

House Financial Services on Consumer Financial Protection Bureau Oversight

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Rep. Maxine Waters (D-Calif.)

Meeting will come to order. Without objection, the chair is authorized to declare a recess of the committee at any time. This hearing is entitled Consumer's First Semiannual Report of the Consumer Financial Protection Bureau. I now recognize myself for 5 minutes to give an opening statement. Good morning today we welcome Mr. Rohit Chopra, Director of the Consumer Financial Protection Bureau, before our committee. Under your leadership, I'm pleased that the CFPB is finally back on track. I commend your recent efforts to crack down on large financial firms that repeatedly break the law and harm individual consumers and working families.

The practice of slapping a fine on a recidivist corporation while they rake in large profits should not be tolerated anymore. There must be serious consequences and structural reforms to prevent these kinds of repeat offenses. Under my leadership, this committee has done extensive work to investigate and address compliance failures by Wells Fargo that hurt millions of consumers.

Our work resulted in new board leadership and management being installed as well as former Fed Chair, Janet Yellen, imposing an unprecedented asset cap on the bank in February 2018 that remains in place to this day. I am heartened that you are building on our efforts by seeking to hold more corporations accountable with lawsuits filed against TransUnion and MoneyGram for repeatedly breaking the law. And I hope these efforts will put other large firms on alert and encourage your banking regulator counterparts to similarly use their full suite of enforcement tools. Furthermore, I applaud this CFPBs work to put an end to discrimination and ensure fairness in small business and consumer lending.

Specifically, I look forward to learning about the CFPB's progress in finalizing the Section 10721, rulemaking that requires lenders to collect demographic data on credit applications from small businesses. This data will be critical to our efforts to root out discrimination against minority owned, women owned and LGBTQ plus owned firms.

In addition, it is important that CFPB combat predatory payday lenders and closely monitor student loan services as well as mortgage services that strip America's consumers of their hard-earned dollars. On this last point, we should do all we can to prevent unnecessary foreclosures, especially for Black and Latinx homeowners, who are more likely to still be managing the end of a forbearance plan.

I hope you will comment today on your efforts to coordinate with the administration to ensure struggling homeowners can access the \$10 billion myself and members of this committee secured in the American Rescue Plan to help them stay current during the pandemic. Moreover, I commend your work to examine the junk fees that financial institutions charge consumers.

And let's not forget the role of the CFPB in promoting responsible innovation. With the rise of financial technology, I'm so happy Director Chopra, that the agency is taking action to prevent low-income consumers and consumers of color from being discriminated against by the redlining practices or algorithmic bias that may be present at some tech firms.

Lastly, I applaud your work on the FDIC board ensuring that the agency also fulfills its statutory mission even when a chair unlawfully attempts to thwart the will of the board's majority to solicit public comment on strengthening bank merger review. So, Director, I look forward to your testimony and hearing about the CFPB's priorities under your leadership.

I now recognize the gentlewoman from Missouri, Ms. Wagner, for five minutes.

Rep. Ann Wagner (R-Mo.)

I thank you, Madam Chairwoman. Director Chopra, under your leadership, the CFPB is out of control. Democrats in Congress can't pass their progressive agenda, so they've turned to regulators to get the job done. This approach ignores statutory limitations and actually endangers consumers financial well-being.

Director Chopra, in the short time since you were sworn in, here are just a few examples of this ideologically driven regulatory regime. Number one, you let a power grab at an entirely different independent agency, the FDIC, which we look forward to investigating. You gave the CFPB the upper hand in administrative adjudication proceedings.

You reignited the flawed disparate impact theory. You have scrutinized sectors of the financial services industry that leftists have long disfavored. And you have attempted to frame widely used credit and deposits products as harmful or unfair to consumers. What's more, the bureau's regulation by enforcement, which Republicans have long criticized, has only worsened under your watch.

In fact, your previous testimony before this committee, the Ranking Member asked if you would be willing to clearly define either through rulemaking or by supporting legislation, the abusive standard under your UDAP authority, you declined. You said you believed in establishing clear bright lines and rules for industry participants but you've done quite the opposite. Instead, implementing changes in exam manuals and procedural rules without public input. Your actions are inconsistent with your statements, sir. Now, you're regulating by press release, issuing research reports with old data and using press releases to drive your narrative regardless of whether the data back up the claims. Your conclusions were clearly predetermined. So asking for comment was a waste of time and resources. These approaches are beneath the mission granted to you. Whether or not Republicans agree with that mission, it makes one wonder whether resources are really being devoted to pursuing illegal activity and bad actors, or is it all going toward the progressive crusade?

But how would we know the answer to that question? The CFPB was structured by Democrats to be opaque. It is not subject to the annual appropriations process. Other than these semiannual hearings on its reports, Congress has no role in how the CFPB operates. The Democrats wanted it this way. Unfortunately at a time when consumers are seeking credit opportunities or services from new products, the CFPB is limiting choice with its actions.

This will hurt all consumers. Last month during the overdraft fees hearing, we heard from Professor Zwicky who reminded us that, and I quote, exasperation is not a substitute for sound economic analysis. In other words, not liking something is not a reason to forgo basic economic analysis in favor of politically expedient decisions.

This kind of behavior creates unintended consequences. It stifles innovation, limits consumer choices, chokes off access to credit and probably most egregiously, drives up the costs of financial services for all Americans, something that I've spoken about for ten years on this committee, particularly those who Democrats claim, they are trying to protect.

CFPB's actions under your leadership, Director Cobra, have not been based on sound regulatory or supervisory objectives, but a dictation of your own personal political views. That's bad news for Americans already struggling to make ends meet thanks to a Democrat controlled Washington. I thank you Madam Chairwoman and I yield back.

Rep. Maxine Waters (D-Calif.)

Thank you. I want to welcome today's distinguished witness to the committee, the honorable Rohit Chopra, Director of the Consumer Financial Protection Bureau. Without objection, your written statement will be made part of the record. You will have five minutes to summarize your testimony. You should be able to see a timer that will indicate how much time you will have left.

I would ask you to be mindful of the timer and quickly wrap up your testimony if you hear the chime. Director Chopra, you are now recognized for five minutes to present your oral testimony.

Rohit Chopra

Well, thank you, Madam Chairwoman and thank you, Madam Ranking Member and all the members of the committee for inviting me to appear before you today. American households and businesses continue to recover from the economic devastation caused by the pandemic and at the same time, ongoing supply chain disruptions, geopolitical strife and inflation pose real challenges.

The CFPB is working hard to fulfill the mandate Congress has specifically entrusted the agency with to ensure that markets are fair, transparent and competitive. The agency is supervising financial entities for compliance, handling heavy volumes of complaints, issuing guidance to implement federal law and bringing enforcement actions where appropriate.

In my written testimony, I detail some of the highlights of the direction of our work to protect consumers and the law-abiding businesses we serve. Perhaps most importantly, the CFPB is deeply engaged with stakeholders and market participants about the future of the consumer finance ecosystem, and we will be very focused on what that future holds and how we can collectively shape it in ways that are in line with American values.

Currently, the United States is lurching toward a market structure where finance and tech co-mingle fueled by uncontrolled flows of consumer data and surveillance. This is the market structure that has emerged in China where dominant internet conglomerates play an outsized role in financial services.

These tech giants have access to an extraordinary set of data about consumers and about businesses, including financial businesses that they compete with. Over the last several years, Chinese tech and finance giants have developed so-called social scoring that goes beyond credit performance and relies on analyzing user habits totally unrelated to credit and banking.

We really have a choice before us, are we going to turn into a world of algorithmic banking or will we be able to preserve relationship banking. All of these developments raise a host of questions about privacy, about fraud and about so much more. The CFPB is currently studying these issues as part of our inquiry into Big Tech's entry into consumer payments in the United States.

We expect to issue reports on our research to contribute to the discussions that we are all having about the future of consumer finance and relationship banking in our country. In addition, based on feedback from across the board, we are shifting our enforcement scrutiny away from small businesses and small firms and instead focusing on repeat offenders and large market actors engaged in widespread harm.

We are particularly focused on entities that violate formal law enforcement and court orders. Our recent lawsuits against TransUnion, one of the nation's largest credit reporting companies, First Cash, one of the nation's largest pawn lenders and MoneyGram, one of the nation's largest international remittance providers illustrate this shift.

In many of these cases, we allege that they violated specific orders that were law enforcement related that they willingly agreed to. And based on feedback from industry, the CFPB is also dramatically increasing its issuance of guidance. These efforts help entities comply with laws passed by Congress by drawing attention to an already clear legal requirement or providing further clarity where needed. They also promote consistency among the many government actors responsible for enforcement, including other federal regulators and tribal and state attorneys general across the country. The CFPB is especially interested in areas where guidance can support compliance by small institutions and new entrants looking to challenge existing dominant incumbents.

The agency is also rethinking its approach to regulations by prioritizing rulemaking that implements Congressional directives. For example, we're heavily focused on making progress on implementing Section 1033, which is about consumer control of data. In addition, I've repeatedly expressed concerns about excessively complicated rules, and I've asked staff to put a high premium on simplicity and bright lines.

In closing, we must always remind ourselves that our consumer finance ecosystem serves as a critical infrastructure for the growth and prosperity of our country, and I am optimistic that we can live up to the directives that Congress established at the agency's creation. Thank you again for the opportunity and I look forward to answering your questions.

Rep. Maxine Waters (D-Calif.)

Thank you very much. I now recognize myself for five minutes for questions. Director Chopra. I applaud you for your recent work to stop large financial firms from breaking the law time and time again without adequate accountability. These companies seem to believe that they are above the law, because when they harm consumers, they only get a slap on the wrist from regulators.

In a recent speech, you rightly pointed out that not a single senior executive was truly held financially accountable for their role in the 2008 crisis. I'm pleased to see the CFPB is finally doing something about these repeat lawbreakers. Earlier this month, CFPB charged TransUnion and senior executive John Danaher with violating a 2017 law enforcement order.

The CFPB and the New York Attorney General also filed a lawsuit against MoneyGram. These actions to hold recidivist institutions accountable builds on the committee's important work in the last few years to shine a spotlight on the reckless and egregious pattern of repeated consumer abuses at Wells Fargo, resulting in CEOs and board members stepping down, as well as the Fed imposing an unprecedented asset cap on the megabank until Wells Fargo cleans up its act.

And they have more work to do. It was disappointing to see recent reports that Wells Fargo allegedly denied more than half of Black homeowners a chance to refinance their mortgage, while 72 percent of white homeowners had their applications approved. The biggest disparity when compared to other lenders according to Bloomberg.

I hope regulators will investigate and not be shy to impose escalating structural penalties if they continue to break the law. Director Chopra, what's your plan to ensure that large recidivists institutions face real consequences and change their behavior to the benefit of consumers? How do the penalties that are imposed when laws are broken change the perceptions of other financial institutions regarding the rule of law?

What authorities do you intend to consider deploying that regulators in the past have been reluctant to use?

Rohit Chopra

Well, thank you, Madam Chairwoman. I think it's actually pretty simple. When small players get caught breaking the law repeatedly, enforcers are pretty consistent. They often shut them down, they name individuals and they often refer people for criminal prosecution. Yet when large players do it over and over again, sometimes with the same exact facts, we see a totally different outcome.

There is nothing in Congressional law that has a leniency factor for larger firms. So if we believe that there should be equal justice, we should apply the law equally. And that means, yes, we may have to go beyond fines where they pay a fine, which is just part of their--sometimes the profit that they made.

We may need to look at stricter sanctions, especially when they're of repeat offenders, just as we do for smaller firms. And this can include limitations and other remedies that are explicitly authorized in order to stop the endless repeat offenses again and again and again and again.

Rep. Maxine Waters (D-Calif.)

Thank you so very much. I have a number of questions that I would like to ask, but we really don't have time. But while you're here and we're focused on consumers and the lack of protection under the past administration, I want to tell you that now is the time when we must shine a bright light on the activities of businesses that are taking advantage of inflation.

We have inflation and we know that, and our administration is working very hard to deal with it, but others are taking advantage of these times and they're raising prices. And so we're going to do everything from take more time on the floor, more press conferences, more engaging on this issue. You're at the right place at the right time.

I applaud your work and I yield back. The gentlewoman from Missouri, Ms. Wagner, is now recognized for five minutes.

Rep. Ann Wagner (R-Mo.)

Yes. Thank you, Madam Chairwoman. I would say that I believe the inflation crisis that we have ongoing in this country that is devastating to working families and all across the United States of America is a result of Democrat policies and overspending by trillions of dollars by this administration. Director Chopra, tell me, how are you ensuring the costs of regulations and other CFPB actions do not outweigh any potential benefit, especially since those costs will in fact be passed on to consumers?

Rohit Chopra

Yeah, I appreciate the question. So in the act, there is certain requirements about making sure that there is adequate analysis. I am very focused on making sure that we are not being excessively complicated in ways that just advantage the larger players at the disadvantage of the smaller players. So we try our best to be able to understand, what are the systems changes that need to be made?

What kind of vendor work? And one of the things that continually comes up when we talk with institutions is the role of software providers and how they might pass back costs and the lack of competition with community banks--

Rep. Ann Wagner (R-Mo.)

--respectively, reclaiming my time. Just very clearly, do you, sir, conduct cost benefit analysis with each CFPB action?

Rohit Chopra

We follow what the statute says with respect to regulations?

Rep. Ann Wagner (R-Mo.)

Do you conduct a cost benefit analysis on each CFPB action?

Rohit Chopra

It's my understanding. I don't know if--this is exactly what's required, I think, in the statute, that we looked at cost and benefits.

Rep. Ann Wagner (R-Mo.)

Director Chopra, do you intend to engage on issues related to interchange fees as part of your plan to address so-called junk fees?

Rohit Chopra

Interchange fees is actually something that is regulated by the Federal Reserve Board of Governors. At the same time, it is certainly something we hear from the business community as a concern, but that's not the purview of the CFPB.

Rep. Ann Wagner (R-Mo.)

In your opinion, do you consider fees retail companies pay in exchange for the maintenance and operation of card networks to be junk fees?

Rohit Chopra

Well--you know, a junk fee is something that when there is often not competition, and so the fee may be something that you don't even want or you never even asked for.

Rep. Ann Wagner (R-Mo.)

Develop that a little bit. Could you just define--you know, what do you--how do you define a junk fee?

Rohit Chopra

Well I think many people define it in different ways. The way I define it is that when it is a fee that is often not subject to the full competitive process and specifically for a service you may have never asked for or for where its cost is way in excess of what a competitive market would be.

Rep. Ann Wagner (R-Mo.)

