

Regulatory roundup: The CFPB's busy year

Article

The news: When Rohit Chopra became the director of the Consumer Financial Protection Bureau (CFPB) in October 2021, the financial news media speculated that he would take an aggressive regulatory approach toward his new role. Their expectation turned out to be accurate. Here we review some of the biggest CFPB actions of the past year.

Overdraft fees

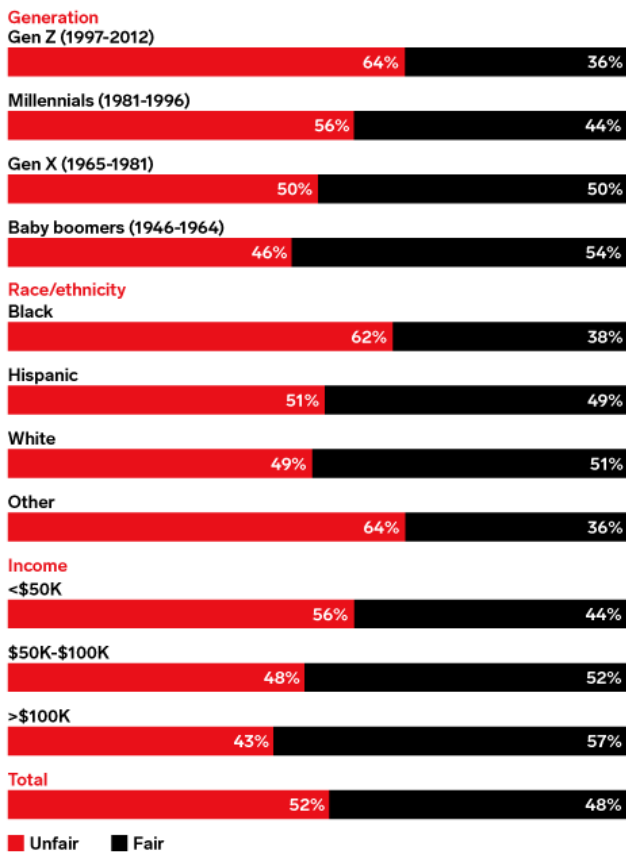
- Once the CFPB said it would begin cracking down on banks' overdraft fee practices, [banking trade groups started pushing back](#), stating that reducing or eliminating overdraft-

related services could affect some consumers' ability to manage their short-term liquidity needs and hurt them in the long term.

- Early in the year, many large banks resisted ditching their overdraft fees, with smaller banks like **Capital One** and **Ally** [making the move first](#). But as the CFPB continued to put pressure on banks, [larger banks like JPMorgan, Citi, and Wells Fargo joined in](#).
- By mid-year, Chopra [touted the progress](#) the CFPB made in its crackdown. It [found](#) that small and midsize banks collected 20% to 25% less in overdraft and non-sufficient funds (NSF) revenues compared to 2019. Additionally, overdraft-related service charges were \$2.12 billion in Q1 2022, down 9% year over year (YoY), per S&P Global Market Intelligence data.

Fairness of Overdraft Charges According to US Adults, June 2021

% of respondents



Note: n=2,200

Source: Morning Consult as cited in company blog, June 15, 2021

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Bank-fintech partnerships

- In April, the CFPB said it would **hold fintechs to the same standards as banks** and that it would use law enforcement powers to help protect consumers from being harmed by companies.
- Since then it's cracked down on bank-fintech partnerships, including those that allow fintech lenders to **circumvent state interest rate caps**.
- Other regulators share the CFPB's concerns regarding bank-fintech partnerships. In November, the US Treasury cited the benefits these partnerships bring to consumers, but also called on the CFPB to create a unified approach to the **oversight of consumer-authorized data sharing**.

Customer service

- In July, the CFPB **sought public comment** on **improvements that big banks can make to provide quality customer service**. Consumers quickly aired their grievances, saying it takes banks too long to solve problems, and that they need to repeat information multiple times due to poor communication.
- Banking trade groups were quick to jump on the request for comment, saying the CFPB **doesn't have the authority** to regulate customer service.

Artificial intelligence (AI)

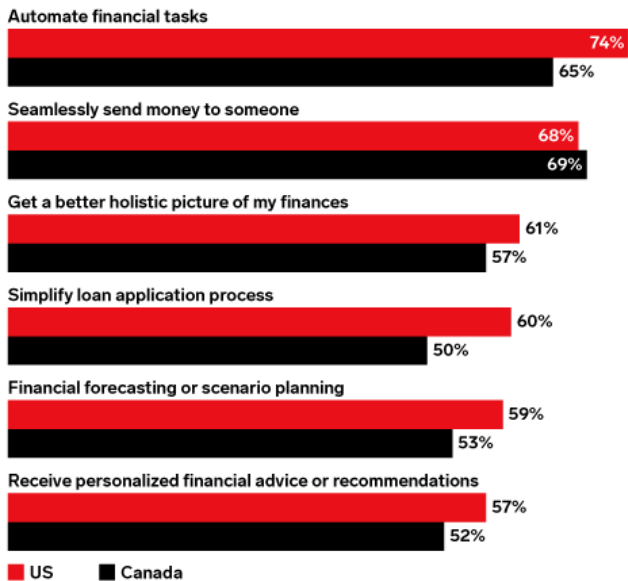
- Chopra vowed that the CFPB would **clamp down on artificial intelligence practices in banking that can be used to discriminate** against people.
- He warned that AI could be abused to advance “digital redlining” and “robo discrimination.”
- He also **tweeted** in January that the bureau “will be taking a deeper look at how lenders use artificial intelligence or algorithmic decision tools.”

Open banking

- Open banking regulations were massively delayed in 2022. The regulations would allow consumers to share their financial data, potentially making it easier for them to switch service providers and benefit from lower fees. But the CFPB **questioned the safety of consumer data**, and expressed concerns around Big Tech exploiting that data.
- But at this year's Money20/20 conference, **Chopra announced the CFPB would move forward with the regulations** by first proposing a rule in 2023 and finalizing it in 2024.

Reasons for Using Open Banking According to Internet Users in North America, June 2021

% of respondents



Source: Mastercard, "The Rise of Open Banking," Dec 14, 2021

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