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More about the Consumer Financial Protection Bureau

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The Consumer Financial Protection Bureau (CFPB) was created by the Dodd Frank Act to serve as a consolidated federal consumer watchdog over financial products. The bureau's powers are expansive and cover almost every consumer financial product or service in the market (the bureau does not regulate insurance or securities products).

By statute the CFPB must focus regulatory attention on financial institutions with assets of more than $10 billion. However, the bureau also has direct regulatory authority over many state-based entities offering financial products or services. This broad grant of authority is a direct response to the unregulated "shadow" financial services industry that exacerbated the recent financial crisis. While certain state-based industries are specifically named in statute, the CFPB is allowed, in many instances, to name the industries and products it will regulate in this space, which includes the housing industry. This authority means that all actors in the housing market, including CAI members, have an interest in the bureau's work.

What is the CFPB's main job?

Congress created the CFPB to serve as a consolidated regulator to ensure consumers are protected by aggressive, uniform enforcement of many existing (and some new) financial consumer protection laws. Prior to the CFPB, enforcement of federal financial consumer protection laws was conducted by bank regulators and the Department of Housing and Urban Development. This led to uneven enforcement of consumer financial protection laws and prevented commonsense efforts to coordinate consumer financial protection rules. As the sole financial consumer protection agency in the federal government, a main job of the CFPB will simply be enforcement of financial consumer protections.

How can the CFPB
prevent a future crisis
in the housing market?

An additional job of the CFPB is to study developments in consumer financial products and markets so the Bureau can identify new and harmful products. Many in Congress faulted bank regulators for failing to stop the spread of newly created mortgage products that were risky and confusing for consumers. The CFPB's authority over financial products and companies can be expanded by regulation, meaning that the Bureau does not have to go to Congress for new authority to halt future market abuses.

Does the CFPB focus
on just mortgages?

The CFPB has consumer protection authority over most financial products and services including student loans, credit cards, and checking accounts. However, the CFPB has special authority over mortgage lending standards and real estate closings. The Dodd Frank Act gave the CFPB the responsibility of enforcing the federal Truth in Lending Act (TILA), a powerful consumer protection law. As the federal enforcer of TILA, the CFPB will establish and enforce mortgage lending standards that all lenders and housing market participants must follow.

Congress also transferred rulemaking and enforcement authority under the Real Estate Settlement Procedures Act from the Department of Housing and Urban Development to the CFPB. The bureau is in the process of updating real estate closing disclosures and real estate closing forms.

This combination of authorities means the CFPB sets the standards that govern almost every aspect of the mortgage lending and closing process. The bureau has taken on a very high profile in the housing industry.

I'm a community manager or a board member not a lender. The CFPB doesn't regulate me, right?

The CFPB was designed to mature with the market it regulates and there are only limited restrictions on the types of individuals and firms it cannot supervise. The CFPB does not regulate financial institutions with assets less than $10 billion or other industry groups that have an explicitly defined statutory exemption from CFPB supervision. The CFPB does regulate state-based individuals and companies that offer financial services or products. It is this specific area of authority where the CFPB will focus a significant amount of attention.

Congress granted the CFPB authority to expand firms under its supervision by rule. Given the role of community associations in our nation's housing markets and the authority of associations to foreclose as a remedy to perfect a lien, it is reasonable to expect the CFPB to examine community associations at some point in its review of the housing market.

My state just passed a transfer fee law and I thought the Federal Housing Finance Agency wasn't pursuing a transfer fee rule. What's CFPB's concern?

The CFPB has been tasked with finalizing rules to govern national mortgage lending standards. This proposed federal rule, which was almost 400 pages long, included a one sentence question about transfer fees used by homeowners associations, but did not propose any specific rules or restrictions on transfer fees. CAI submitted written comments on the proposed rule, encouraging the CFPB to permit states to regulate these fees. Almost 30 states now have statutes governing the use of transfer fees and protect a community association's right to use transfer fees.

CAI will be carefully monitoring CFPB's treatment of community transfer fees to ensure this funding mechanism is available to associations and that property owners in associations with a community transfer fee have equal access to mortgage credit.

Because of its potential impact on community associations, CAI has added the CFPB to our Mortgage Matters program. CAI is working to protect homeowners in community associations and to ensure access to fair and affordable mortgage products for all current and potential community association residents.