So it's very objective then is what you're--or pardon me, it's very subjective is what you're saying here. I would just--we don't--I'm not familiar with this terminology. And what you are describing is something very subjective, not data driven.

Rohit Chopra

Well, many Americans experience this in their day-to-day life. There is a fee creep that is occurring throughout the economy where people are surprised, where people don't know why they're being charged for something or that they never knew they agreed with it. It is a common experience and we are trying to find ways, what are the ways that disclosures can be better? What are--

Rep. Ann Wagner (R-Mo.)

I thought you said this wasn't part of your purview, so I'm confused. Are you involved in this so-called junk fee subjective analysis or not?

Rohit Chopra

No. We are asking people about their experiences. In our complaints, we received a broad range of input about fees. We also hear about it from institutions. And one of the things we're seeing in the market today is that institutions are starting to compete more aggressively on fees.

Rep. Ann Wagner (R-Mo.)

Reclaiming my time. I've got a couple more questions, Director Chopra. Under former Director, Richard Cordray, the CFPB studied overdraft protection but did not identify a need for a rulemaking effort. In the past year, the CFPB has hinted at restricting financial institution's ability to offer overdraft products. Where do you expect consumers using this product to turn if the CFPB restricts this ability?

Rohit Chopra

Well, we are seeing institutions reduce their overdraft fees. So in some cases they're providing that same service for a much lower cost or they're even providing it for free. This is one of the beauties of a competitive market, is that when there's real competition, even on the back end, people can benefit across the board.

Rep. Ann Wagner (R-Mo.)

Thank you. I yield back the balance of my time.

Rep. Maxine Waters (D-Calif.)

Thank you. The gentleman from Texas, Mr. Green, who is also the Chair of the Subcommittee on Oversight and Investigations, is now recognized for five minutes.

Rep. Al Green (D-Texas)

Who also, Madam Chair, would like to associate himself with your comments about the inflation, as well as the invidious discrimination. I must say, Director, it's an honor to have you before us today. I'm concerned about invidious discrimination in lending. We have indications consistently of how these tests that are performed, such as the mystery shopper test that was performed by the National Community Reinvestment Coalition in several cities, how they consistently show that White persons are treated differently. They get better treatment and nonwhite persons.

I have a piece of legislation to deal with this. I am convinced that in some of these cases, banks literally can build in the penalties as the cost of doing business when they are caught engaging in invidious discrimination. I think there has to be a strong penalty. I think that just as when you try to defraud a bank, you pay a price, and it can be a criminal penalty.

When you defrauded a consumer who is trying to get a loan for a business or a mortgage, I think they ought to be a criminal penalty when it can be shown, proven. I'm just very much concerned about the way it continues and the way we don't seem to be getting the relief that I thought we would be getting at this point in time. Can you give some comment please, Mr. Director?

Rohit Chopra

Well, there's no question that it's important that we enforce the laws you've told us to enforce. One of them, of course, is the Home Mortgage Disclosure Act, the Equal Credit Opportunity Act. We did finalize an action recently against Trustmark National Bank. It was a very significant action involving some of the conduct that I think you're referring to. I think one of the things we're also thinking hard about.

Rep. Al Green (D-Texas)

Mr. Director, would you allow just a moment of interruption. I apologize, but my assumption is that the penalty was some sort of fine associated with a monetary punishment. Is that a correct statement that it was monetary in nature?

Rohit Chopra

That's right. There's also sometimes other provisions about loan subsidy funds. I don't have it off the top of my head, but yes, there's usually a monetary penalty.

Rep. Al Green (D-Texas)

Have you had anybody punished in a penal sense with some sort of penalty that's associated with the payment laws, some sort of time associated with incarceration? And I'm very serious about this. If we default a bank, you're going to jail. But we find that consumers, especially minority consumers, are being defrauded and it's being done with impunity because the banks can build into the penalty simply the cost of doing business.

So would that to a greater deterrence if we had a penalty that carried with it some association with incarceration?

Rohit Chopra

Well, so it's not something I've thought about, but I will share this, is that of course lying to investors and securities fraud sometimes is punishable criminally. And as you mention, the FIRA law, there's wire fraud, mail, fraud, those are criminal statutes. We don't enforce criminal law. But I think as a big picture point, I do agree that particularly for repeat offenders, the monetary penalty on its own just doesn't seem to deter the future problems.

And I think for smaller actors, maybe it does, I'm just not convinced it does for larger ones. So it is something we're thinking hard about. But of course criminal law, we of course refer when we find potential violations, but--you know, it's not in our mandate.

Rep. Al Green (D-Texas)

Well, I thank you for your commentary and for your leadership as well. These are tough times, and these are some tough issues that we're having to negotiate, but it's going to take people who are willing to deal with the issues. We cannot continue to eschew these issues and assume that the passage of time in and of itself will cure the problem.

We've got to take bold action because as you've indicated and others have too, those big institutions, they just make it the cost of doing business, a few million here or a few million there, open up accounts in the names of persons without getting the person's consent, no big deal.

Just go on with business as usual, change out your leadership and continue to do what you do best, which seems to be to defraud the public. Thank you, Madam Chair, and I yield back the balance of my time.

Rep. Maxine Waters (D-Calif.)

Thank you. The gentleman from Oklahoma, Mr. Lucas, is now recognized for five minutes.

Rep. Frank Lucas (R-Okla.)

Thank you, Madam Chair. Director Chopra. I'd like to discuss with you for a moment, The Bureau's tribal consultation policy. I represent all or parts of 16 different tribes, and state of Oklahoma alone is home to 39 tribal nations. Could you discuss how the CFPB typically seeks input from the tribes during the rulemaking process under your tenure? And is the Bureau committed to maintaining a meaningful dialog with the tribal governments?

Rohit Chopra

Yeah, so I really appreciate this. I myself have had a number of now meetings directly with both those who represent tribal communities and those who represent tribal financial services providers. So I've been personally engaged with it. With respect to our policy, I do think that we are continuing to make sure that we can go beyond the letter of that policy and make sure that we're thinking beyond that.

So one of the areas that is quite an area of focus for me, is what we've launched in terms of rural work. So we know that rural financial services providers are being--face very, very different constraints, but especially those who serve tribes. So I'm happy to take more input from you and others as well to make sure that we are fully making sure that all of their views, and frankly, the unique nature of their business models is also incorporated.

Because I do want to see us do what we can to reduce some of the banking deserts that we see across rural America, but especially in tribal lands.

Rep. Frank Lucas (R-Okla.)

And thank you for respecting that unique relationship. Financial innovation continues to drive the economy and empower businesses to meet the evolving needs of consumers. Director, could you discuss how financial technology allows institutions to support financial inclusion, particularly among the underbanked?

Rohit Chopra

I'm a huge believer that technology and finance provides a huge opportunity to accomplish exactly what you're saying. There's a few ways in which we're able to do it. Technology also helps people lower their customer acquisition costs, lower some of their back-office costs and frankly, allows them to find and innovate on services.

Here's, though, I want to be open. I have a worry that I don't want technology and financial services just dominated by big tech companies like we see in China. I want to see that small institutions are able to partner with them responsibly in order to maintain their relationship banking model, but also accomplish the goals you're saying, as well as those in the non-bank sector as well.

Rep. Frank Lucas (R-Okla.)

So you're saying it's a priority for the bureau to create an environment for financial innovation to thrive?

Rohit Chopra

That's right. I think we want to make sure that competition and innovation are part of what we want to see as progress. We need to make sure that the market is competitive and that's what yields a lot of benefits. And there are some concerns in areas of the ecosystem that it could be quickly dominated by a handful of tech giants.

Rep. Frank Lucas (R-Okla.)

The US economy directors facing significant headwinds, we all see that we're coming off the heels of a pandemic that we're still studying the effects of while experiencing supply chain backlogs and inflation of the 40-year high, with the Russian invasion of Ukraine exasperating economic uncertainty. As I'm sure you can appreciate, supporting healthy and liquid markets to protect the US economy and small businesses in the face of substantial challenges should be a priority.

Could you elaborate on how the Bureau is working to ensure that its actions do not intensify the already severe economic uncertainty for small businesses and ultimately the consumer?

Rohit Chopra

Yes, you raise good questions about small businesses, capital markets, looking at capital markets signals, but also frankly inflation. We actually pore over these inflation numbers, and one of the places we see is most likely to impact consumer finance is auto lending. So because the price of automobiles, both new and used is going up, sometimes substantially above Kelley Blue book value, that's having an impact on what our auto lenders are seeing.

And when we meet with them, they tell us that average loan balance is going up. They tell us that there are issues with people being able to afford cars. So we're trying to work with everyone to make sure that people can adjust to the realities of you need a car, not sometimes just to get to work, but to do your work as well.

Rep. Frank Lucas (R-Okla.)

Liquidity, Mr. Director, just as long as we maintain liquidity in the market so resources can be available. Thank you. Yield back, Madam Chair.

Rohit Chopra

Thank you, sir.

Rep. Maxine Waters (D-Calif.)

Thank you. The gentleman from Illinois, Mr. Foster, who is also the chair of the Task Force on Artificial Intelligence is now recognized for five minutes.

Rep. Bill Foster (D-Ill.)

Thank you, Madam Chair. And actually, as part of our work on the Artificial Intelligence Task Force, we've been wrestling with what is sometimes referred to as the accuracy fairness tradeoff in things like automated valuation models, which are right at the heart of making sure that people get a fair deal when they're buying or selling their homes.

And in February, the CFPB proposed an outline for an interagency, or proposed or contemplated interagency rulemaking on automated evaluation models. There are four factors which are straightforward and easy to understand. And then the fifth factor, which is sort of a catch all for everything that will have to deal with the issues of the accuracy fairness tradeoff.

You know, what is your thinking on, well, the time scale and where that may end up landing, so the range of possible--

Rohit Chopra

--yeah, thanks for the question. So many of you know that there are two vehicles in which the appraisal industry works. There's human appraisals, but also algorithmic appraisals, and this is sometimes referred to as an automated valuation model. So what the CFPB is doing, is we're collecting input now from small businesses about potential changes to that rulemaking.

Dodd-Frank, it may be another law, asked the regulators to make sure that there's essentially fidelity in these valuation models, these algorithms. So I can't say anything about a specific timeline because actually, it's the other regulators that are key parts of this. It's an interagency piece, but the way I think about this is we want an appraisal market that actually gets to accuracy. And in many cases, particularly rural areas or urban neighborhoods where you see heterogeneous housing types in a specific geographic area, sometimes there are severe issues with accuracy.

So figuring out ways that we can make sure that it's accurate, that it's nondiscriminatory, that it's actually what a good approximation of what that home is valued, I think that's the North Star. Getting that accuracy is so important. Overvaluation on an appraisal is dangerous and undervaluation can really hurt a family's financial future.

Rep. Bill Foster (D-Ill.)

Yeah. Well, one of the toughest things in the accuracy tradeoff is an accurate estimate of a house worth will contain the fingerprints of redlining generations ago. And so how do you view that problem where the data set that you train your valuation models of has a discriminatory past history and the discriminations embedded in the data set that you have available?

Rohit Chopra

Yeah, it's not an easy question. I think many of us--when we saw Secretary Carson's complaint against Facebook that was related to housing and how the algorithm worked, I think that actually was just one sign of where the algorithms lacked a sense of transparency about how was it actually making the decision.

Why am I being denied? And I think this tension between algorithmic banking and relationship banking is one we're going to have to confront. I don't have a great answer for you. It's something obviously we're starting to collect feedback on, but it's an important question that the agencies have to deal with.

Rep. Bill Foster (D-Ill.)

Yeah. And the other factor that you're going to have to end up waiting is explainability, because the most accurate models are neural network models where you could say, okay, here are all the Whites in our neural network and that gets the most accurate result. But when someone says, I'm sorry, your house is not worth what you think it is because our neural network says so, that is not an acceptable explanation. And so how are you going to prioritize explainability inside all of these?

Rohit Chopra

Yeah, I want to say about a decade ago a lot of international bodies--you know, they weren't focused on banking, they were focused cross-sectoral basis. Explainability was a key feature of something that was successful, because otherwise there will be a lot of downstream effects if no one can answer how the algorithm works.

You know, we see that in social media, we see that even in health now. So I do think being able to have those who are--when it makes decisions, being able to understand how that decision was made and what inputs drove it, just feels like a commonsense--you know, goal that we have to have.

Rep. Bill Foster (D-Ill.)

Yeah. Well, yeah, the rubber hits the road when you have to choose between a model that's explainable and one that is more accurate than one that's easy to explain. And when you figure that out, let me know because we've been wrestling with that on the AI task force since our very start. My time is up here and yield back.

Rohit Chopra

Thank you so much.

Rep. Maxine Waters (D-Calif.)

Thank you. The gentleman from Florida, Mr. Posey is now recognized for five minutes.

Rep. Bill Posey (R-Fla.)

Thank you, Chairwoman Waters. Mr. Chopra, can you please tell us how you are continuing Director Granger's commitment to a by cost benefit analysis from the Bureau of regulations as required by Section 1022 of the Dodd-Frank Act?

Rohit Chopra

Yes, sir. So as you say, there is a framework that is required in the Dodd-Frank Act. One of the things that I am putting a big premium on is figuring out how do you accomplish what the goal, the consumer protection goal is. And we're dealing with this now with some Congressional directives. How do you actually minimize the costs while getting to the benefits?

And one of the things I've been trying to impress upon is simplicity and bright lines. What we hear from smaller institutions especially is that the more we can get to a place of bright lines, the easier it is and less costly it is. The other place we're looking at, Congressman, is the role of software providers, especially core services providers that--you know, there's only a handful of them.

But most financial service firms, especially small banks use the same set and often you know, struggle with the costs of how changes are passed back to them. So we're thinking about this rather surgically. We're trying to get more data and talk to a broader set of businesses including those who are technology providers so that we can really understand what happens on the ground.

What are the patches that need to be done? What are the changes that need to be done? What can be done in-house versus vendor? What can be automated? How do you make it streamlined? So all of these are things that I want to make sure we are doing a better and better job of because it is important to be able to get things--you know, frankly, to be effective.

Rep. Bill Posey (R-Fla.)

Okay. Thank you. Can you give us an example of how a cost benefit analysis of a regulation change or improve that regulation issued by the bureau?

Rohit Chopra

Sorry, there is a little bit of background noise, just say the first part one more time. I apologize.

Rep. Bill Posey (R-Fla.)

Sure. Can you give us an example of how the cost benefit analysis of a regulation changed or improved a regulation issue by the Bureau?

