

**Testimony of Richard Cordray**  
**Director**  
**Consumer Financial Protection Bureau**  
**United States Senate Committee on Banking, Housing, and Urban Affairs**  
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Chairman Johnson, Ranking Member Crapo, and Members of the Committee: thank you for inviting me to testify today about the Semi-Annual Report of the Consumer Financial Protection Bureau. My colleagues and I are always happy to testify before the Congress, something we have done 32 times now.

Born out of the worst financial crisis since the Great Depression, the Consumer Bureau is the nation's first federal agency whose sole focus is protecting consumers in the financial marketplace. We are dedicated to improving the lives of everyday Americans and to restoring trust in consumer financial markets. The Semi-Annual Report we are discussing today embodies our work over the last six months of 2012.

The report illustrates the ways we are using the tools Congress has provided us to empower consumers and promote a fair, transparent, and competitive marketplace for consumer finance. We have taken steps to improve the workings of markets – particularly those in which consumers cannot choose their financial service providers.

One such market is debt collection. Concerned about system-wide problems that pose risks to consumers, we gained authority at the beginning of the year to supervise debt collectors. The debt collectors covered by our supervisory authority account for over 60 percent of the industry's annual receipts in that market. Bad actors in this market are a detriment to consumers and to every debt collector that operates lawfully.

We also expanded our supervision program to include the larger credit reporting companies. Credit reports have a profound impact on people's lives. Previously, these companies were not subject to any federal supervision, and consumers often struggled to get errors resolved. In addition to our new supervision program, we began handling consumer complaints about credit reporting issues, all of which will open a clear window into the actual operations of these companies. As a result, the Bureau can now evaluate whether federal consumer laws are being followed throughout the process, from credit origination through debt collection. By identifying problems and rooting them out early, we are working to minimize consumer harm.

Our report also encompasses the Bureau's first enforcement actions, which were against credit card companies that deceived and misled consumers. In some cases, the companies targeted economically vulnerable consumers with low credit scores and low credit limits. We were able to secure \$425 million in relief for 6 million consumers, and we also imposed penalties on the companies to deter such activity in the future. These actions will serve as a warning signal for anyone who seeks to profit by deceiving or misleading consumers.

In the second half of 2012, we also tackled issues in the market for private student loan debt, which currently totals about \$150 billion. Our studies detailed the struggles students and recent graduates are experiencing in that market. Together with Education Secretary Arne Duncan, we made recommendations to Congress on common-sense reforms to ensure that the risky underwriting practices of the past are not repeated.

The work I have discussed here today is merely a snapshot of our efforts on behalf of consumers. We also are addressing consumer complaints on a growing number of financial products and services, totaling more than 130,000 to date. We have adopted comprehensive new mortgage regulations banning irresponsible lending practices that helped bring about the recent financial crisis. Our Ability-to-Repay rule follows the simple principle that lenders should offer consumers mortgages they can afford to pay back. We have actively conducted outreach on various issues to older Americans, students, service members, and others, and what we heard from them has guided the direction of our work.

Each day, we take another step in pursuit of our vision to create a consumer financial marketplace where customers can see prices and risks up front and easily make product comparisons; in which no one can build a business model around unlawful practices; and that works well for individual consumers, responsible businesses, and the economy as a whole. We will continue to persist in this work and we appreciate your oversight. As always, I will be glad to answer your questions.

Thank you.