



December 2, 2011

## CFPB REPORTS ON CREDIT CARD COMPLAINTS

The Consumer Financial Protection Bureau recently issued a report summarizing the first three months of the Bureau's Consumer Response complaint system and its initial work on credit card complaints. The Bureau established its Consumer Response office and a system for addressing consumer complaints as part of the Bureau's July 21, 2011 launch. See DTS Alert dated October 21, 2011.

From July 21 to October 21, 2011, the Bureau received 5,074 credit card complaints. Most of those (4,254 or approximately 84%) have been sent to credit card issuers for review and response. Of the complaints sent to issuers, 3,151 or 74% have been categorized by the issuer as either fully or partially resolved. The Bureau asked consumers to notify it within 30 days if it wished to dispute an issuer's response. Consumers did not dispute 2,238 of those resolutions, leaving 400 as disputed and 513 pending the consumer's review of the resolution.

The report displays the complaints by categories designed to reflect the nature of the grievance that were selected by the consumer from a list of 33 options at the time of complaint submission. The report lists the top 10 categories by volume of complaints as follows:

- Billing disputes – 13.4%
- APR or interest rate – 11%
- Identity theft/Fraud/Embezzlement – 10.8%
- Other – 8.9%
- Closing/Canceling account – 4.8%
- Credit card payment/Debt protection and Other fee – 4.4%
- Billing statement – 4.1%
- Collection practices – 4.0%
- Credit reporting – 3.9%
- Advertising and marketing – 3.4%

Interestingly, Arbitration, Bankruptcy, and three fees – Cash advance, Overlimit and Balance transfer were among the lowest

categories by volume of complaints.

The Bureau made the following three observations about the complaints so far:

- Consumers are confused by credit terms and associated products
- There is some alleged third-party fraud occurring
- A large volume of complaints reveal factual disputes between issuers and consumers

The Bureau will use the results of its analysis to help identify problems in the market and possible strategies for improvement, such as, for example, consumer engagement and education and new regulatory policies. □

✧ *Judy Scheiderer and Margaret Stolar*

## CFPB INVITES COMMENTS ON DISCLOSURE OF CREDIT CARD COMPLAINT DATA

The Bureau of Consumer Financial Protection is requesting comment on a proposed policy statement that addresses the Bureau's disclosure of credit card complaint data. The policy statement indicates that the Bureau intends to disclose certain information about credit card complaints in a public database and in the Bureau's own periodic reports. The Bureau's purpose in disclosing this information is to provide consumers with timely and understandable information about credit cards and to improve the functioning of the credit card market.

The policy statement does not contemplate the disclosure of confidential consumer complaint information. Thus, the Bureau will not publish the name, full address, or credit card account number associated with any complaint, nor will it disclose confidential and proprietary business information that issuers provide in response to complaints. Until further study is completed, the Bureau also will exclude narrative data fields (*i.e.*, the consumer's description of "what happened" and of "fair resolution" and the issuer's response) because of the privacy risk to consumers.

The Bureau proposes to make certain credit card complaint data

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available for research and analysis in a public database that will be online and searchable. The Bureau also proposes to periodically publish reports about the consumer credit card complaints that it handles. The Bureau intends for its database and reports to provide valuable information to consumers and other market participants, possibly including an analysis of patterns or trends and standardized metrics allowing comparisons across reporting periods.

Finally, the policy statement provides that the Bureau plans to study the effectiveness of its credit card complaint disclosure policy. It also plans to study the narrative field data submitted by consumers and issuers to determine whether there are ways to disclose that data without sacrificing privacy and other interests.

Comments on the proposed policy statement should be submitted by January 30, 2012. □

✧ *Judy Scheiderer and Margaret Stolar*

### CFPB SEEKS GUIDANCE ON STREAMLINING REGULATIONS

The Bureau of Consumer Financial Protection recently issued a request for information notice seeking specific suggestions for streamlining regulations it inherited from other federal agencies. The notice asks the public to identify those provisions of the regulations that should get the highest priority for streamlining and to suggest practical measures to make for easier compliance. It also discusses several specific requirements that may warrant review.

The notice indicates that on July 21, 2011, under the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Bureau inherited responsibility for the regulations of the following seven federal agencies:

- Board of Governors of the Federal Reserve System
- Federal Deposit Insurance Corporation
- Federal Trade Commission
- National Credit Union Administration
- Office of the Comptroller of the Currency
- Office of Thrift Supervision
- Department of Housing and Urban Development

In the coming weeks, the Bureau will republish the prior agencies' regulations implementing all, or portions of, the following 14 consumer laws:

- Consumer Leasing Act
- Electronic Fund Transfer Act
- Equal Credit Opportunity Act
- Fair Credit Reporting Act
- Fair Debt Collection Practices Act
- Federal Deposit Insurance Act
- Gramm-Leach-Bliley Act
- Home Mortgage Disclosure Act
- Real Estate Settlement Procedures Act
- S.A.F.E. Mortgage Licensing Act
- Truth in Lending Act
- Truth in Savings Act

- Omnibus Appropriations Act
- Interstate Land Sales Full Disclosure Act

At that time, the republished regulations will incorporate only technical changes and will not impose any new substantive requirements.

The notice states that the principal goal of the Bureau's initial targeted review is to identify the highest priority areas for streamlining the inherited regulations by updating, modifying, or eliminating outdated, unduly burdensome, or unnecessary provisions. In setting priorities for streamlining, the Bureau will consider (i) the potential benefits and costs of a potential regulatory change for consumers and covered entities, (ii) the likelihood that the Bureau would be able to achieve the benefits consistent with the underlying statute, (iii) the speed with which the public would realize the benefits, (iv) the governmental and private resources it would take to realize the benefits and (v) the state of the evidence with which to judge these factors.

The notice sets forth general questions for comment. Among other things, commenters are invited to offer their highest priorities for streamlining. For that purpose, commenters may consider suggesting provisions of regulations that should be:

- (i) Simplified, rationalized or consolidated;
- (ii) Relaxed, modified or eliminated, perhaps for smaller firms or certain classes of transactions, without undermining essential protections;
- (iii) Updated to reflect current practices and technology;
- (iv) Adjusted to avoid unintended consequences; or
- (v) Changed to remove an obstacle to responsible innovation.

The notice also seeks information and views about specific potential revisions of inherited regulations, including those concerning consistent definitions, annual privacy notices, ATM fee disclosures, coverage and scope of Regulations B (Equal Credit Opportunity), C (Home Mortgage Disclosure) and Z (Truth in Lending), ability to pay credit card debt, electronic disclosures and the Interstate Land Sales Full Disclosure Act.

Comments will be due 90 days after the publication of the notice in the Federal Register. □

✧ *Judy Scheiderer and Margaret Stolar*