Rohit Chopra

Yeah. I will want to follow up with you on it because of the specifics may be quite--before I came. But I think there is something that we are looking at currently, which is what is the ways and the drivers in which we can reduce costs, in some ways by making changes to a regulation that really won't change the benefits.

So again, what are the drivers of those costs and how do you dissect that in order to figure out how to lower that? But--you know, I will admit, sometimes it is very challenging to get the right set of data or the right type of way in which to fully understand the benefits. Sometimes Congress has actually made a determination.

You know, that's the case with a lot of Congressionally directed rules. So it's not a perfect science.

Rep. Bill Posey (R-Fla.)

Yeah. That brings up the status of compliance with Section 1022D of Dodd-Frank and where members of Congress and the public may access your Congressionally mandated assessments or bureau rules and public comments that have been conducted so far. Can you give us an example that?

Rohit Chopra

So we are reviewing older rules, especially ones that have not been looked at in a while. Some of them were transferred from other agencies including the Federal Reserve Board of Governors. So I don't know if we have any specific timelines. We're still in the early stages, but we are certainly looking at older rules to see if they need to be updated or amended based on some of what you're saying.

Rep. Bill Posey (R-Fla.)

Great. Can we summarize the nature of public comments collected as part of your assessments?

Rohit Chopra

Sorry, sir? One more time.

Rep. Bill Posey (R-Fla.)

Could you summarize the nature of public comments I collected as a part of your assessments?

Rohit Chopra

Yes. So in the rulemaking process, when we propose a rule, we often do, I think we actually always do, if it goes to a final rule, we will always describe. This as compliance with the law, about how the analysis of the comments might have driven changes, as well as data that was collected through the process in order to explain the full regulation.

Rep. Bill Posey (R-Fla.)

Thank you. I see my time is up and I yield back, Madam Chair.

Rep. Jake Auchincloss (D-Mass.)

Gentleman yields. The gentleman from California, Mr. Vargas is now recognized for five minutes.

Rep. Juan Vargas (D-Calif.)

Thank you very much. Mr. Chair. Appreciate the opportunity and thank you for the hearing. Good morning, Director Chopra.

Rohit Chopra

Good morning, sir.

Rep. Juan Vargas (D-Calif.)

Thank you. Good morning. And thank you for your testimony and for your service. We really do appreciate you. As you know, April marks the Fair Housing Month, time to reflect on the 54 years since the passage of the Fair Housing Act in 1968 and 45 years since the passage of the anti-redlining law, the Community Reinvestment Act. However, many people of color still face significant barriers to affordable and sustainable housing today. According to the latest Home Mortgage Disclosure Act, Black and Hispanic applicants are denied conventional mortgages at higher rates than their white counterparts.

This is important because these families were still denied mortgages when they had the same debt to income ratios and made the same amount of money. I think we need to focus on decreasing barriers and especially first-time homebuyers. So could you please speak to what the CFPBs role is in ensuring that Americans have equal access to our housing market?

Rohit Chopra

Sure. So while we don't enforce the Fair Housing Act, that's something the other bank regulators and the Justice Department and HUD look at. We of course administer the Home Mortgage Disclosure Act. So that is some of the data that you're referring to. We need to make sure that we are living up to that and also enforcing you know the anti-redlining laws.

You know, that directly relates to the Equal Credit Opportunity Act. We did finalize an action in recent months against Trustmark for conduct that is related to this where there was evidence of liability under the Equal Credit Opportunity Act. So--you know, to the extent to which that we have this type of tips, whistleblowers or where the data leads us to look further, that is certainly something that is totally contiguous with the law that Congress has directed us to administer.

Rep. Juan Vargas (D-Calif.)

Well, how can the financial institutions utilize the Home Mortgage Disclosure Act to ensure that Americans have the needed resources to navigate the local housing markets?

Rohit Chopra

Yeah, actually you're seeing a lot of interest from financial institutions today to really address housing issues. We are living in a time where it's not just in coastal metropolitan areas that housing is expensive. You're seeing it across the board, urban, suburban and rural, and housing is eating up a bigger and bigger costs amount of people's income.

We're actually in line with the others, analysts that project there will be significant decline next year in refinancing activity because of changes in interest rates. I do worry when some people miss out on a refinancing cycle. So I do think you're seeing a lot of the mortgage industry, not just banks, but non-banks as well, looking at ways to be able to serve people, especially to deal not just with high housing costs, but really even to get their first home altogether.

Rep. Juan Vargas (D-Calif.)

And lastly, maybe with the time I have left, you did mention auto lending. My understanding is that the inflation, a third of the inflation that we have in the system right now is because of automobiles. Could you comment on that?

Rohit Chopra

Yeah, sure. So what we hear from the auto industry in auto lending industry, what we're seeing is that it's common with other goods that you're seeing driving inflation. It's often related to supply chain issues. So specifically, many cars today depend on semiconductors that--you know, are manufactured pretty much only in Asia. I know it's not a topic for today. I think many people are worried that their semiconductor production has essentially left the United States. That is making it tougher for global automakers, including US automakers, to get those chips. And that's leading--you know, a reduction in new cars coming on the market.

And because of that, that's also creating a ripple effect on the used car market as well. So we see significant elevation in car prices. And so we're looking at what's the impact on auto lending, what's the impact on repossession. We want to make sure that the--you know, consumers have a lot of choice, can get a competitively priced loan, because an auto loan for many people is just not an option.

You need to be able to have a car in much of the country, again, not just to get to work, but to do your work, light trucks especially are quite costly, and for many people in construction trades and others, it's a critical input to their business.

Rep. Jake Auchincloss (D-Mass.)

Gentleman's time has expired. The gentleman from Missouri, Mr. Luetkemeyer is now recognized for five minutes. Thank you.

Rep. Blaine Luetkemeyer (R-Mo.)

Thank you, Mr. Chairman. Director Chopra, an American banker article dated December 10, 2021, entitled Dust Up at FDIC Portends Bigger Fight Over Bank Regulation, describes an eight-page internal CFPB memo containing detailed legal analysis of the legal authority of the FDIC. The problem is, its legal analysis exempt from disclosure under FOIA, meaning that the CFPB's own confidentiality rules prohibit its release.

In fact, the only way it can lawfully be released on CFPB's own rules is with your personal written authorization. So my question is, did you, Director, personally authorize the release of this memo to the reporters?

Rohit Chopra

Did I personally release--I just--

Rep. Blaine Luetkemeyer (R-Mo.)

Did you personally authorize the release of this memo?

Rohit Chopra

Yes, I am happy to provide it to you as well. We do think that this is an important rule of law issue. What we saw at the FDIC was frankly pretty astounding. I have never witnessed an agency take a view--

Rep. Blaine Luetkemeyer (R-Mo.)

Let me claim my time, Mr. Chopra. Retain my time. We're going to request a copy of that authorization that you sent. If you're willing to release legal internal analysis for political and press purposes and it is not as you have described in responses to this committee protected by the liberty process and attorney client privileges.

Furthermore, if it can be released, because we've asked you about this before, we haven't got that information, but suddenly you're able to release it to the press, but not to us. Very concerned about that. We're going to be sending you a letter requesting the production of all internal legal analysis relating to your recent decision to assert that UDAP can be used to address allegedly discriminatory conduct outside of ECOA. If you provide this material, hopefully without delay.

Rohit Chopra

So to be very clear, the legal analysis related to the FDIC was shared with the FDIC and others.

Rep. Blaine Luetkemeyer (R-Mo.)

That's not what I'm asking, Mr. Chopra.

Rohit Chopra

No, I just want to make that clear because it was not just selectively shared. It was shared with other agencies as well. We were not able to get--

Rep. Blaine Luetkemeyer (R-Mo.)

--Mr. Chopra, reclaiming my time.

Rohit Chopra

Yes, sir.

Rep. Blaine Luetkemeyer (R-Mo.)

You didn't share it with the committee. That's the point I'm trying to make.

Rohit Chopra

I will Look into this. We will work--

Rep. Blaine Luetkemeyer (R-Mo.)

So we want to know if you're going to give us the information that led up to the decision and all the legal analysis that went with it. You're going to offer those papers to us?

Rohit Chopra

We will work with your staff to make sure we are responsive to giving the analysis about the FDIC and can discuss other topics as well. The FDIC legal situation was a severe crisis.

Rep. Blaine Luetkemeyer (R-Mo.)

The crisis was created by you, Mr. Chopra.

Rohit Chopra

I disagree with that.

Rep. Blaine Luetkemeyer (R-Mo.)

Reclaiming my time. I have another question for you. Yesterday in front of the Senate Banking Committee, you stated the CFPB general counsel and OCC general counsel were the individuals who worked on this memo that I just referenced a minute ago, that the OCC general counsel agree with the conclusions laid out in the memo.

Rohit Chopra

You'd have to ask the OCC that. It's not my place to say what the OCC thinks. What I shared was that it was a major discussion across all the board members--

Rep. Blaine Luetkemeyer (R-Mo.)

--well, yesterday, Mr. Chopra--Director Chopra, yesterday in the Senate Banking Committee, you indicated that the OCC and the CFPBs general counsel worked on that memo together. You're not aware of that?

Rohit Chopra

I don't believe that. What I said was that the legal issues were discussed across the agencies because never before has there been the level of stonewalling about what the legal authority was. Typically, you look at the bylaws, look at the statute.

Rep. Blaine Luetkemeyer (R-Mo.)

Reclaiming my time, Mr. Chopra. Considering the CFPB general counsel led the effort to create this memo that was improperly leaked to the press, and the result of the CFB staff working on an issue related to FDIC bylaws, which is well beyond statutory authority of CFPB, will you make your general counsel available to the committee staff for a transcribed interview regarding this internal memo?

Rohit Chopra

I don't know what you're referring to in terms of the general counsel, not, but we are happy to work with you and your staff to make sure you know all the details--

Rep. Blaine Luetkemeyer (R-Mo.)

--okay. So you're willing to allow your general counsel to sit down with us--

Rohit Chopra

No, I'm not going to make those commitments. I don't know what you're referring to on this, but we will work with you to make sure we are--

Rep. Blaine Luetkemeyer (R-Mo.)

We're referring to the memo that you discussed with the Senate yesterday and we just discussed a minute ago.

Rohit Chopra

So we will provide--we have already provided substantial information to so many people about what the FDIC's legal authority is, where the dispute was.

Rep. Blaine Luetkemeyer (R-Mo.)

Reclaiming my time, Mr. Chopra.

Rohit Chopra

We will work with you to be responsive.

Rep. Blaine Luetkemeyer (R-Mo.)

Thank you for helping us with that, hopefully. Okay. Recently my colleagues and I sent you two letters, one regarding your statements on auto repossession and the other one on so-called junk fees, which I would argue much of your regulations are becoming junk regulations, the request for information.

Both of those letters ask common sense questions about statements and actions of the Bureau. In both responses sent to my office, you failed to answer any of those questions. So because you've refused to answer that, I have sent with Ranking Member McHenry and Oversight Chairman or Ranking Member -- two other letters just this morning, demanding that you preserve all internal documents ready of those actions. Will you obey those requests in order to retain those documents?

Rohit Chopra

We will be compliant with all applicable laws, and we will make sure that we work with you to make sure you understand.

Rep. Blaine Luetkemeyer (R-Mo.)

Okay. I'm asking you to comply with our request to retain those documents.

Rep. Jake Auchincloss (D-Mass.)

Gentleman's time has expired. Gentleman from Florida--

Rohit Chopra

--yes. We have--I believe we've already responded on that.

Rep. Jake Auchincloss (D-Mass.)

The gentleman's time--

Rep. Blaine Luetkemeyer (R-Mo.)

You did not respond.

Rohit Chopra

Well, I will check into it and we will respond if we have not respond.

Rep. Blaine Luetkemeyer (R-Mo.)

Okay. Thank you.

Rep. Jake Auchincloss (D-Mass.)

Gentleman from Florida, Mr. Lawson, is now recognized for five minutes.

Rep. Al Lawson (D-Fla.)

Okay. Thank you, Mr. Chairman. And--

Rohit Chopra

--I'm sorry, Mr. Chair, I'm having a little tough time hearing from the video. Is there--if I could, maybe you could ask the member just to speak up a little or that vol--I don't know if--I'm just having a tough time.

Rep. Jake Auchincloss (D-Mass.)

The gentleman from Florida, can you do an audio check, please?

Rep. Al Lawson (D-Fla.)

Testing, one, two, three. Testing, one--

Rohit Chopra

Great. Sorry.

Rep. Jake Auchincloss (D-Mass.)

Thank you, Mr. Lawson, you can go ahead.

Rep. Al Lawson (D-Fla.)

Okay, sir, and thanks for being at the committee. As you know the Consumer Financial Protection Bureau, the CFPB, issued a report on the challenges faced by Americans in rural communities. I appreciate your comments to focus on rural communities, but while agriculture has historically been the main economic driver for rural communities, the number one, farmers have decreased over several decade--a number of farmers have decreased over the summer decade. Today, less than 10 percent of the people in completely rural communities are working--are completely working in rural communities and agriculture. And the farmers who remain earn less than 16 percent of every dollar spent by consumers on agricultural projects according to USAD analysis.

Can you explain CFPB plans to support our farmers and how to increase access to credit for those in the agriculture sector?

Rohit Chopra

Yes. So thank you. So we need to start recognizing that banking in rural counties and communities is really different than it is in other parts of the country. We see a lot of banking deserts, places where people live very, very far from an institution and often the decline of branches in those areas has quite an effect on small business credit.

It has an effect on other types of credit as well. We want to make sure that especially family farmers are able to navigate the ups and downs, are able to avoid bankruptcy. We also see issues in housing when it comes to appraisals, when it comes to how people get mortgages. So we're going to be--our report details some of the challenges that rural communities face.

And we are looking forward to working with the USDA and others to see if there is ways that we can make sure those communities are being served. We do not want rural areas being a place that cannot continue to exist. Our country just depends way too much on it.

Rep. Al Lawson (D-Fla.)

Okay. Thank you very much, and that's a great comment. While our focus on establishing fair and competitive market, how are you working to level the playing field for a small community based financial institution to compete with fintechs and big tech companies getting into the financial service space?

Rohit Chopra

Yeah, this is a huge, huge challenge. So small institutions and community development, financial institutions are thinking about what are they going to do to stay competitive with the biggest players that are out there. So the bigger players are always going to have more access to data and very, very detailed data.

So part of what we have been thinking about is, what are ways that small players can use technology and to be able to promote that in a competitive way that provides a meaningful challenge. I don't have an easy answer for you, Congressman, but it is something I'm worried about. What we see in other jurisdictions, especially China, is that there could be a sense where it's only very, very large tech and finance companies that completely dominate from front to back. And that is not going to lead to a resilient competitive system.

