Broad Coalition Urges CFPB To Examine FINTECH Credit Products and Fee Models

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79 Groups Ask CFPB to Provide Much Needed Oversight for Emerging Credit Products

The Consumer Federation of America, Center for Responsible Lending, National Consumer Law Center, Student Borrower Protection Center, and 75 additional organizations called for Consumer Financial Protection Bureau (CFPB) Director Rohit Chopra to carefully examine fintech credit products and fee models that are evading consumer protection laws and creating debt traps for consumers. The groups applauded the CFPB for its recent inquiry into five large buy now, pay later providers, and they expressed that they remain alarmed by the explosion of new, underregulated consumer credit products, including but not limited to buy now, pay later loans, income share agreements, cash advances, "fintech" overdraft or overdraft avoidance products, and earned wage access products or look-alike products. The groups argue that innovation should be consistent with and enhance consumer protections, and it should not shield new products from consumer protection laws and oversight. Last week, U.S. Senator Jack Reed (D-R.I.) and several members of the Senate Banking Committee sent a letter to the CFPB about Buy Now, Pay Later (BNPL) products and providers, calling for a review of these products to ensure transparency and oversight of this growing market.

"Although innovation plays an important role in expanding access to financial services, regulators must keep careful watch of rapidly growing products and fee models that share many similarities with age-old predatory products," **said Rachel Gittleman, Financial Services Outreach Manager of the Consumer Federation of America.** "We should be especially wary of products that claim to be promoting financial inclusion but, in reality, do quite the opposite."

"Many fintechs are coming up with clever arguments about how they are not offering 'credit' subject to consumer protection laws, but if it walks like a duck and quacks like a duck, it's a duck," **said Lauren Saunders, Associate Director of the National Consumer Law Center.** "The CFPB needs to act quickly to stamp out evasions of consumer protection laws before they spread."

"Much of the fintech industry operates in an underregulated, Wild West environment. To stop lenders from charging illegally high interest rates, targeting people of color with predatory products or harming consumers in other ways, the CFPB must supply sufficient oversight and apply consumer financial protection law to the fintech industry," **said Taylor Roberson, Federal Policy Counsel of the Center for Responsible Lending**.

"Today's letter sends a clear message—regardless of industry hype or flashy marketing, companies offering predatory products have to comply with the law. As new, tech-branded financial offerings emerge, the same age-old risks to consumers persist. It's critical that the CFPB continue to closely monitor these companies and take action to protect the public," **said Ben Kaufman, Head of Investigations and Senior Policy Advisor of the Student Borrower Protection Center.**

The letter discusses various products and fee models that share similarities in how they operate and how they use "innovation" to claim that they do not fit within the existing regulatory framework. Some also use deceptive means to disguise the cost of credit. The groups argue that regardless of their structure, each of these products is credit—they provide funding today and are repaid later.

Given that, these products should be subject to the host of state and federal consumer protection laws that regulate credit products.

At a minimum, these products need to be covered by basic consumer protections and be examined for unfair, deceptive or abusive practices and unlawful discrimination independently of compliance with credit laws. Each of these products discussed in the letter should be regulated as the financial services products that they are.

Oversight is especially urgent as these offerings continue to increase and infiltrate new market areas. Allowing these products to escape coverage would lead to an undermining of consumer protection laws, making the financial marketplace less fair and competitive.