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STATEMENT OF

ROHIT CHOPRA

DIRECTOR

CONSUMER FINANCIAL PROTECTION BUREAU

Before the

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS

UNITED STATES SENATE

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The views expressed herein are those of the Director and do not necessarily reflect the views of the Board of Governors of the Federal Reserve System or the President.

Written Testimony of Rohit Chopra
Director, Consumer Financial Protection Bureau
Before the Senate Committee on Banking, Housing, and Urban Affairs
October 28, 2021

Chairman Brown, Ranking Member Toomey, and distinguished Members of the Committee, I am pleased to appear before you today in conjunction with the Consumer Financial Protection Bureau's submission of the Semiannual Report to Congress.

Two weeks ago, I was honored to be sworn in as the Bureau's Director. I am grateful to all of you for your input and guidance during the confirmation process on the issues of importance to you and your constituents.

Economic Conditions

2021 is far different than 2020. The economy is reopening and growing. Labor demand is strong, and employers have added millions of new jobs. Household spending has rapidly increased, and demand for housing is robust. While these macro indicators are promising, the recovery has been uneven.

In many parts of the country and in many individual neighborhoods, conditions remain fragile. Many families continue to struggle to afford their mortgage and rent payments. Many small businesses are facing severe challenges to make ends meet. And, many communities have not felt much of a recovery, especially communities of color and neighborhoods that have been historically disadvantaged.

Household debt has started to increase at a faster rate. American families owed $15 trillion as of the end of the second quarter of this year, roughly $800 billion more than at the end of 2019. From July of 2020 through June of this year, mortgage originations, including refinancing, hit historic highs with $4.6 trillion in originations. There has been high demand for auto loans, and Americans now owe $1.4 trillion in auto debt.

The CARES Act has kept delinquency rates on mortgages and student loans at low levels. However, many of the borrower forbearance programs have expired, so we lack a complete picture about distress. Many family farmers continue to confront significant challenges and the immediate outlook for the sector remains highly uncertain. Medical debt in collections continues to grow as a concern for many households.

Market Monitoring

Congress has tasked the CFPB with monitoring market conditions to spot risks, ensure compliance with existing law, and promote competition in order to protect families and honest businesses.

Most importantly, the CFPB is carefully monitoring conditions in the mortgage market and is taking steps to minimize avoidable foreclosures. Avoiding unnecessary foreclosures and putting homeowners into repayment plans they can afford is essential. In June, the CFPB put forth an interim rule with the goal of ensuring an orderly transition back to repayment, so families do not experience unnecessary hardship and disruptions in the mortgage market do not impede the recovery. We are keen on understanding how homeowners from different segments of the population are faring, including communities of color, military-connected families, older Americans, first-time homeowners, and family farmers.

Technological progress holds the potential for enormous benefits to households and the economy, particularly with respect to real-time consumer payments. At the same time, the desire of Big Tech to gain greater control over the flow of money in the economy raises a number of questions. For example, how will these firms harvest and monetize data they collect on our transactions? What criteria will they use to decide who is removed from the platform? How will they ensure that payment systems adhere to consumer protections? Will Big Tech giants have an incentive to impede the entry of new firms seeking to offer competitive products and services?

With this in mind, the CFPB has issued orders to dominant firms such as Facebook, Google, Apple, Amazon, Square, and PayPal to shed light on some of these questions. We will also be studying some of the practices of Chinese tech giants, including services provided by WeChat Pay and AliPay. These efforts complement other work within the Federal Reserve System to ensure families and businesses can rely on a fast and reliable payments system. It will also inform other initiatives to ensure that our evolving payments landscape is in alignment with our national interest.

Given the state of today's economic conditions, the Bureau also intends to ramp up its monitoring of other markets and their impact on specific population segments.

Path Forward

The CFPB intends to faithfully and fairly administer the consumer financial laws entrusted to the agency by Congress. We must use our tools to promote an equitable and inclusive recovery. Given existing economic conditions and these tools, I expect to have several areas of focus.

First, I hope to focus attention on ways to stimulate greater competitive intensity in consumer financial markets. When I was last at the CFPB, we undertook a number of initiatives to promote student loan refinancing options for borrowers to obtain lower rates and better loan servicing. Today, there are many other places where greater competitive intensity would benefit households and businesses alike. For example, I am concerned that there is a dearth of competition in the mortgage refinance market for families with lower balance mortgages. The lack of refinancing may disproportionately affect communities of color and others that are historically disadvantaged. There is also evidence to suggest that many Americans could be paying lower interest rates on their credit cards or earning higher interest rates on their savings.

We will be keeping a close eye on practices that might impede competition, we plan to listen carefully to local financial institutions and nascent competitors on the obstacles they face when seeking to challenge dominant incumbents, including in Big Tech.

Second, I anticipate that the CFPB will sharpen its focus on repeat offenders, particularly those that violate agency or federal court orders. The agency has now entered into a substantial number of orders, largely by consent of the agency and the financial institution, and it will be critical that we closely monitor compliance with these orders. Repeat offenders that violate orders and cause ongoing harm to families and law-abiding businesses must be stopped.

The CFPB will need to work closely with state regulators and other federal banking regulators, like the Office of the Comptroller of the Currency, in order to fashion appropriate remedies for repeat offenders.

Third, we will look for ways to restore relationship banking in an era of big data. As automation and algorithms increasingly define the consumer financial services market, there is less transparency into how credit decisions are made. In some cases, these practices can unwittingly reinforce biases and discrimination, undermining racial equity.

Increasingly, households and businesses have no place to turn to when they need help, especially when they face errors and problems in their financial lives. In markets like credit reporting, consumers are not the customer and lack the leverage to get problems fixed in a timely manner. The inability to cut through red tape and get help in one's financial life can be a major obstacle when seeking a job or when applying for credit. Preserving relationship banking is critical to our nation's resilience and recovery, particularly in these times of stress.

Thank you for the opportunity to appear before you today, and I look forward to your questions.