

CFPB to Approve Potentially Risky Fintech Products

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CFPB finalizes policy that gives companies a private channel to seek approvals of untested new products and a promise that the CFPB will not take action for consumer protection law violations

WASHINGTON D.C. — Consumer advocates criticized today’s announcement by the Consumer Financial Protection Bureau that it has finalized policies to give banks, fintech companies, and other corporations no-action letters and approvals that will protect companies from enforcement and deem potentially risky new products and services to be in compliance with the law.

“The new ‘compliance assurance sandbox’ could be a dangerous Sahara desert parched of consumer protection if the CFPB approves risky products that evade the law and endanger consumers,” **said Lauren Saunders, associate director of the National Consumer Law Center.** “We strongly disagree with the CFPB’s claim that a single Bureau employee can ‘approve’ an evasive means of skirting the law and thereby give companies a safe harbor that stops consumers and states from enforcing consumer protection laws,” **Saunders added.**

“The CFPB’s mission is to protect consumers, but the bureau’s no-action letter policy and compliance assurance sandbox does the opposite. By approving products and services without seeking public input or getting information along the way about how the product is helping or hurting consumers, the CFPB’s innovation policies provide companies with cover instead of accountability for unanticipated harms or dangers that their innovative products may cause.” said Linda Jun, senior policy counsel at Americans for Financial Reform.

““Innovation isn’t advanced by handing out individual grants of immunity from law enforcement, and certainly not by companies lobbying Bureau staff for deregulation-by-letter. Instead, the Bureau should focus equally on consumer risk and benefits and should develop policy in a transparent manner,” **said Will Corbett, litigation director at the Center for Responsible Lending.**

In addition to the new policies, the CFPB today also issued its first no-action letter under Director Kathy Kraninger, creating a mechanism to allow mortgage lenders to pay for housing counseling at agencies that refer business to them. “While there may be valid reasons to facilitate funding for housing counseling, changes in anti-kickback rules should be made after public notice and comment to prevent evasions, not through a secretive, one-sided no-action letter process,” **said Odette**

Williamson, staff attorney at the National Consumer Law Center.

“With Americans shouldering record debt, we don’t need our own finance cops to help Wall Street devise ways to add more weight,” **said Bart Naylor, financial policy advocate at Public Citizen.**

“Every sandbox approval and no-action letter that the CFPB issues will draw close scrutiny, and the CFPB risks a legal challenge if it approves efforts to evade the law or products or practices that put the public at risk,” **Saunders warned.**

In addition to “approvals,” the CFPB originally proposed to issue orders granting exemptions from statutes or regulations. While exemptions were not included in the new policies, the CFPB announced that it intends to propose a legislative rule for the issuance of orders granting exemptions from regulatory requirements and other categories of exemptions. “The CFPB should abandon any plans to issue orders allowing companies to ignore consumer protection laws,” **Saunders added.**