

# Public Interest Groups Oppose CFPB Loosening Rules for Fintech Providers

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## ***CFPB Sandbox for Financial Services Firms Sacrifices Consumer Protections***

WASHINGTON D.C. — A coalition of 50 public interest groups today sharply criticized the Consumer Financial Protection Bureau’s proposal to gut important consumer protection rules, especially for fintech companies, arguing the agency does not have the authority to create potentially unlimited exemptions from the very regulations that the CFPB is obligated to enforce.

The CFPB is exceeding its authority under the law that created the agency and would set a dangerous precedent with its “disclosure sandbox” policy, its label for granting companies exemptions from disclosure rules. Instead of conducting limited, carefully drawn trials of model disclosures that could improve consumer understanding, the CFPB would allow firms to obfuscate or eliminate important information in the name of “financial innovation,” a label that was often applied to defend practices in mortgage lending that led to the 2008 crisis.

“The reckless and unlawful scope of the CFPB’s proposal is breathtaking,” **said Lauren Saunders, associate director of the National Consumer Law Center.** “The CFPB has no authority to allow ‘trials’ that go on for years and years and that allow entire industries to skip important consumer disclosures, such as the total cost of a loan or the required notice that the loan price was marked up due to information on the consumer’s credit report. The CFPB’s proposal would not be confined to consumer testing, which recruits consumers to review and react to sample disclosures as if they were entering into a transaction. Instead, it would allow companies to experiment with or dispense with disclosures in real transactions with real consumers.”

The letter from the 50 groups can be found [here](#). A longer comment on the CFPB proposal can be found [here](#).

“‘Sandbox’ is an innocuous-sounding name that obscures a dangerous precedent for the public interest. The agency would allow companies to stop providing information that people need to help avoid predatory products and decide what works best for themselves,” **said Linda Jun, senior policy counsel at Americans for Financial Reform.** “It is one more example of the current leadership at the agency undermining basic consumer protections and doing favors for the industry, rather than carrying out the CFPB mission to actually protect consumers.”

Problems with the proposed policy, according to a letter sent to the CFPB today, are many:

- **The proposal would apply to a very broad assortment of companies.** Fintech companies, payday lenders, check cashers, debt settlement scammers, debt collectors, credit reporting agencies, any bank or lender, and many other businesses loosely affiliated with the financial services industry could all use this policy to evade proper disclosure.
- **The proposal goes beyond the CFPB’s regulatory authority.** According to the statute, the

bureau can allow companies to conduct trials to improve upon any model form, but this proposal does much more. It would let the agency waive disclosures from whole swaths of companies altogether.

- **The proposal allows trials that will save money for the financial industry, even at the cost of consumer harm.** Previously, the agency's policy was to reject trials that weakened consumer understanding.
- **The proposal trusts companies to inform the CFPB when their own actions ought to be investigated.** The CFPB does not propose to commit itself to monitor the trials while they are going on or provide any evaluation or public reports at all.
- **The trials could apply to an entire industry and last for many years.** A single petition from a trade group could cover thousands of its members. Consumers might not even know what requirements apply to what companies. "Trials" that fundamentally change disclosure regulations could go on for a decade or longer.
- **The proposal would let the CFPB approve trials without any public input or comment.** Disclosures could be weakened or eliminated without any notice or opportunity for consumers or independent experts to weigh in.

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