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Trump Administration Significantly Narrows the Impact of the Consumer Financial Protection Bureau

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The Consumer Financial Protection Bureau (CFPB) is a federal agency that was founded in 2010, after the United States went through a recession linked to abuses in the origination and sale of residential mortgage loans. The agency generally has enforcement, supervision, and rulemaking authority with respect to a variety of federal statutes that apply to offerors of consumer financial products (bank and nonbank alike), such as personal loans, credit cards, and checking and savings accounts. Under the Biden administration, the CFPB was very active. It increased the number of staff members employed by the agency. It also focused on discriminatory lending issues, bringing enforcement actions to recover large civil penalties, and announcing new consumer protection guidance and regulations. In contrast, the current Trump administration is very critical of the CFPB and has sought to rein in nearly all its activity.

For example, the CFPB recently attempted to terminate nearly all its staff members, and a court is reviewing whether that action was legal. The CFPB has also withdrawn proposed regulations related to bank data-sharing and credit card late-fee limits. And it reduced the scope of or even completely reversed its preexisting consent orders, which reflect prior settlements reached by the CFPB with individual companies. A consent order against a fintech had its civil penalty reduced from over $2 million to just $45,000. Other consent orders and settlements, particularly those related to discriminatory lending actions, have been completely reversed, emphasizing the current administration's efforts to reverse Biden-era antidiscrimination policies. Finally, the CFPB has dropped many of its enforcement lawsuits against both traditional banks like Capital One and fintechs.

The shrinking of the CFPB is a significant change for participants in the consumer financial products industry, including banks, nonbank lenders, financial technology companies, and servicers of consumer financial products. The new administration's distinct focus on deregulation indicates we probably will not see new significant CFPB regulations that expand obligations for industry participants during this presidential term. And given the reduction in CFPB staff and the narrow focus of the agency's enforcement priorities, it seems unlikely that most industry participants will face risks of significant costs associated with CFPB supervisory exams or enforcement investigations. However, while financial services businesses may see little scrutiny from the CFPB, companies should be aware that activity from state attorneys general may increase, particularly for businesses that attract significant public attention.

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