act 23-286, http://lims.dccouncil.us/Download/44543/B23-0733-SignedAct.pdf.

[2] Illinois Dept. Fin. & Professional Reg., Guidance to Illinois Banks and Credit Unions Regarding Support for Consumers and Businesses Impacted by COVID-19, https://www.idfpr.com/Forms/COVID19/1-Guidance%20to%20Illinois%20Banks%20and%20Credit%20Unions%20Regarding%20Support%20for%20Consumers%20and%20Businesses%20Impacted%20by%20COVID-19.pdf; Office of Gov. Gavin Newsom, Governor Gavin Newsom Announces Major Financial Relief Package, https://www.gov.ca.gov/2020/03/25/governor-gavin-newsom-announces-major-financial-relief-package-90-day-mortgage-payment-relief-during-covid-19-crisis/.

[3] Office of Gov. Phil Murphy, Governor Murphy Announces Mortgage Payment Relief, Financial Protection for New Jerseyans Facing Economic Hardship as a Result of COVID-19, https://www.nj.gov/governor/news/news/562020/20200328c.shtml; Maryland Executive Order 20-04-03-01, https://governor.maryland.gov/wp-content/uploads/2020/04/Evictions-Repossessions-Foreclosure-AMENDED-4.3.20.pdf; NY Dept. Fin. Services, Guidance to New York State-Regulated Student Loan Servicers Regarding Support for Borrowers Impacted by the Novel Coronavirus (COVID-19), https://www.dfs.ny.gov/industry_guidance/industry_letters/il20200407_student_loan_servicers; and

[4] Illinois Dept. Fin. & Professional Services, Guidance to Illinois-Licensed Student Loan Servicers Regarding Federal Student Loan Interest Waivers and Administrative Forbearances and COVID-19, https://www.idfpr.com/Forms/COVID19/3-Guidance%20to%20Illinois-Licensed%20Student%20Loan%20Servicers%20Regarding%20Federal%20Student%20Loan%20Interest%20Waivers%20and%20Administrative%20Forbearances.pdf.

Thank you for considering our views.

Sincerely,

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Co-Chair, Arizona

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