Rep. Al Lawson (D-Fla.)

Okay. And another economic driver for rural communities is small businesses. People living in rural communities are more likely to be employed by small businesses than people living in other parts of the country. I introduced a small business plan debt collection--collection protection act to encourage entrepreneurship that allows small business owner to have similar protection to consumer when having to deal with debt collector.

These protections, especially important to small business located in rural communities, hence, they can be more vulnerable to predatory pricing. Do you believe that expanding the protection that currently exists for consumers to small business owners that these business would be more likely to succeed?

Rohit Chopra

Yeah. I don't know the specifics of your bill, but I do think that there has been a lot of troubling practices targeted at small business owners. I've met with a range of small business owners including franchisees about specific issues they're facing. So we're happy to work with you on that, and I do think protecting small businesses is also about protecting our economy and our country.

Rep. Al Lawson (D-Fla.)

Okay. Thank you. And I yield back.

Rep. Jake Auchincloss (D-Mass.)

The gentleman from Michigan, Mr. Huizenga, is now recognized for five minutes.

Rep. Bill Huizenga (R-Mich.)

Thank you, Mr. Chairman. Director Chopra, in your testimony you noted quote, during my tenure the CFPB will dramatically increase its issuance of guidance documents such as advisory opinions, compliance bulletins, policy statements and other publications, close quote. I think what you failed to mention was the CFPB's use of press release as a way of influencing behavior.

It was something that I spoke about with former Director Cordray at length. And back then, I used what I called the phrase trial by press release. And just as I did back then, I read these press releases now that you are issuing, that my staff sends and that the public sees. And more often than not, quite honestly, I'm kind of shocked by what I'm reading. What Director Cordray never seemed to fully grasp is that--

Mr. Chair, could we suspend. We got to ask our colleague to turn his mic off. And I would just say, as a courtesy to our witnesses, maybe people ought to show up. That would be helpful. All right? So then he could actually clearly hear us. But we got other members interrupting my time because they can't turn their stupid mics off.

So I would request that you give me some time back so that we can properly go through this.

Rep. Jake Auchincloss (D-Mass.)

The gentleman will proceed, and all members will mute.

Rep. Bill Huizenga (R-Mich.)

And I would expect a very light gavel at the end of that five minutes. So what Director Cordray never seemed to grasp is what the bureau's ability to influence decisions companies make, not by rules, not by policies but simply public statements.

And just last week, I saw you sent a release on the bureau's lawsuit against MoneyGram. Who, by the way, is one of the few companies that has been doing a public pushback on this, where seemingly very little information was given and no specific allegations were made other than they broke quote, various consumer protection laws, close quote.

And this week, the bureau's announcement that they would now examine more closely quote, non-bank companies posing risk to customers, close quote, but failed to mention what actually prompted this action. So Director, let me ask you this, since public statements are not rulemaking and not binding actions, what are you expecting from these pronouncements?

And can financial institutions just simply ignore the public pressure campaigns and go about their business?

Rohit Chopra

So let me be very clear. With respect to MoneyGram, there was not a lack of information about the allegations. We actually included a public version of the complaint that details it. And by the way, we regularly have firms quite clearly launch their own statements and that is quite common.

Rep. Bill Huizenga (R-Mich.)

So please don't fall into the--please don't fall into the same trap or the same mistake that Director Cordray did.

Here's the point. Okay. Leave MoneyGram aside. You issue statements that you know affect and influence behavior, without going through rulemaking, without having any kind of true review. And I want to know what are we and what are those companies that you're targeting expected to do with that? Can they just ignore it? Is it just commentary?

Rohit Chopra

We usually, I think almost always include the policy document and instead of just releasing that, we explain it in concordance with the Plain Language Act. And we do try and offer more details. In fact--

Rep. Bill Huizenga (R-Mich.)

--I'm going to reclaim my time because I'm not sure how light the gavel is going to be at the end of my time.

Rep. Jake Auchincloss (D-Mass.)

The gentleman will have an extra minute.

Rep. Bill Huizenga (R-Mich.)

Thank you, sir. I appreciate that. Director Chopra, back in December of last year you criticized the largest banks for becoming more powerful through mergers and acquisitions. You also noted that rural communities have become quote, banking deserts.

It's a phrase that's been brought up a number of times. I actually happened to represent what used to be the poorest county in the state of Michigan, is now the second poorest county in the state of Michigan, very rural and quite poor. And there is one bank in that county and the pressures that they and others who are in those situations frankly feel are because of added regulations, much of that brought on by the result of Dodd-Frank and other harmful regulations.

And they've often forced these small rural community banks to either close or consolidate. So quickly, can you cite the statutory authority given to the CFPB to review bank mergers and acquisitions, if any? Or will you just continue to use name and shame, trial by press release--

Rohit Chopra

--no, I believe that statement is specifically related to the bank regulators, specifically the FDIC's board requirement to adjudicate under the Bank Merger Act. So it's directly related to that. I will share that, you're right, there are a lot of small banks that almost feel that they need to consolidate in order to stay ahead. There's a number--

Rep. Bill Huizenga (R-Mich.)

--not almost feel, they have to, because they don't have the bevy of lawyers that are in there. Okay. I need to get back because in this remaining a little bit. You talk about enforcement, something that you and I have spoken about in the past. And so what I see when you proposed on 1071 or the bureau revisiting payday lending or disparate impact, I have some concerns and it's hard for me to know how these rules or policies can be anti-competitive to see how they impact small businesses.

I think you have that view, but I see it every day. And what I want to hear from you today is, can you commit to me today that you will not pursue policies that are harmful to small businesses? And that goes back to some of these things that we were discussing earlier.

Rep. Jake Auchincloss (D-Mass.)

Gentleman's time has expired.

Rohit Chopra

I would love to take that question for the record, but I want to make sure that small players and challengers can go up against the big firms.

Rep. Jake Auchincloss (D-Mass.)

Gentleman's time has expired. The gentleman from Missouri, Mr. Cleaver, who is also the Chair of the Subcommittee on Housing, Community Development and Insurance, is now recognized for five minutes.

Rep. Emanuel Cleaver (D-Mo.)

Thank you very much, Mr. Chairman. Director Chopra, thank you for being here today and thank you for the work of the CFPB. My background would cause me to know what I'm about to share, but I'm not an anti-lender person. Since the beginning of time, human civilization has been involved in the lending business.

And in fact, I have come to the conclusion that without lending, there would be no national, commercial or industrial growth in our world. So I'm not an anti-lender. We actually have evidence from archeology and theology that pawn brokers who were around the thousands of years ago and they were lending by collecting collaterals from the borrowers to reduce risk.

So having acknowledged that I'm concerned about but not opposed to lending, I am still concerned as I have been since I came to Congress of the role that we as the government can play. So I want to know what the CFPB now is doing to reduce, if not eliminate the predatory practice of ripping off people under the pretense of just simply lending.

Rohit Chopra

So Congressman, if I understand the question right, we obviously are trying to make sure that everyone's following the law, and no one is being ripped off. We have been doing some research and releasing data about some of those markets that you've referred to. We have filed a lawsuit recently in the pawn lending area for violations of Military Lending Act and violations of a past law enforcement order.

We're looking across the board including through our supervision where when we see complaints or fast-growing firms, we may be able to investigate, or sorry, supervise those non-banks that which is separate from--they already are subject to enforcement authority. So we're trying to address all of our tools to be able to make sure that people--you know, are not ripped off and not cheated.

We really want everyone to play by the rules and level the playing field for everyone.

Rep. Emanuel Cleaver (D-Mo.)

I appreciate that. And I know that the CFPB been working in that arena--you know, but I'm just wondering whether or not there is something as it relates to reform that you believe Congress should be doing. I think I think the CFPB is doing its job, but what is it that Congress can do or is there anything that congress can do to address this whole issue of what we see with--you know, payday lending that is almost in some cases thievery.

What can we do? What would you recommend that we do as -- United States?

Rohit Chopra

That's a big question. Obviously, we're happy to discuss this with your staff. And as much that there are bills or other proposals you want us to analyze, we're happy to be helpful. But--you know, at the end of the day, we want to make sure that the market is competitive, fair, transparent, that people have options, that small players can serve, not just large players.

So we're happy to work with you in more detail about that. I will share that we have seen a number of state laws that have been passed over the recent years that do relate to consumer protection and consumer financial protection. In some cases, there is some data about the impacts of it that is available by their state banking supervisor or by third party researchers.

Often in our market monitoring, we keep that data on hand and to the extent that we can share it or if it's publicly available, we're happy to do that with you.

Rep. Emanuel Cleaver (D-Mo.)

I would really appreciate that. Mr. Chairman, thank you very much. But if we could get any of that information, it would be very helpful. I yield back Mr. Chairman. Thank you.

Rep. Jake Auchincloss (D-Mass.)

Gentleman yields. Gentleman from Kentucky, Mr. Barr, is recognized for five minutes.

Rep. Andy Barr (R-Ky.)

Director, welcome back. The bureau recently announced it was invoking dormant authority to examine non-bank consumer finance companies. Your press release uses the term fintechs. But the problem with running your agency by press release as opposed to rulemaking is that nobody understands what you're referring to when you talk about dormant authority, and nobody understands what you're talking about when you say fintech.

So I'm going to ask you to be very specific here, what category of non-bank firms do you assert you have authority to supervise?

Rohit Chopra

So I'm trying to be as responsive as possible. There's two different authorities, established. One is enforcement authority. That's where we have to issue civil investigative demand. You go to court to sue them. That's the full jurisdiction. Separate and apart from that, Congress has established three categories that's subject to bank like supervisory examinations.

So this is the third category that hasn't been used. We have gotten feedback particularly from banks.

Rep. Andy Barr (R-Ky.)

What non-banks?

Rohit Chopra

Okay. So I'm going to explain. There are non-banks that are automatically covered regardless of size in the statute, all in the mortgage industry essentially, all in the payday industry and all in the private student loan industry.

Rep. Andy Barr (R-Ky.)

Let me reclaim my time and drill down a little bit more specifically. You are the director of the Consumer Financial Protection Bureau. So you understand this means you lack authority to examine businesses that provide credit or funding to non-consumers, merchants, businesses, correct?

Rohit Chopra

Yeah, if you're not covered under a covered person under the Consumer Financial Protection Act for enforcement, you certainly can't be supervised.

Rep. Andy Barr (R-Ky.)

Okay. Thank you. One of the few areas where the bureau has asked for--

Rohit Chopra

Or service provider, I should say. You covered person service provider. What's in this statute.

Rep. Andy Barr (R-Ky.)

Okay. But you don't have jurisdiction over non consumers. One of the few areas where the Bureau actually has promulgated a rule is Section 1071. The rule was proposed would impose a new massively complex and burdensome data collection requirement that would put commercial loan officers in the unfair, uncomfortable and highly inappropriate position of guessing a borrower's race or ethnic background based on visual observation or surname when the borrower refuses to disclose it. More than a few small rural community banks in my district have reviewed your proposed rulemaking and they have told me that they will be forced to completely exit the small business lending market, leaving their small business borrowers with fewer options and higher cost of credit.

You talk a lot about competition and helping rural banking deserts and I appreciate and applaud you and the bureau for putting out this focus on rural banking. But what I'm telling you is that based on the feedback from my constituents, if your supervision and enforcement reduces or eliminates financial services and products, you are reducing and eliminating competition and you're exacerbating banking deserts in rural areas. So I want you to respond to that.

Rohit Chopra

Great. And let me also clarify, you're right, there are some authorities that relate to small business lending beyond normal consumer lending. Look, as it relates to small business loan data collection, that's an act of Congress. I'm under, right now, a court order to be able to make progress on it. I did not make the proposal you've referred to that was proposed before.

We are currently going through all the comments. We are trying to make sure that we are looking at ways so that we can reduce--

Rep. Andy Barr (R-Ky.)

--and reclaiming my time, the bureau lacks authority over non consumer businesses, other than 1071, but what I'm saying about 1071 is that I'm getting feedback from small rural community banks that you say you have a focus on. And I know you're well intentioned on this, but they're telling me they're going to exit the small business lending market because of the complexity and the burdensome nature of this rulemaking. I urge you to review 1071.

Don't force these community banks to exit small business lending in rural areas if you care about these banking deserts. Finally--you know, in your request for information, you solicited public comment on what you refer as junk fees. Can you cite any legal or statutory authority that defines junk fees?

Rohit Chopra

No. Junk fees or something that everyone experiences in so many parts of their financial life. We try and make sure we are understanding what is happening in terms of businesses, in terms of consumers--

Rep. Andy Barr (R-Ky.)

--okay. Understand that in my remaining 20 seconds, your stated goal in the request for information is to exercise your quote, enforcement, supervision, regulatory and other authorities.

This implies some illegal activity is happening in this space. Outline with specificity the illegal activity you allege to be taking place with regard to consumer financial product fees.

Rohit Chopra

Well, we are happy to provide you with enforcement actions that have occurred under both of my predecessors that relate to fees.

Rep. Jake Auchincloss (D-Mass.)

The gentleman's time has expired.

Rep. Andy Barr (R-Ky.)

The problem is there is no due process. Nobody knows what you're talking about.

Rep. Jake Auchincloss (D-Mass.)

This could be put into the written record.

Rohit Chopra

I will respond to the record for you on that.

Rep. Jake Auchincloss (D-Mass.)

Gentleman's time has expired. Gentlewoman from New York, Ms. Maloney, who is also the Chair of the House Committee on Oversight and Reform is now recognized for five minutes.

Rep. Carolyn Maloney (D-N.Y.)

Thank you, Mr. Chairman. And I apologize that I am Chairing literally an oversight committee at the same time, but I wanted to come and welcome Director Chopra back and ask him about the CARD Act. This is a bill that I authored and passed in 2009 called the Credit Card Bill of Rights, to crack down on unfair deceptive practices in the credit card industry.

And I'm proud to say the bureau has been vigorously enforcing it. Thank you. Since its passage according to the CFPB, it has saved consumers over \$16 billion, as in B, a year, each year and kept that money in their pockets and not in unfair deceptive banking fees, and a much needed stimulus, I would say during the financial crisis.

But I worry that if we take our eyes off the ball and don't continue to protect consumers, banks will start rolling back these protections. And we must continue to keep our eye on it and enforce it, and I hope you will, and to prevent also other bad practices that card companies use to take advantage of low-income customers, particularly such as exorbitant late fees, really large late fees.

So Director Chopra, is there anything more that the CFP can be doing to protect and enforce the Credit Card Bill of Rights, and is there anything more that the CFPB plans to do that would help customers, consumers, particularly low-income consumers?

