



FedFin Client Report

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Kraninger Defends CFPB's Racial-Equity, Consumer-Protection Role

Client Report: **CONSUMER34**

Executive Summary

As expected, Democrats led by Ranking Member Brown (D-OH) sharply criticized CFPB Director Kraninger at today's contentious Senate Banking hearing, citing a lack of enforcement actions and pandemic measures on [credit reporting](#) and mortgage forbearance. Indeed, Sen. Warren (D-MA) even called for Ms. Kraninger's resignation. Chairman Crapo (R-ID) defended the CFPB's pandemic response to general GOP support. However, Sen. Scott (R-SC) questioned the CFPB's proposed overhaul of QM standards ([see FSM Report MORTGAGE116](#)), saying that its pricing approach could limit credit access. Director Kraninger promised to consider his concerns as the Bureau balances promoting credit access versus borrower ability to repay. Sen. Moran (R-KS) also pushed the director for more assertive and certain action on data sharing. Director Kraninger also pointed to the agency's new [request for comment](#) on credit discrimination in defense of her agency's commitment to racial justice.

Analysis

Opening Statements

Chairman Crapo commended the Bureau's pandemic actions related to mortgage origination and servicing, consumer credit reporting, and data reporting. He also said that the recent Supreme Court ruling ([see Client Report STRUCTURE14](#)) demonstrates the Bureau's lack of accountability, calling for restructuring the agency as a commission subject to the appropriations process. He also supports establishing a CFPB "safety-and-soundness check" for the prudential regulators without detailing what this entails.

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Ranking Member Brown accused the CFPB of failing to root out discrimination or to protect consumers against shady financial products, citing a lack of fair-lending enforcement actions despite ongoing systemic racism. He also blasted the Bureau for “exploiting” the pandemic by rolling back credit-reporting, credit-card, and small-dollar lending protections.

Testimony

Director Kraninger said that the CFPB is taking actions to address racial inequality, pointing to its RFI yesterday seeking to end credit discrimination and expand access to credit. She also highlighted the Bureau’s enforcement activities, pushing Cortez Masto (D-NV) legislation allowing the CFPB to compensate whistleblowers.

Q&A

- **Qualified Mortgages:** Sen. Scott said that moving from a DTI to a pricing approach could hinder credit access, taking issue with the proposal’s safe harbor QM threshold of less than 1.5 percentage points over the average prime offer rate (APOR). He said that this threshold should be harmonized with the two percent over APOR threshold for a rebuttable presumption QM. Director Kraninger said that the agency is taking comment on these thresholds, emphasizing the need to balance ability to repay concerns and credit access priorities. Sen. Warner (D-VA) supports moving away from a hard DTI threshold, asking Ms. Kraninger to confirm that the CFPB will follow statutory provisions mandating consideration of debt and income and prohibiting certain interest-only and balloon-payment mortgages; Sen. Warner also asked how debt and income verification standards would benefit gig workers; Ms. Kraninger invited comment on potential approaches.
- **Data Privacy/Aggregation:** Sen. Moran (R-KS) pressed Director Kraninger to describe what the CFPB’s [forthcoming ANPR](#) on consumer data-rights will address. The director emphasized that previous CFPB data-sharing principles ([see FSM Report FINTECH14](#)) remain in place, but a formal rulemaking is needed to address how aggregators may use consumer data and address screen-scraping risks.
- **Small-Dollar Lending:** Sen. Crapo defended the CFPB’s repeal of its payday lending rule’s ATR provisions; Sens. Brown, Van Hollen (D-MD), and Jones (D-AL) criticized it. Sen. Brown also said that the Bureau potentially violated the law by ignoring research during the rulemaking process; Ms. Kraninger defended it.

She also said that the agency is testing new payday lending disclosures and is working to promote bank small-dollar lending with its [no-action letter template](#).

- **Forbearance:** Sens. Menendez (D-NJ) and Schatz (D-HI) said that the Bureau has not encouraged minorities to take advantage of mortgage forbearance; Ms. Kraninger defended the CFPB's consumer-education efforts. Sen. Schatz pressed the CFPB to collect data on forbearance and eviction compliance; the director declined. Sen. Warren said the Bureau guidance stipulating that it will not take enforcement action against mortgage servicers that make "good faith" compliance efforts gives servicers a "get out of jail free card."
- **Credit Reporting:** Sens. Warner and Schatz pressed the Bureau to take enforcement action if credit bureaus and furnishers incorrectly report consumers who take advantage of forbearance. Sen. Warren said that CFPB actions have undermined credit bureau compliance with consumer dispute requirements; Ms. Kraninger disagreed. Sen. Warren also said that the CFPB is inviting credit bureau "lawbreaking," calling Ms. Kraninger's leadership a "miserable failure." Sen. Scott opposed HEROES Act provisions that would pause all negative credit reporting ([see Client Report RESCUE73](#)), pressing the CFPB not to pursue any such rulemaking absent congressional action.
- **Exams:** Sen. Cotton (R-AR) pressed the CFPB to provide financial institutions with an examination feedback mechanism; Ms. Kraninger said that this will hopefully be in place by the fall after traditional exams resume. Sen. Cotton suggested allowing financial institutions to record interactions with examiners and rate individual examiners.
- **Enforcement:** Sens. Brown, Tester (D-MT), and Cortez Masto pushed the CFPB to increase its enforcement actions. Sen. Cortez Masto also argued that the Bureau's civil monetary penalty fund "bails out" bad actors. Ms. Kraninger said the enforcement activities are increasing, but also suggested that a lower level of enforcement activity could reflect a higher level of compliance. Saying the director does not answer Members' questions, Sen. Tester also described hearings with her as a "waste of time."