



WHITMER & WORRALL

Hearing titled “The Semi-Annual Report of the Bureau of Consumer Financial Protection”

House Committee on Financial Services

Wednesday, November 29, 2023

Witness Statements

The Honorable Rohit Chopra, Director, Consumer Financial Protection Bureau

- [Written Statement](#)

Opening Statements

Chairman Patrick McHenry (R-NC, 10)

Chairman McHenry stated that public trust in the nation's financial regulators is declining. He cited an unauthorized transfer of records by a Consumer Financial Protection Bureau (CFPB) employee, the hiring of fraudulent actors by the Office of the Comptroller of the Currency (OCC), and allegations of workplace misconduct at the Federal Deposit Insurance Corporation (FDIC), as reasons why faith is declining. The Chairman noted that Director Chopra has a seat on the FDIC board and criticized him for playing politics with issues directly affecting American consumers. He stated that the committee is interested in hearing what Director Chopra knew about these allegations and any subsequent actions that have been taken to fix these horrific scandals. The Chairman further criticized current administration members for acting as hyper-partisan political actors rather than independent financial regulators looking out for American consumers. He then stated that the CFPB is too focused on targeting the U.S. financial system as a whole rather than individual bad actors. Chairman McHenry cited the CFPB's small business data collection rulemaking (rule 1071) as an example of the agency operating outside its statutory authority set by Congress. He then touted House Republican's efforts this week to pass a resolution that will protect small businesses and their ability to access affordable credit through the rescission of rule 1071. The Chairman next praised Director Chopra and CFPB for their work on the Rule 1033 data privacy proposal. He then concluded that, while the rule is far from perfect, he agrees with the central proposition of Americans having greater financial control over their sensitive financial data.

Ranking Member Maxine Waters (D-CA, 43)

Ranking Member Waters opened by praising the magnificent work that Director Chopra and CFPB have been doing. She expressed her gratitude that the Director will be in her district for a town hall with representatives from Goldman Sachs, PNC Bank, and more. However, she noted that while the Senate is taking steps in the right direction by having a hearing with big bank's CEOs next week, this committee fails to do the same. She urged that the current challenge before the Supreme Court regarding the CFPB's funding structure is alarming and threatens grave harm to the American economy and local communities if struck down. Ranking Member Waters then criticized House Republicans and the Fifth Circuit United States Court of Appeals for engaging in these partisan efforts that seek to tear the nation's economy apart at its seams. She stated that the American electorate has broad bipartisan support for the CFPB. Yet, this week, House Republicans are introducing a resolution to harm small businesses and pad the pockets of big banks that continue to thrive by price gouging the average American consumer. Ranking Member Waters stated that rule 1071 would help reduce borrowing costs for small businesses and create a more transparent and

competitive marketplace that seeks to prevent discriminatory lending processes. She noted that market transparency is one of the most fundamental qualities of free-market capitalism, and House Republicans' opposition to it is appalling.

The Honorable Robit Chopra, Director, Consumer Financial Protection Bureau

Director Chopra began by thanking the committee members for helping the CFPB tackle challenges and opportunities such as protecting sensitive financial data, reducing credit reporting errors, preserving relationship banking, giving consumers more choices, and more. He then stated that the CFPB had made significant progress in recent months on accelerating open banking and further protections for American financial privacy. Director Chopra noted that CFPB will sharpen its focus on evolving household debt moving forward. He stated that borrowing has increased over the last several years. Americans now owe \$17 trillion in household debt, with \$1 trillion coming from credit card debt alone and another \$1.6 trillion from auto loans. The director stated that a recent analysis by CFPB has found that rates and fees can contribute toward ballooning debts for an increasing number of consumers. He then cited the return to payments on federal student loans as placing even greater stress on other loan obligations. Director Chopra noted that higher interest rates and automobile costs since the pandemic are greatly shrinking the income of many consumers. He then stated that residential mortgage activity is also seeing many of these same challenges. Director Chopra said that more refinancing activity is something the agency would like to see going forward. He added that the agency wants to streamline rules and procedures for servicers who offer loan modifications. Director Chopra acknowledged that the bureau is looking to accelerate open banking in the United States. He concluded by stating that the CFPB is looking into tackling these junk fees that limit consumer choice by shifting its supervisory resources toward many of the non-banks accounting for a growing role of financial services today.

Questioning

Chairman Patrick McHenry (R-NC, 10)

Chairman McHenry first asked Director Chopra how the 1033 proposal ensures consumers can exercise full control over financial data. He answered that the rule requires consumers to be able to permit their sensitive personal financial data and includes safeguards to ensure that said permission is being given only for these financial services. Director Chopra added, however, that this rule is only one piece, and broader legislative action by Congress is needed.

Chairman McHenry next asked Director Chopra if there is a way for companies to use anonymized data captured from consumers to build new products. He responded that re-identification is becoming very easy for companies to use, primarily through Artificial Intelligence (AI), and there is a big question surrounding this.

Chairman McHenry then asked Director Chopra what authority he had to start discussions with the European Commission. He replied that this was a meeting to address common threats posed by China and that his predecessor had launched an initiative to join a global financial innovation network that better sought to understand our economic counterparts.

Chairman McHenry followed up by asking Director Chopra if he intends to provide meeting minutes or any public disclosure on these discussions. He answered that they will try to ensure and provided as much transparency to these discussions as possible.

Chairman McHenry finally asked Director Chopra how many firms he thinks the CFPB affects with its proposed rulemaking and whether his interpretation of the word funds includes digital assets. He responded that they estimate that only substantial firms, such as those without bank payment apps, will be affected. Director Chopra also stated that they are only seeking to focus on what is considered a consumer payment, not other digital assets, such as wholesale or trading, within the definition of funds.

Ranking Member Maxine Waters (D-CA, 43)

Ranking Member Waters began by asking Director Chopra if he believed Congress should continue to ignore entrepreneurs and rescind the CFPB small business transparency rule. He replied that the pandemic showed how vital small businesses are to our economy, and it remains essential to weed out any discriminatory practices.

Ranking Member Waters next asked Director Chopra to discuss how the final rule minimizes the impact on community banks and credit unions. He answered that they took several steps during the comment period to reduce many of these questions, including making many exemptions for those who do not make many small business loans, and that the goal is to make sure there is a lot of support for smaller institutions to be able to comply.

Ranking Member Waters asked Director Chopra if he would discuss the types of fees banks charge consumers to access their information and how this new guidance will help. He responded that things such as fake paper statement fees have been seen, and CFPB is trying to ensure that barriers to essential consumer information are not being created.