Rohit Chopra

Well, thank you for raising that. So--you know, credit cards, Americans owe over one million dollars, I believe right now or maybe a little less, and that is one of the core ways in which people have small dollar lending, in which they're able to--you know, charge and get a product and have liquidity.

We want to make sure that the CARD Act that Congress has passed, that credit cards are a competitive market, that people can often find lower rates, but I am asking the staff to look about whether we should reopen the CARD Act rules that were promulgated by the Federal Reserve Board over ten years ago.

I mentioned to one of your colleagues to be able to look at some of these older rules we inherited to determine whether there needs to be any changes. Certainly, late fees is an area that I expect to be one of the questions that we solicit input on. And it will be important that that market is competitive.

The credit card market is critical to the US, and we need to make sure we're living up to the ideals that Congress has set out in the CARD Act.

Rep. Carolyn Maloney (D-N.Y.)

Well, that is absolutely great news. Thank you for that, and I'm proud to see that the CFPB is fighting for consumers and vigorously enforcing the CARD Act and looking at other ways to help consumers with predatory finance and fees. I would like to turn to the Overdraft Protection Act. That's another important bill that I've been fighting for, for a long time.

Bank overdrafts can cause a \$3 cup of coffee to cost over \$40 and these fees take billions out of the pockets of hardworking consumers and Americans every year. My bill, the Overdraft Protection Act, would crack down on predatory overdraft fees and limit the number of instances in which banks can charge consumers for simply not having enough money.

Since we spoke last October, the Bureau under your leadership has released data on the serious impact that overdraft has had on the Consumer Financial Health. Your research found that from 2015 to 2019, the biggest banks have been increasing their overdraft fees Every year. They charge their consumers \$12 billion in 2019 alone.

I personally believe that's outrageous. So Director Chopra, do you think Congress should pass my Overdraft Protection Act, and what does the bureau plan to do on overdraft fees on its own?

Rohit Chopra

Well, I want to learn more, and we'll work with you on the specifics of your bill. Generally speaking, we want to make sure that there is service and competitive markets, and that's exactly what we're starting to see. when it comes to overdraft. You're seeing more and more institutions market that they're offering lower costs on overdraft, some of them eliminating it altogether. And some of them offering some of the same services--you know, a little bit modified, but for free. So we want everyone to be able to benefit from that. We also do hear a number of complaints about overdraft. There have been a couple enforcement actions related to overdraft.

So it's certainly an area we know is very, very important to make sure is working right.

Rep. Carolyn Maloney (D-N.Y.)

Can we see a proposed rule? My time is almost expired, but.

Rohit Chopra

We will circle back, but as of right now, we are currently looking across the board on all sorts of fees to determine where we're going to go.

Rep. Carolyn Maloney (D-N.Y.)

Thank you for continuing the legacy of the CFPB. Thank you. I yield back.

Rep. Jake Auchincloss (D-Mass.)

The gentleman from Texas, Mr. Williams, is recognized for five minutes.

Rep. Roger Williams (R-Texas)

Thank you, Mr. Chairman. Before I start with my questions, I want to take--or talk about a troubling trend I am seeing in our country, the erosion of personal accountability. In Texas, we often say a deal is a deal, but now it seems to be if one side doesn't want to uphold their end of the bargain, they go to the government to intervene on their behalf.

We see this as Democrats are demanding that people should not have to pay their student loans, effectively turning them into grants and leaving taxpayers on the hook with billions in losses. We have people on this committee and within your agency that say there should be no penalty when someone mismanages their finances and overdrafts from their bank account.

Rather than holding the individual accountable, they believe financial institutions should be forced to fund these unsecured short-term loans at no cost. The CFPB has put out a press release targeting auto financers, you've mentioned that, warning them about repossessing cars simply because the price of used cars has skyrocketed.

And that's ridiculous. This will undoubtedly make a person more hesitant to repossess a car, even though it is their money on the line when a person misses his payments. And we shouldn't forget that we allowed for renters not to pay rent for two years during the pandemic. And many landlords are still yet to be made whole for providing house financing.

They still have to pay their bank. So on top of all this, we have people wanting to diminish the amount of negative information reported to the credit bureaus just that are used by financial institutions to accurately assess the credit risk of borrowers. And as a small business owner, which I am, I can tell you that certainty is key.

And we must stop projecting to people that the government will intervene when they find their end of the bargain or their end of the agreement to suddenly be inconvenient for them to uphold. So to recap, you don't have to pay your student loans. There's no consequences if you spend money you don't have.

You don't have to pay your car note and you can't be evicted when you don't pay your rent. These policies are killing, not will, but are killing Main Street America, I can tell you that. So with that in mind and with that said, I want to pivot to another issue that you can tell bothers a lot of us, that will greatly affect small business lending.

Now if we ask everyone on this committee room to guess your ethnicity based on your appearance and last name, it's very unlikely that everyone will land on the same answer. And yet in your 1071 small business data recollection rulemaking, you're asking loan officers to do this exact thing when a customer comes in to get a small business loan.

And not only does this put the loan officers in an extremely awkward position that no amount of training can rectify, but it would provide inconsistent data that would be the basis of enforcement actions coming out of the CFPB and legislation coming through Congress. Race should not play a part in credit decisions.

I worked in the '60s, and I can tell you during the '60s and '70s we were required to check boxes based on race. It was pure racism. It was racist then and is racist now. We should not go back to those days. So Director Chopra, while we disagree on many aspects of 1071 rulemaking, I wanted to see if I can get a commitment to improve the rule in two areas, which should be frankly nonpartisan.

First, will you submit or commit to increasing the implementation time for affected entities so they can properly build their necessary systems to comply with the final rule?

Rohit Chopra

Yeah. So to be clear, that was a rule proposed before I arrived, and we have not yet finalized it. But on the issue of implementation, it is obviously something I'm asking a lot of questions about the comments we've received, looking at what's the role of software providers in implementing it, how it would work on the ground.

So I can't give a commitment on specific rulemaking right now, but I will share with more--I'm happy to talk more with you about it. But the key is, we are looking hard at the huge body of comments that we got and we will work to get and address those comments and finalize it in an orderly fashion and in accordance with the court orders.

Rep. Roger Williams (R-Texas)

Secondly, a second question for you. Will you abandon the proposal that has loan officers guessing the ethnicity of borrowers if they don't provide the information voluntarily? And I think you've answered that--

Rohit Chopra

-- And so we have received a lot of comments. I hear very loud and clear the concerns about this. It is a similar provision in the -- in the Home Mortgage Disclosure Act that has been around I think --

Rep. Roger Williams (R-Texas)

Let me -- let me quickly go to one before my time runs out. Have you -- have you studied how restricting or ending overdraft charges would affect some smaller financial institutions? We worry about the customer writing a bad check, but what about the bank that has to -- has to deal with that?

Rohit Chopra

Yeah, So there's a separate issue between overdraft fees, which you know sometimes is described as a penalty. Sometimes it's described as a service. Obviously, when it is a service where a bank is taking on risk, that is something that we look closely at.

Rep. Roger Williams (R-Texas)

But you would admit it affects the bank -- the lending institution negatively, right, if somebody writes a bad checks?

Rohit Chopra

Well, if they clear the charge --

Rep. Jake Auchincloss (D-Mass.)

Gentleman's time is expired.

Rep. Roger Williams (R-Texas)

Okay, I yield my time back, sir.

Rep. Jake Auchincloss (D-Mass.)

Gentleman from Illinois, Mr. Garcia, is recognized for five minutes.

Chuy Garcia

Thank you, Mr. Chair. Thank you for holding this important hearing, and of course thanks to Director Chopra for joining us today -- including payday auto title and high power -- and high cost installment loans are a debt trap. These high cost loans exacerbate financial difficulties and target low income communities and communities of color.

Not only are payday lenders more concentrated in black and Latino communities, but consumers of color are far more likely to have a payday loan than white consumers even when controlling for income. For example, in Chicago, a person is 13 times more likely to have a payday loan if they are -- if they live in a predominantly black neighborhood, such as Austin as opposed to a predominantly white neighborhood of Lincoln Park.

A national rate cap is necessary and especially urgent given the challenging times that we're facing. We must take action to protect our communities from high interest loans and the dangers of predatory lending, which is why I have introduced the Veterans and Consumers Fair Credit Act to extend the military's 36 percent increase -- interest rate cap to all Americans.

Director Chopra, We applaud the CFPP resuming Military Lending Act examinations as the examinations are critical in ensuring that active duty -- duty military members and their families are protected from predatory lending. What do you think the impact of the Military Lending Act has been?

Well, there has been some observations that it has done more to protect military families from credit report damage, from certain debt collection practices, and ultimately, there's a view that financial readiness for service members is also about force readiness. There has been some work done by the Department of Defense that shows that loss of security clearance or severe financial distress does increase separations, and that has costs for taxpayers.

And it also really limits for those who want to build a career in the military. Their ability to stay on and use their skills. So I do think -- as I do support the Military Lending Act. I have taught some work at the JAG school before and and have seen some of it on the ground. We are enforcing it, and, you know, we're happy to be -- to be working with the DoD and others on it.

Chuy Garcia

Thank you. Director Chopra, there are virtually no meaningful restrictions on short term payday lending in the majority of the states. Although, the payment protections portion of the 2017 payday rule will help consumers when it goes into effect, large gaps remain and the fundamental business model of these predatory lenders remains unchanged.

To address this problem, I've introduced to Veterans and Consumers Fair Credit Act. Can you explain how the lack of meaningful restrictions on short term payday lending has impacted low income communities?

Rohit Chopra

Well certainly, that we are responsible for supervising payday lenders. We're certainly looking at that market actively. We recently released a research study about the impact of certain state laws, specifically laws that provide extended repayment plans and offered some observations about their efficacy.

There's no question that there are challenges when it comes to people taking out high cost loans and having challenges. That -- the rulemaking that you referred to, there is elements of it that are still subject to litigation, and that process is ongoing. At the end of the day, we want to make sure that there's a fair and competitive market that people have options and that people can, you know, go to a place where they get a good competitive rate.

Many people do have trouble in this market because they often get in a cycle where they can't ever get out. And that's obviously something that leads to real harms to their credit report and debt collection. So we're very attuned to the problems. We share your -- your concerns and we're happy to be responsive as you develop legislation and -- and to provide technical advice on it.

Chuy Garcia

Thank you. In my remaining 20 seconds or so, several states including my home state of Illinois have passed a 36 percent rate cap last year. Other states have as well. Do you think that these trends in the states will have an impact on the broader financial marketplace?

Rohit Chopra

Well, certainly state laws are a huge part of the consumer protection framework. It is a federalist -- federalist -- the system is based on federalism, and we certainly see differences in our complaints and market monitoring based on states and their protections.

Chuy Garcia

Thank you. Mr. Chair, I yield back.

Rep. Jake Auchincloss (D-Mass.)

Gentleman from Minnesota, Mr. Emmer is recognized for five minutes.

Rep. Tom Emmer (R-Minn.)

Thank you, Mr. Chair, and thank you Director Chopra for taking the time to testify to this committee today. Sir, the last time you were here was October 27th of 2021 last year, which actually was about two weeks before you were sworn in to your current position. And as I understand that at that time, you were preparing to force a request for information or RFI regarding bank mergers under the FDIC's agenda.

You presented a draft to FDIC chair, Jelena McWilliams, just a few days after you appeared here before this committee. You did not, however share those plans with us during your testimony that day in October. But I'm hoping you're going to provide some clarity for all of us now. Sir, Do you remember presenting that document to Ms. McWilliams back in October?

Rohit Chopra

So the document--

Rep. Tom Emmer (R-Minn.)

The answer is yes or no. Do you remember presenting the document to her.

Rohit Chopra

I'm just Just giving you the full context.

Rep. Tom Emmer (R-Minn.)

No, I don't want that. My question is, sir, do you -- do you remember giving her document.

Rohit Chopra

I remember discussing the document with every board member.

Rep. Tom Emmer (R-Minn.)

But you don't remember giving Director McWilliams the document that we're talking about.

Rohit Chopra

You mean physically?

Rep. Tom Emmer (R-Minn.)

Well, you did give it to her. Yes, you did provide to her. And do you --

Rohit Chopra

It was provided to all the board members and the FDIC staff, and it were not drafted by me.

Rep. Tom Emmer (R-Minn.)

Allow me to do my job. I know you're here in a very kindly sharing your time with us, but there are some things that I would like to get to the bottom of before we're done. And I'd appreciate it if you just do me the courtesy and answer the questions that I ask.

Since you don't necessarily remember, I will take from your answer physically providing the director at that time with the language that you Proposed for the RFI, I assume you don't remember that you did provide it to her on October 31st. And by the way, that was four days after you testified before this community -- this committee. That draft RFI, I'm interested,

Director. How did that come apart -- come about? Did you write it yourself? Did you have some help from the staff of the CFPB or maybe even from staff at the Federal Trade Commission or people from outside the government?

Rohit Chopra

No, it was provided by the FDIC. So staff under the direction of board members at the FDIC provided it. We all had discussions about it repeatedly, sir.

Rep. Tom Emmer (R-Minn.)

Sir, that's actually -- you realize that you're here to provide accurate testimony. I have an email that recounts how this actually happened, and I guess I would have expected It would be staff experts at the FDIC, but they were not involved in the process of preparing materials for the FDIC's docket. You did not give them that opportunity. In the documents and information that we've obtained so far show that Ms. McWilliams was willing to work with you and have the experts at the FDIC prepare an RFI for the FDIC docket.

Again, we even have an email from November 17th to you from FDIC deputy general counsel that says, quote, the chairman has repeatedly expressed her willingness to work with the staff and has discussions with FDIC staff on this issue; close quote. That's why sir, I was surprised that you testified to the Senate yesterday that you were somehow prevented from communicating with the FDIC staff because information that we have appears to show that the chair made the staff available to you and you declined that offer. Here's what I mean.

Rohit Chopra

That is not true --

Rep. Tom Emmer (R-Minn.)

-- In November, if somebody else can ask you to go on.

Rohit Chopra

That they were not permitted to provide--

Rep. Tom Emmer (R-Minn.)

Sir, reclaiming my time. Here's what I mean. In November, after you presented your RFI to Ms. McWilliams, the acting comptroller of the Currency, Michael Hsu called her when she was at the airport about to board a flight to Europe. And on that call, they discussed a plan to have the FDIC staff prepare a version of your RFI for a vote.

Chair McWilliams offered to instruct the staff to expedite your bank merger RFI by December 6th. Isn't that correct?

Rohit Chopra

No.

Rep. Tom Emmer (R-Minn.)

