



FedFin Client Report

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Chopra Holds His Own Under GOP SVB, Consumer-Protection Attack

Client Report: CONSUMER51

Executive Summary

With Rep. Andy Barr (R-KY) leading the attack with an accusation of CFPB “McCarthyism,” today’s HFSC hearing with Director Chopra tracked much in yesterday’s Senate Banking [session](#). As before, Republicans strongly attacked the credit-card late-fee proposal ([see FSM Report CREDITCARD36](#)) and new small-business reporting [requirements](#). However, the lengthy session also allowed Members on both sides of the aisle to probe issues to which Senate Banking failed to turn. One of these was the FDIC’s decision to establish bridge banks for SVB and Signature and to sell FRC to JPM. Mr. Chopra vigorously denied any role of what some have called progressive ideology in opposing bids for SVB, noting also systemic concerns at that time partly due to fears about Credit Suisse. The agency’s controversial data-rights proposal will be out in October, with Director Chopra saying also that the proposal covers nonbanks by virtue of the data to be covered. Provider cyber-security will also be addressed. This report covers additional high-impact issues at the hearing including AI, UDAAP, and systemic designation.

Analysis

Opening Statements

Presiding over the hearing, Financial Institutions Subcommittee Chairman Barr suggested that there might have been an “ideological lens” to regulators’ decision-making in recent bank failures. He also sharply criticized the Bureau’s “junk fees” campaign as well as its use of guidance, circulars, and advisory opinions, which he said sew doubt into the marketplace. Noting Wells Fargo, Ranking Member Waters (D-CA) praised the Bureau for recent enforcement actions and sharply criticized the 5th Circuit ruling. Rep. Loudermilk (R-GA) called the Bureau an “unaccountable agency” that should be under regular appropriations while Rep. Foster (D-IL) focused on the threat of AI to consumer finance.

Testimony

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Director Chopra's testimony was the same as that delivered at Senate Banking [yesterday](#).

Q&A

- **Resolutions:** Chairman Barr grilled Director Chopra over his involvement in the resolution of SVB, asking him if he expressed views to the FDIC regarding what class of banks should be considered a viable buyer and whether he argued that large TBTF banks should not be buyers; Director Chopra said no, emphasizing that the FDIC would have taken "any potential buyer." Chairman Barr highlighted Director Chopra's former comments around megabanks and asked if he saw SVB's failure as an opportunity to implement them in a real-world crisis; Director Chopra said his comments pertained to deals with significant government assistance, highlighting that regulators received no bids for SVB and tried to minimize cost to the DIF immediately after it failed. In a subsequent exchange with Ranking Member Waters, Director Chopra emphasized that the decision to insure uninsured depositors was extraordinary and argued that steps must be taken to be sure that financial institutions remain stable under conditions of lightning-fast bank runs. Rep. Fitzgerald (R-WI) later asked Director Chopra to explain his role in the bank failures; Director Chopra called it fast moving, flagging the speed of SVB's failure as a serious systemic concern and also noting that bank regulators were already concerned about Credit Suisse. Rep. Fitzgerald asked Director Chopra if the market is stable and regional banks are in a good position; Director Chopra only said deposit outflows have stabilized.
- **"Regulation By Enforcement":** Chairman Barr grilled Director Chopra on acts and practices he believes qualify as "abusive" under its UDAAP policy statement, listing pop-up boxes, consumer confusion, and multiple click-throughs as examples; Director Chopra emphasized that material interference with a consumer's ability to navigate and taking unreasonable advantage of the consumer are the main criteria of the standard. Chairman Barr argued that these are evidence of unclear enforcement standards and that institutions have new obligations and requirements through Bureau guidance, which he called a "know it when I see it" approach; Director Chopra disputed these assertions. Rep. Luetkemeyer (R-MO) quizzed Director Chopra on whether CFPB guidance is enforceable; Mr. Chopra affirmed that advisory opinions do not create new obligations and argued that Bureau guidance is intended to bring transparency to existing laws, but ultimately agreed that guidance is not enforceable. Rep. Luetkemeyer argued that, on these grounds, "junk fees" are not enforceable, and accused Mr. Chopra of creating authority "out of thin air." Reps. Rose (R-TN) and Lawler (R-NY) argued that the CFPB is bypassing APA rulemaking, flagging its nonbank and term contract registries ([see FSM Report CONSUMER48](#)) as examples; Director Chopra said the Bureau is in full compliance.
- **Data Rights:** Rep. Hill (R-AR) asked Director Chopra if the Bureau's consumer data rights ANPR ([see FSM Report DATA](#)) is still scheduled to be formally proposed in October; Director Chopra said it is. Rep. Hill then asked why the Bureau's ANPR covered deposit and card accounts from depository institutions but not nonbanks; Director Chopra said that nonbanks are in fact included, highlighting that industry comments emphasized transaction and cash flow data as priorities, with the proposal part of a "sequencing" that

can be expanded on. Rep. Hill also raised concern over what he said was the proposal's failure to address data-security noncompliance and liability; Director Chopra acknowledged this concern and said this will be addressed when the rule is proposed. Asked later by Rep. Meuser (R-PA) about the Bureau's approach to screen-scraping, Director Chopra said this will be addressed, arguing that screen-scraping is an unviable long-term method for data sharing.

- **AI:** Rep. Foster raised concerns over generative AI and asked for Director Chopra's views on online identity verification as well as requirements that machine-originated electronic communications be disclosed to consumers; Director Chopra said that addressing identity verification would be very beneficial and agreed that consumers should know if they are talking with a human, also noting that there is no AI exception in consumer protection laws. Rep. Lynch (D-MA) is concerned that AI-driven chatbots are unable to meet consumer needs and asked if the Bureau is considering a requirement for consumer access to real humans in the customer service process; Director Chopra reiterated his concerns over generative AI and cautioned financial institutions to ensure they are neither violating consumer protections that undermine relationship banking nor denying access to a human representative "in some form."
- **Systemic Designation:** Rep. Steil (R-WI) noted Director Chopra's recent statement on FSOC nonbank SIFI designation and asked if he believes the "dubious process strictures" Mr. Chopra attributed to 2019 guidance include cost benefit analysis; Director Chopra said he was referring to other "hoops" in the 2019 guidance, such as the stages of each level of review, and not cost benefit analysis. In a later exchange with Rep. Pettersen (D-CO), Director Chopra explained that he believed aspects of the 2019 guidance did not relate to the law and said that FSOC does not want big nonbank institutions causing collective market calamity.
- **Nonbank Supervision:** Rep. Sherman (D-CA) noted that data aggregators and fintechs are not subject to like-kind supervision and asked Director Chopra what steps the Bureau is taking to protect Americans; Director Chopra emphasized that nonbank supervision is an important Bureau focus, noting that the Bureau is targeting its supervisory resources.
- **Cryptoassets:** Rep. Casten (D-IL) asked if views the Bureau provided around crypto fraud and scams in a November [bulletin](#) analyzing cryptoasset complaints are still true; Director Chopra said the Bureau will look at the data set again, noting concerns about identity verification and highlighting that the elderly are particularly susceptible to scams.
- **CFPB Focus:** Reps. Wagner (R-MO) and Luetkemeyer criticized Director Chopra for what they described as his failure to engage industry representatives and provide regular public disclosures of his calendar. Several Republican Members also criticized the CFPB's recent data breach and argued that the Bureau should not hold financial institutions to higher data security standards than itself. Rep. Meuser accused the Bureau of failing to be responsive to its bank clientele; Director Chopra emphatically stated that its clientele is the public, not banks.