Well, it is -- It is correct.

Rohit Chopra

It is not correct. It is not correct at all. These are --

Rep. Tom Emmer (R-Minn.)

Mr. Hsu, by the way, sir -- did Mr. Hsu share that offer with you?

Rohit Chopra

Sorry.

Rep. Tom Emmer (R-Minn.)

Did Mr. Hsu Share that offer to do your language and have something ready for a vote by December 6th?

Rohit Chopra

When you say your language, this is language by the board that they negotiated in order to figure out how to get to compromise.

Rep. Tom Emmer (R-Minn.)

I'm going to run out of time. So I'm going to -- I'm just going to just going to suggest -- at this point, ultimately you literally got -- you ignored 88 years of collegial operations together and tried to force the FDIC to do some agenda that you have rather than working through the process.

Rohit Chopra

Well, no, I'm going to defend the rule Of law--

Rep. Tom Emmer (R-Minn.)

It looks like we have a lot here to learn about your effort to lead a hostile takeover of the FDIC, and I look forward to receiving all the documents that we requested early in March. And I yield back.

Rohit Chopra

We must defend the rule of law and make sure that these agencies are fine.

Rep. Jake Auchincloss (D-Mass.)

Gentleman's time has expired, The gentlewoman from North Carolina, Ms. Adams is now recognized for five minutes.

Rep. Alma Adams (D-N.C.)

Thank you very much, and I want to thank the chairwoman for holding the hearing today. Director Chopra, thank you for being with us. Like I said, when you testified before us in October, it's nice to have you behind the wheel of the CFPB. The work that you're doing is critical from protecting our consumers to making sure that our financial regulators mirrors the diversity of our nation.

So thank you for your efforts there. So Director, I'm extremely concerned with the levels of student debt in this country which amounts to about \$1.8 trillion, and that's why I believe we need to cancel \$50,000 in student loan debt for federal student loan borrowers. And I was proud to join my colleagues here on the Financial Services Committee, Nikki McWilliams along with Representatives Deborah Ross and Haley Stevens in introducing our Clean Slate legislative series to make real steps toward helping our students. But in particular, I agree with you that we need a concrete plan on student loan debt relief before payments restart in September. So can you discuss why it's so critical to have a plan in place for student loan debt forgiveness one way or another for our students, the services of that debt, and our economy?

Rohit Chopra

Yes. So when repayments -- when student's borrowers have to make repayments, you know, if they're wondering about whether there's going to be some change in policy about what their total balance is, it may be difficult. So I think it is important that if there are going to be any decisions that it's known before, some of those borrowers have to begin their repayments again, which many of them otherwise might make a crapshoot.

So it is -- It is -- I think there's a lot of people wondering what is going to happen, and I think you know as soon as there are answers and clarity one way or another as you say, it will make the process going forward for repayment clearer.

Rep. Alma Adams (D-N.C.)

Okay, Great. So what -- when we spoke last time, we discussed the PSLF program, that's public service loan forgiveness. And I believe the service is the way we pay for our time on there.

Our young folks who are becoming teachers, they didn't do it for the money. Of course, I taught 40 years and I'd say you're not going to get rich doing that. They did it to serve their community, and that's why it's so important that we make sure that, PSLF program is Functioning as smoothly as possible.

So director, can you discuss what the CFPB is doing now to protect student loan borrowers who are pursuing the PSLF?

Rohit Chopra

Yes, so in our examinations, we have shared with institutions about where there might be problems about how they -- if they may be deceiving borrowers about their benefits, Here's the most important thing. If you're a mortgage borrower or if you're a student loan borrower or whatever you're borrowing, and if you have contractual or legal entitlements about your rights embedded in the contract or in law, it's important that the servicer does not deceive you about what they are.

You know, we want to make sure that borrowers in a mortgage that they are able to get a loan modification, which is often a win, win for both borrower and creditor to stay off of foreclosure track. The same thing is with student loan default. When people have reached the eligibility or even just inquiring about their eligibility, they need to make sure that they're getting accurate information.

We depend on loan servicers for that type of information for clear answers about our accounts. And you know it's -- it's -- it's no good when when you have firms that decide that it's cheaper for them to, you know, provide you know wrong information. Most of these firms are doing the right thing. But the ones who don't, they disadvantage the entire industry.

Rep. Alma Adams (D-N.C.)

Right, Well, so with respect to the PSLF, can you describe any efforts that you have with the Department of Ed to -- to issue guidance to those borrowers and services to minimize efforts on the front end that would require enforcement action?

Rohit Chopra

Yeah, so some of that has already been done. We're happy to share that with you. But I think the most important part is a lot of borrowers made in some ways career decisions based on that program. They decided to stay in teaching. They decided to stay in the military because there was a sense that the law allowed them to get part of it canceled at the end.

And the fact that so many had been stymied is a huge problem, and we need to make sure we mitigate further damage from it.

Rep. Alma Adams (D-N.C.)

Well, thank you so much. And teaching has been a noble profession for me and so many. Thank you very much. Madam Chair, I yield back.

Rep. Jake Auchincloss (D-Mass.)

The gentleman from Georgia, Mr. Loudermilk is not recognized for five minutes.

Rep. Barry Loudermilk (R-Ga.)

Thank you, Mr. Chair. Director Chopra, Thank you for being here. Got a few questions, some interesting comments and questions. Some have gone in my opinion unanswered. But just to get some background, a few questions. Are overdraft fees illegal?

Rohit Chopra

Overdraft fees when they comply with all of the regulations.

Rep. Barry Loudermilk (R-Ga.)

Are they legal?

Rohit Chopra

Yes.

Rep. Barry Loudermilk (R-Ga.)

I mean is that -- okay, What about -- you mentioned overdraft services that you have problems with?

Rohit Chopra

No, I think what I heard from your colleague was that sometimes, overdraft was described as a penalty and sometimes, it was described as a service.

Rep. Barry Loudermilk (R-Ga.)

Are either illegal.

Rohit Chopra

No.

Rep. Barry Loudermilk (R-Ga.)

No, Okay. What about mortgage origination fees? Are they illegal?

Rohit Chopra

No, as long as they comply with what is required under the law.

Rep. Barry Loudermilk (R-Ga.)

What about checking account management fees?

Rohit Chopra

Checking account management fees?

Rep. Barry Loudermilk (R-Ga.)

Yeah, the fee that you may pay on a checking account?

Rohit Chopra

Like a monthly fee?

Rep. Barry Loudermilk (R-Ga.)

Yes.

Rohit Chopra

Yeah, there are requirements under the Truth and Savings Act and others to do that.

Rep. Barry Loudermilk (R-Ga.)

Okay. So as I understand that you've -- you've kind of grouped these together as junk fees. Are these the things that you consider as junk fees?

Rohit Chopra

No, I think anything where you're getting a bonafide service is -- we want banks to make money for services that they're providing. In some cases, if I get something for a service I never asked for, we see this all over the economy. We're getting sometimes charged for things we never even asked for.

Rep. Barry Loudermilk (R-Ga.)

But does that -- does that mean that these are currently illegal?

Rohit Chopra

Well, actually if there is any deception around it--

Rep. Barry Loudermilk (R-Ga.)

Beside deception, just the fact that there may be fees associated with some of it.

Rohit Chopra

There's there -- well, there's some state law issues, but the ones you've mentioned, there's not a per se ban on that.

Rep. Barry Loudermilk (R-Ga.)

Okay, so Who's responsible for determining if something's legal or illegal? What entity is constitutionally given the power to make law?

Rohit Chopra

Congress and the President.

Rep. Barry Loudermilk (R-Ga.)

Oh, no, Congress.

Rohit Chopra

Well, sorry, the President --

Rep. Barry Loudermilk (R-Ga.)

I mean that's concerning that if you don't know the basics of our Constitution. The President is not.

Rohit Chopra

I know that but the President Signs law bills into law.

Rep. Barry Loudermilk (R-Ga.)

Right, So it's Congress. So Is -- my question is in your job and from what I'm hearing through the testimony, is it your job, which it is but I'm just trying to get your opinion on it. Is it your job to enforce law or what you personally believe is wrong?

Rohit Chopra

It's enforcing the law and enforcing the law as written, and in some cases, Congress has specifically required agencies to promulgate disclosures, to enforce certain provisions, and often we need to look at what is working and what is not in order to make those legal requirements that Congress has often required us to do to ensure that they are effective.

Rep. Barry Loudermilk (R-Ga.)

How does overdraft fees fit into that?

Rohit Chopra

Well, overdraft fees are subject to provisions of the Truth in Lending Act. So we are --go ahead.

Rep. Barry Loudermilk (R-Ga.)

So this is -- this is the issue we're having here. Now, let me ask you this question. It appears that you're a person who really likes to regulate. I understand that there's folks out there that really like regulation. Do you believe that businesses, banks, even small banks or whatever incur cost for the more regulation that you impose on them?

Rohit Chopra

I don't like -- the key is that regulations should work to promote market that are fair, transparent, and competitive. It's exactly as I said, yes.

Rep. Barry Loudermilk (R-Ga.)

My question is do these businesses incur additional cost to implement these regulations?

Rohit Chopra

Usually if -- if there are no -- If there's a bright line ban on something, maybe not.

Rep. Barry Loudermilk (R-Ga.)

I'm calling my time here, I mean regulation, the businesses incur cost. So we take something that -- a fee that is to recoup a cost like with an overdraft, right, and if you're not allowing or you're going to punish a business that collects an overdraft fee, then who's going to incur that cost?

It's not going to be the bank. It's going to be the consumers that do not overdraft. So how is that consumer protection?

Rohit Chopra

Now, you highlight a good point about cost recoupment. So one of the important things is financial institutions, other businesses, banks, care costs, But then there's also a price and the price ideally is set by the competitive market. And I think that's actually what we're starting to see in overdraft.

You're starting to see banks look at what are their costs and how can they still make the numbers work and compete, and some of them are actually offering that service now for free because they're using it as a vehicle to offer a broader suite of services that is in their business interest. That's how the market works up.

Rep. Barry Loudermilk (R-Ga.)

Obviously, my time has expired, so I would submit the rest of the questions for the record. Mr. Chair, thank you.

Rep. Jake Auchincloss (D-Mass.)

The gentlewoman from Iowa, who is also the vice chair of the Subcommittee on Housing, Community Development and Insurance is now recognized for five minutes.

Unknown Speaker

Oh, sorry, There's a -- my staffer saying to a question that was -- do you mind if I offer a clarification to a previous question, just for the record?

Rep. Jake Auchincloss (D-Mass.)

No, I -- you can do that when I -- When my time comes up. The gentlewoman from Iowa, Ms. Axne is now recognized for five minutes.

Cynthia Axne

Thank you, Mr. Chair, and thank you Director Chopra for being here. Appreciate that. Last month, the CFPB put out a report noting our medical debt is less productive for credit reports, and I pointed out as well during that that some of the harm that it could do. After that report, we saw three of the main credit bureaus take steps to reduce the importance of medical debt on people's credit reports, which is good news.

So can you explain the changes that were made, and if you believe that they're, you know, really important to making a more positive change in people's lives? And then what is CFPB's role in this area?

Rohit Chopra

Sure, so I don't know them encyclopedically, but as I understand that the three credit reporting companies, the nationwide credit reporting companies are making certain changes about when they will report allegedly owed credit -- medical debt on credit reports. I believe they're extending the amount of time for it to appear.

They're also only going to include they say certain debts above a certain threshold, and there are some other changes they're making as well. You are right that there has been evidence to suggest that medical debt is not necessarily a very good predictor of credit performance on other loan obligations.

We are actually looking hard about given the challenges of accuracy, given the challenges that we see throughout the system, and also with respect to health privacy, because one of the things we have found is consumers are even reporting that collections issues are even raising what their actual medical procedure might have been.

We should determine about whether it's appropriate to include this information at all. We're currently looking into that and we'll happily report back on that question with you.

Cynthia Axne

Thank you. Thank you so much for that especially given some of the horror stories that I have heard lately about debts being sent immediately to collections after medical treatment. I appreciate your looking into this Secondly, I want to turn to a topic that's been discussed here, student loans.

We know how important this is And we spoke about this in October, But I've got a specific question that I'm curious about. My office just had someone reach out because they're unable to get their loan forgiven after being defrauded by a for-profit college years ago, and I know that falls in the Education Department. But I wanted to know what you thought we could do to better protect borrowers from this ever happening to begin with because if we can avoid it, that would be much better. The Student Borrower Protection Center released a report showing for-profit schools now offering buy-now-pay-later loans; my goodness in place of normal student loans. Have you heard of these similar practices And what can the CFPB do to keep these things from happening,

Cynthia Axne

address the issues with those folks and those for-profits that got defrauded? What are some of the root cause Things that we can get after so we can avoid these things?

Rohit Chopra

Yes. So there are a number of -- we watch the education space as part of our ordinary required market monitoring. And you do see some new types of products that are entering outside of the banking system and outside of the federal student loan system. So it's obviously a place that we don't have too much information on. We just are kind of noticing those developments.

We obviously want to make sure that you know there is clarity, transparency, and options about where people are going to borrow across every single market. So I don't have too much for you on that. But I certainly would worry if there were ways in which, you know, students were being taken advantage of people when they borrowed, they're doing it for the purpose of bettering themselves and their families, and to make, you know -- climb the economic ladder, reach the American dream.

And, you know, a lot of people have been made worse off by their experience with student loans and it has a really deleterious effect. They even -- many people say I don't even want my -- other people in my family to go to college because it actually ruined my life. So the more we can make sure that there is adherence to the existing law and to figure out how we can make sure that education is getting people ahead and not pushing them behind, that's really critical for I think what we want to achieve across the board as Americans.

Cynthia Axne

Thank you, Director. I appreciate that. And anything that can be done to keep students from getting into this type of situation to begin with is what I'm hoping we can address through the CFPB. Keeping money in folks pockets and to your point, giving them a future through an education is what we're looking for. I appreciate your words here today and the work that you're doing and I yield back the rest of my time.

Rohit Chopra

Thank you, Congresswoman.

Rep. Jake Auchincloss (D-Mass.)

The gentleman from West Virginia, Mr. Mooney is now recognized for five minutes.

Rep. Alex Mooney (R-W.Va.)

Thank you, Mr. Chairman. Director Chopra, thanks for being here again. Question relating to Section 1071 small business data collection rule. It may have been proposed before your time, I understand, but it is now up to you to shepherd that rulemaking to a conclusion. In the proposed rule, the CFPB's cost analysis indicated that small businesses would not be impacted much by its implementation.

However, the Small Business Administration Office of Advocacy, which is tasked with advancing the interests of small businesses in regulatory matters disagreed. The Office of Advocacy says that the 1071 rule will raise burdens on small businesses and increase their cost of credit. So Director Chopra, can you -- how can you square the assertions in the 1071 cost benefit analysis with the Office of Advocacy concerns?

Rohit Chopra

Well, I don't have it exactly the text from the Office of Advocacy comment letter, but what I'll say is that we are required -- before finalizing the rule, we have to conduct and those have been done a process to solicit input from small entities. To date, I think the small entities that were consulted were mostly small creditors.

Separate and apart, we've received comments from small businesses, from banking associations and others, you know, you raise the point about how do we make sure that we can minimize, you know, the challenges and your colleagues raised issues about implementation timeline, have raised issues about what they be required to do. There is an open rulemaking.

We are under a court order to make progress on it. It is required that we implement this by law. So we are going to be looking, you know, carefully at all of this information and try to land at a result that faithfully implements what Congress has passed. But also make sure that we're thinking of all of the -- on the ground issues that you've raised.

Rep. Alex Mooney (R-W.Va.)

Okay, Thank you. Let me say for most agencies, rules and their cost benefit analysis are reviewed by OMB, Office of Management and Budget. OMB uses peer reviewed well-respected frameworks for their regulatory review, such as OMB Circular A4. As you know, the CFPB is not subject to OMB review because of its status as an independent agency.

So compared to the requirements of agencies under the OMB Review, the Bureau's analysis is not as thorough. For example, OMB Circular A4 includes provisions relating to the distributional effects of a proposed rule, Explicit guidelines on measuring indirect costs, probability models and other important metrics not currently included. In CFPB rules.

So Director, you've previously stated that cost benefit analysis should be rigorous, robust and grounded in data. If Congress were to expand the statutory requirements of the CFPB's cost benefit analysis to bring into line with the recommendations of OMB Circular A4, wouldn't doing so, meet your goal of a rigorous, robust and grounded cost benefit analysis.

Rohit Chopra

Well, currently, the analysis of our regulations does look at a broad range of factors. And by the way, those circulars are certainly something that all agencies look at in making those determinations. So I hear you loud and clear that you want to make sure we're -- we're looking carefully at what the impacts are looking carefully about how to do it, making sure that we're finding data and looking at different categories of that.

I hear you loud and clear and then we will look through this carefully as we adhere to the court's requirements and adhere to Congress when it comes to, you know, getting that rule implemented because it has not been done in 11 years.

Rep. Alex Mooney (R-W.Va.)

All right, Well, thank you. Let me let me say in closing, The Consumer Financial Protection Bureaus recent Section 1071 rulemaking on small business data collection exposes a deeper problem that has plagued the CFPB since its inception -- its inception, which is a weak statutory requirement to analyze costs and benefits.

The Bureau may be independent of OMB rulemaking oversight, but it should absolutely be subject to a thorough cost benefit analysis framework. My bill, the Transparency in CFPB Cost Benefit Analysis Act would fix some of the problems I have highlighted today. It would require the Bureau to consult with the Small Business Administration's Office of Advocacy to minimize the cost of regulations on small businesses, but also provide a striking cost benefit analysis holding the CFPB to many of the same standards as agency. Thank you. I yield back.

Rohit Chopra

Thank you, sir.

Rep. Jake Auchincloss (D-Mass.)

Gentleman from California, Mr. Sherman who is also the chair of the Subcommittee on Investor Protection Entrepreneurship and Capital Markets is now recognized for five minutes.

Rep. Brad Sherman (D-Calif.)

Thank you. When you last before came before the committee, I asked where the CFPB was close to completing its statutorily required obligation to impose ability to repay requirements on the PACE loans, the Property Assessed Clean Energy loans. Of course, we adopted that law in May of 2018. In May of 2019, you had gotten to the point where you had proposed regulations and the comment period had ended.

Now when you came before us, then you'd only been on the job two weeks. So now, it's been another six months. When are we going to get from the notice of proposed rulemaking, closed comment period Ready to go to the final regulations on the PACE loans?

Rohit Chopra

So as I noted in my written testimony, you know, we are prioritizing the rule makings that have been required by Congress. This one is a challenging one. I do anticipate that we will get to a final rule. I will want us to brief your staff when we have a little bit more understanding on timing, but you should not have any worries that we are going to get it done. I'm not going to do what, you know, we see in other agencies where they just never implement something

Rep. Brad Sherman (D-Calif.)

My doctor says I have a limited life expectancy.

Rohit Chopra

I hear you. We will get that done --

Rep. Brad Sherman (D-Calif.)

And I look forward to getting it done. I mean you're so close. You close the comment period a couple of years ago.

Rohit Chopra

Just so you know the comment period, that was on a different phase of it, but we'll get you the information.

Rep. Brad Sherman (D-Calif.)

Good. When we look at consumer loans, we probably ought to have the same level of consumer protection, whether it's your traditional regulated bank credit union making the loan or these new buy -- buy now-pay-later lenders. In a recent marketing inquiry, the CFPB has raised a number of concerns about that industry, including the risk that these firms are skirting some regulations that other consumer lenders have to comply with.

I'm particularly concerned that many of these products seem to lack an ability to repay a requirement. But they also had to have clear policies on how they treat return purchases and disputes, and they seem to have an unknown credit reporting process. Do you share these concerns, and does the bureau intend to regulate this market to protect consumers?

Rohit Chopra

So I don't have any conclusions on this, and I would really characterize where we are on this as questions. We have issued a series of -- of questions through those orders that you reference to be able to get to answers from the key players on the use of data, the use of credit reporting practices as well as some of the other issues you mentioned.

We are expecting to issue one or more reports related to this. It is part of a trend of we're seeing finance and commerce apps converging.

Rep. Brad Sherman (D-Calif.)

That brings me to the last question. I'm going to try to squeeze in another mixing of commerce and lending. In October, the CFPB ordered six technology platforms offering payment services to turn over information about their products, plans, and practices when it comes to payments. You had previously expressed concerns about these companies.

They can gain tremendous scale and market power, and you've highlighted the risk of big tech exploiting these platforms by engaging in -- in effect financial surveillance by combining consumer payment data with consumer browsing data. I would be interested to hear if the CFPB concerns have increased as a result of its inquiry and how this might influence your approach to its Section 1033 rulemaking.

Rohit Chopra

Yes, so 1033 rulemaking is a key priority for me. It has a lot of ability to not move to an open banking or open finance system, but just to take some important steps. I think we want to really all think together about how do we get to a world that is more open banking, that people can switch more seamlessly, that people can compare more products across from a broader range of participants.

I see a lot of upside there. I will say I do worry about big tech firms really kind of modeling what we're seeing in China with -- with Alipay and WeChat pay. I think the fact that you have these dominant providers who have so much data about people's movements about people's geolocation, about their habits, their church attendance, everything, it raises a lot of questions about will there be a fair system and a transparent system.

Rep. Brad Sherman (D-Calif.)

Thank you.

Rep. Jake Auchincloss (D-Mass.)

Gentleman from North Carolina, Mr. Budd is now recognized for five minutes.

Rep. Ted Budd (R-N.C.)

I thank the chair for having this hearing, and Director Chopra, thank you for being here. You know, earlier this week, the CFPB invoked a dormant authority to begin examining non-bank companies posing risks to consumers. The CFPB's release stated that and I quote. This will allow the CFPB to be agile and supervise entities that may be fast growing or are in markets outside the existing non-bank supervision program -- end quote. So here's the question, Do you believe the CFPB has the authority to regulate activity within specifically within crypto or decentralized -- decentralized finance or DeFi using this dormant authority? And if so, how does the Bureau plan on doing that without absolutely killing innovation, pushing it offshore and potentially harming consumers?

Rohit Chopra

Great question. So -- so blockchain based technologies in finance, most of it right now is for the purposes of speculative trading. Our focus has been on payments and really the big tech rails, But I'll give you -- as it relates to the supervision program, I do want to be clear about something. There is no expansion of jurisdiction through this.

So if you're -- if you're engaged in activities that Congress has specified in the law, you're already subject to this CFPB's enforcement jurisdiction with the exception of small banks. Enforcement involves, you know, subpoenas ,CIDS, litigation. Supervision is often a less adversarial way to do compliance examinations.

So I just want to be clear that inasmuch that a firm is engaged in an activity that is covered -- is -- is noted as a covered person in the act, they're already subject to our enforcement jurisdiction, again, except if they're a small bank. And the supervision process is actually just a way outside of litigation and outside of that kind of law enforcement.

Rep. Ted Budd (R-N.C.)

Thank you. I see where you're headed with this, so fair enough. But let me ask you this. How does the bureau -- how does it regulate an entity that it's got no centralized structure and is simply made up of code and peer to peer transactions because that's what DeFi is?

Rohit Chopra

How does it --

Rep. Ted Budd (R-N.C.)

How does it regulators in your term supervise I believe something that has peer to peer transactions? There's really no structure?

Rohit Chopra

I -- is the question who -- who is the entity know?

Rep. Ted Budd (R-N.C.)

How do you regulate -- How do you regulate -- supervise that since it's -- it's peer to peer?

Rohit Chopra

So it really -- honestly I don't have good answers other than if it is a covert activity. We have an activities based approach, not really an entities based approach. So certainly there are a number of activities that are covered under the Electronic Fund Transfer Act that those activities would be covered under the CFPB, but there is not necessarily a delineation of what type of technology that is being used. And I'm sorry if I'm not being --

Rep. Ted Budd (R-N.C.)

I know I understand. But what -- just to be clear, I don't think that the CFPB has what appears to be an ever expanding authority, and I don't believe Congress has delegated that to do you or the Bureau. But also you've claimed that algorithms can never be in a different topic here. -- it's never quote free of bias algorithms and it may result in credit determinations that are unfair to consumers.

You've also said that machine learning could lead to digital redlining and robo discrimination. Interestingly enough, in your last appearance before this committee, you stated preserving relationship banking is critical to our nation's resilience and recovery, particularly in these times of stress. Fair enough.

The Fair Housing Act prohibits discrimination based on race, color, religion, sex, national origin, family status, or disabilities. But how can an algorithm discriminate based on any of these characteristics if it doesn't have that information about the borrower?

Rohit Chopra

I'm -- I'm happy to try my best at this. So, you know, one of the ways in which we look at algorithms across the government and a great example of this is Secretary Carson's complaint against Facebook about how the algorithm essentially excluded certain types of borrowers on Facebook for marketing. So -- and I'm happy to talk about this with you further.

We also know about, you know, redlining. So there may be places where you carve out certain geographies that can impact your liability under the fair lending laws or in such cases, the fair housing laws. So I think it's important that we think about both human decisions and algorithmic decisions together across the board and understand that's part of the reason we brought on more technologists.

We're trying to understand more the data science because the -- especially when it comes to these big tech algorithms, it has huge implications.

Rep. Ted Budd (R-N.C.)

Thank you for your time. I yield back.

Rep. Jake Auchincloss (D-Mass.)

The gentleman from Illinois, Mr. Casten, who is also the vice chair of the Subcommittee on Investor Protection, Entrepreneurship and Capital Markets is now recognized for five minutes.

Rep. Sean Casten (D-Ill.)

Thank you, Mr. Chairman and nice to see you again, Director Chopra. By happy coincidence, I'd like to really pick up the thread that Mr. Budd raised, because when -- when you were here last October, I had asked you specifically about this issue of digital redlining and what's going to happen if these algorithms are moving things around.

And we are -- I'm sure you saw the article this week that Facebook said that once you import all that data into their platform, your age, your race, your address, your -- you know, your income levels, your purchasing history, they can't even keep track where all that data goes. They just know it's all out there somewhere and being used by their own algorithms.

When -- when I asked at the time whether -- whether you thought that those violated fair lending laws or potentially could the -- your quote was you said you were very worried about black box algorithms. We need to make sure firms cannot dodge fair lending laws and anti-discrimination laws under the guise of their secret algorithms.

Quick follow up. Since October, have you initiated any investigations or enforcement proceedings based on that? What's the -- what's the status?

Rohit Chopra

I'm not allowed to comment especially on that specific entity, but here's a few things that have already started. So one is that we've had a number of conversations across the industry, especially with smaller players. And what smaller players tell us is that, you know, they use Facebook, they use Google, they use other services in order to reach customers.

But they often, you know, don't really know how -- how it's all working. And I think that that's a reference the HUD complaint from a few years ago. Many of these firms are operating as service providers to many, many institutions. There's a lot of discussions across the regulators about many of these service providers, whether they be cloud providers or advocate behavioral surveillance advertising platforms.

So you know, it depends on the facts. In some circumstances, you know, we need to look at what their role is. I think it's a place where a lot of financial institutions who want to comply with the law are worried, and so we're eager to hear from them too on that, how we can make sure that there is the right type of compliance and guidance.

Rep. Sean Casten (D-Ill.)

So -- so if I could and I understand you can't comment on ongoing investigations, but when we talked last time, this was specifically raised because of a lender in my district who said that they don't know whether they are in compliance with fair lending rules and they couldn't get information from the Facebooks of the world.

Setting aside what you're doing that you can't disclose on the record, are you satisfied that you can actually get -- do you have the authority, can you see inside to see how those algorithms work? Can you get the data to actually understand what are they hoovering up, how are they using that? Because the only evidence that we've seen, you know, from here are internal whistleblowers?

So do you feel like you actually have the authority to see inside those algorithms and get the data that would be needed?

Rohit Chopra

I am not really sure to be honest, because I think what you see with a lot of algorithmic decision making, I said this before, the algorithmic banking is different than relationship banking. Relationship banking, you have a lot more insight into how things work with algorithmic banking, you may not necessarily even know why a decision was made or why an individual was denied or why an individual was not marketed to. That is a real challenge when figuring out this space altogether.

I will share with you that there is some requirements under current law that require essentially an explanation as to what were the factors that were relied on and that led to an adverse decision. I think it's not clear to me whether all of those algorithms are really able to spit out those reasons to comply with that.

Rep. Sean Casten (D-Ill.)

Well, so since that conversation in October, I've gone deep down this rabbit hole, and I've introduced a bill with -- with Congresswoman Trahan and Congressman Schiff, that's the Digital Services Oversight and Safety Act. Because we -- in talking with people, the concern was raised that you can't actually get in there unless a whistleblower comes forward.

And so the idea of this bill is to establish a bureau within the FTC that would have the authority to conduct these investigations, issue content neutral rules and basically allow, you know, subject to reasonable claims to go in, investigate, find out how the algorithms work. You've -- you've won some hats at FTC and -- and CFPB and I realize you're not going to comment on like ongoing legislation, but I would be curious for your thoughts on would that tool be useful?

Would FTC be the right place to house it, and any comments you might have about whether it's easier for you to assess this problem?

Rohit Chopra

The FTC of course is the blanket, you know overseer of, you know, Prohibitions on commercial, certain unfair commercial practices, deceptive commercial practices, but of course carved out of the FTC is banking, is airlines, is so many industries. So it's something every department is confronting. Thank you. I yield back.

Rep. Jake Auchincloss (D-Mass.)

The gentleman from Tennessee, Mr. Kustoff is now recognized for five minutes.

Rep. David Kustoff (R-Tenn.)

Thank you, Mr. Chair, and thank you director for appearing today. If I can, if I could go back to the questioning from Congressman Loudermilk several moments ago, you all were discussing overdraft protection. Just to clear things up, you were not suggesting that overdraft protection is subject to the Truth and Lending Act, were you?

Rohit Chopra

So the Truth and Lending Act essentially kind of provides -- I don't want to characterize it as a carve out, but it basically says what type of credit -- to your disclosures.

Rep. David Kustoff (R-Tenn.)

It's not subject to the Truth in Lending Act is it, overdraft protections?

Rohit Chopra

Is not subject to the Truth in Lending Act disclosures, yeah, And the requirements, but it is mentioned in the Truth in lending acts of Fed's rules they did.

Rep. David Kustoff (R-Tenn.)

Thank you, sir. And overdraft protection itself is not credit is it? It is not credit. It is subject to the Truth and Lending Act.

Rohit Chopra

That's right, Correct.

Rep. David Kustoff (R-Tenn.)

Thank you. I know you've had a number of questions about Section 1071 and I don't want to plow over old ground. I came from my perspective like 434 other members of Congress. I represent community banks that are in the district, good community banks just like the other 434 members.

You know the issues relating to -- to Section 1071 requirements because you've been asked about it before. Have you thought about a threshold for these institutions that they would not have to comply with Section 1071 reporting? I mean \$1 billion for an institution. Is that -- is that a reasonable threshold?

Rohit Chopra

So, and again, it was before I came, but there was a threshold put forth in the proposal, as I understand. It was a number of loans basis. I imagine there's -- there's many ways that Congress has designed thresholds actually in our act. There is a threshold on bank supervision that is cut off as an asset basis.

You know, if we should be consider a loan volume basis, loan a number of loans, I believe we received a lot of comments on that. I'll also say, you know, inasmuch that there are members who are introducing legislation about exemptions, there is actually not a statutory exemption in Section 1071.

Rep. David Kustoff (R-Tenn.)

So we are subject to your interpretation, isn't it as director?

Rohit Chopra

Sorry.

Rep. David Kustoff (R-Tenn.)

It's subject to your interpretation, isn't it As director of the CFPB?

Rohit Chopra

I'm not sure that's the case. I think that actually the section spells out, it's a kind of a Congressional determination. We did propose It--

Rep. David Kustoff (R-Tenn.)

Let me if I can't ever reclaim my time and move on. Thank you Mr. Budd asked you about a press release that you all issued on -- on Monday two days ago. This is the press release that you used to invoke previously unused legal authority to exercise greater supervision over non-bank financial companies. In the -- in the press release, under the Transparency Section on the second page, the CFPB announced that in a change with past president, it would no longer respect the confidentiality of exam proceedings, giving the director authority to publicize the basis for opening an examination.

That -- I'm going to tell you that, that concerns me, and I'm going to ask you, wouldn't you agree that during a routine examination of a supervised financial company that the CFPB under its existing authority and almost every regulator treats with confidentiality the proceedings between the regulator and the supervise entities to foster cooperation and collaboration? I mean that's correct?

Rohit Chopra

yes. Yes. And to be clear, I want to make sure that where we have sought comment is not to release kind of the examination or the examination findings. I think the purpose of what we're trying to accomplish and solicit input on is Congress set a standard of posing risk, and so we want to be able to provide guidance on what that is going to mean after we make determinations.

So it's not necessarily making exam findings public. It -- it doesn't have to do with that. I just want to make sure I clarified that.

Rep. David Kustoff (R-Tenn.)

Let -- let me -- let me if I can't ask you directly my remaining time. Wouldn't you agree that if -- if that were suspended, the confidentiality of exams that -- that gives rise to the opening of exam and underlying information, in fact, giving rise to that exam is no--

Rohit Chopra

We have to absolutely protect the confidential supervisory process. We would not -- there are extremely rare circumstances often when it goes to litigation, it comes up, but I totally agree with you.

Rep. David Kustoff (R-Tenn.)

Thank you.

Rep. Jake Auchincloss (D-Mass.)

Gentlewoman from Massachusetts, Ms. Pressley, who is also the vice chair of the Subcommittee on Consumer Protection and Financial Institutions, is now recognized for five minutes.

Rep. Ayanna Pressley (D-Mass.)

Thank you, Mr. Chair. And Director Chopra, thank you for being here today. It's clear your command of the Constitution and of the laws and your command of that which is most important, which is the consumer. And after years of Republican sabotage, I want to commend you on your work to bring the CFPB back on the side of consumers.

I also want to acknowledge your efforts to prevent unlawful medical debt collection and reporting. One of the issues and a legal one here is that of A COVID loan haulers and given the millions of people living with long COVID, these turn should not be placing any additional stressors or anxieties on patients and families.

I was also really pleased to see the Bureau take action to investigate overdraft and other junk fees. As myself and others have consistently advocated, these fees reflect an abusive and predatory practice that punishes people simply for being poor. Several major banks made over \$1.2 billion in overdraft and non fund penalties last year, including those that have a history of consumer abuse. As numerous studies have repeatedly shown these fees disproportionately prey again on our poorest consumers. Director, in order to build on the Bureau's work thus far, what further steps is the Bureau considering to provide overdue relief to the millions of consumers facing financial hardship due to these junk fees?

Rohit Chopra

Well, there's no question -- you raised medical debt, you raised fees, You raised other issues. Well, one, we are taking a hard look about whether it is appropriate for especially privacy reasons as well that medical debt information should be included on credit reports. There is significant information to suggest that it does not really help with accuracy on credit determinations.

We also want to make sure that there is a competitive market when it comes to all sorts of not just deposit accounts, not just credit cards, but all financial products, and people should be paying for services rendered and that they want and also be able to compete upfront on what those costs are. So ultimately we think this is a benefit to all financial institutions and to all consumers to have more competition and more accuracy in credit reports.

Rep. Ayanna Pressley (D-Mass.)

Thank you. And I think the banks have certainly proven that they can't be expected to voluntarily reform themselves. And so legislative intervention really is sorely needed. Another area of concern that we've seen emerging is the rise of buy-now-pay-later. I know Representative Axne raised it earlier regarding the predatory practices of many of our for-profit colleges and universities.

But we've seen this when it comes to payment credit plans. The number of consumers who have been using a buy-now-pay-later product, especially through e-commerce has really grown in fact by 300 percent since 2018. Recent reports show a significant risk to consumers who may not know how this could potentially hurt their credit score or lead to hidden fees and exorbitant interest payments.

Director Chopra, what steps is the Bureau taking to ensure that these companies are operating with transparency and accurately disclosing fees and charges to consumers of these products.

Rohit Chopra

Yeah, there are certain types of products that have not been subject to the normal disclosures that other financial products are. So we have actually issued a set of orders to the buy-now-pay-later companies, the larger ones. I would characterize it were in, in question mode. You know, I think that buy-now-pay-later has provided actually a great service for many people, but there are also some pitfalls on how credit reporting going to work, how is the handling of data going to work. There's a number of questions that we need to make sure that we understand so that we can, you know, make sure that the market is working fairly and transparently.

Rep. Ayanna Pressley (D-Mass.)

Absolutely. And just given the evolving nature of this space and potential risk to consumers, it really does require the bureau's ongoing and diligent work. So I thank you for your attention in that regard, and I yield.

Rep. Jake Auchincloss (D-Mass.)

Gentlewoman yields. The gentleman from North Carolina, Mr. McHenry, who is also the ranking member of the committee, is recognized for five minutes.

Rep. Patrick McHenry (R-N.C.)

Oh, thank you, Mr. Chairman, Director Chopra, thank you for being here. I wrote you back in December and requested the bureau preserve documents related to the FDIC matter that you've discussed earlier today. That request also covered any communications on your personal email accounts and the Bureau delivered an initial set of documents on Monday night to staff here on the Hill to our committee.

It's fair to say those documents raised new questions, but we'll get into that. One of the things that's really come into focus is the fact that during the relevant periods you had email accounts at the FTC, at the CFPB, and at the FDIC. Is that correct?

Rohit Chopra

No, actually we were supposed to be provided in FDIC email account, but I think we were never provided it until recently. Oh, okay.

Rep. Patrick McHenry (R-N.C.)

So which account did you use?

Rohit Chopra

This account I use is my CFPB account.

Rep. Patrick McHenry (R-N.C.)

Okay, so any personal email account you use for business?

Rohit Chopra

No.

Rep. Patrick McHenry (R-N.C.)

None.

Rohit Chopra

No.

Rep. Patrick McHenry (R-N.C.)

Okay. any messaging apps?

Rohit Chopra

No, I don't use -- I comply with all of the requirements that were required to under FOIA Records Act everything, and they should all be there.

Rep. Patrick McHenry (R-N.C.)

Okay, But there's -- there's no messaging app or texts related to this in the documents you got.

Rohit Chopra

if we -- if we used text, if I receive anything to a personal device, what we do is we move it to a government server so that it is preserved. So I've been in multiple agencies. This is what we do.

Rep. Patrick McHenry (R-N.C.)

And same for tax.

Rohit Chopra

Yes, so we try to -- it's hard sometimes to forward it, but you create a record for it.

Rep. Patrick McHenry (R-N.C.)

It is complicated, yes. But you've got the -- the best technology of any government agency at this point. So we just want to make sure since there are none provided of texts or personal emails that that was in fact the case. Okay. So you've got a number of things that we want to raise with you, but we've got a limited amount of time. So we've got -- you've had 49 press releases since you became the director. That's an impressive rate even for a state attorney general. And they cover everything from your priorities and major initiatives and you telegraph your actions through speeches as well.

So why didn't the CFPB issue a press release announcing the interim final rule issued on February 22nd, which changed the rules of practice for adjudicating proceedings? Seems like --

Rohit Chopra

you're right. There should have -- there should have been a blog or press release on that. I actually thought that was going to be the case, but you're right. I would change that.

Rep. Patrick McHenry (R-N.C.)

Okay, So typically the interim final rules are issued when there's a good cause to issue the rule immediately without the proposal, putting the rule out for comment, Why -- Why did you go that procedure here?

Rohit Chopra

So this is -- this is a procedural rule. It actually doesn't even require comment. And one of the things that was important about this is, one, making sure that the procedures are constitutional. And two, that, you know, they're fair. And what we did immediately is it actually gives respondents more ability to take the -- respondents being defendants in this case take depositions, have access to information.

It also makes the process for them to go quickly to judicial review. So we have not issued any complaints under this process. So it's a little bit theoretical right now, but we have received comments from it. We will not issue any complaints, you know, after those until we look at those comments. And we still expect that federal court will be the primary way overwhelmingly in which we will do enforcement actions, you know, contested actions.

Rep. Patrick McHenry (R-N.C.)

You describe this as basically giving defendants more rights, but in reality, you have internal adjudication now. I mean you're basically taking this in-house in a way that the courts have ruled unconstitutional for the Securities Exchange Commission. So you know, this is -- this is a power grab and -- and viewed by many that are under your remit and regulation.

So why not put it out for notice and comment? And I understand you have the power as director to do enormous things. I got that. I understand. But to do that according to notice and comment rules have been a longstanding and that bind other agencies I think is the proper thing to do.

Rohit Chopra

Okay, That's a fair point. I do want to be clear though that actually the issues that were identified with the SCC, the staff actually looked across the board at all agencies. So this is not a new administrative form, It's the same one. But you're right, you know, you have to make sure it's constitutional.

Rep. Patrick McHenry (R-N.C.)

But it's new powers, and that's my point.

Rohit Chopra

Sorry.

Rep. Patrick McHenry (R-N.C.)

It's more power, and it's new power.

Rohit Chopra

If I could, I actually don't know if that's true. I actually think we--

Rep. Patrick McHenry (R-N.C.)

We Don't know it's true because you didn't allow notice and comment. That's my Point.

Rep. Jake Auchincloss (D-Mass.)

Gentleman's time has expired.

Rohit Chopra

Well, it's a -- it's a quite -- I will tell you if it was favorable, we would not -- we would not be bringing all these actions in federal court.

Rep. Jake Auchincloss (D-Mass.)

The committee will stand in recess for five minutes.

Rep. Jake Auchincloss (D-Mass.)

Gentlemen from New York, Mr. Torres is now recognized for five minutes.

Rep. Ritchie Torres (D-N.Y.)

Thank you, Mr. Chair. Director, it's good to see you. There are federal regulators such as the SEC and CFPB that have a practice of allowing corporate bad actors to enter into settlements and pay a fine without ever admitting wrongdoing.

And the truth is often a casualty of neither admit or deny settlements, which essentially protects corporate bad actors from the reputational consequences of their own bad behavior. I raised the issue with you back in October for the first time, and I'm wondering in the six months since then, have you taken any action or to remove or reduce or otherwise reform the practice of neither admit nor deny settlements.

Rohit Chopra

So there's two issues. One, there is no settlements that we're doing that have denials. Certainly, there have been some with no admit, no deny. I think what we're weighing is what is the trade off between getting help to consumers, getting, you know, the order done versus all of the issues that are related to, you know, a litigation in order to seek that.

One of the things that I recently spoke about is the issue of institutions that repeatedly break the law. And that's an area where I do think admissions is potentially going to be more part of the process or specific findings of wrongdoing. Because I think when you have repeat bad actors, it is clear that sometimes there needs to be, for the sake of justice, a determined a formal court determination or a formal legal determination that -- that the entity agrees to.

Rep. Ritchie Torres (D-N.Y.)

So you're moving in the direction of -- of treating repeat offenders differently.

Rohit Chopra

That's right, yes.

Rep. Ritchie Torres (D-N.Y.)

Okay. It's been 11 years since the passage of Dodd-Frank, which provides the statutory basis for Section 1033. It's been a year and a half since the advanced notice of proposed rulemaking in Section 1033, and it's been nearly a year since President Biden's executive order directing CFPB to implement Section 1033. And yet, in spite of it all, a Section 33 rule has not yet been implemented.

And so I'm wondering, is there a deadline for implementation? How much longer must we wait?

Rohit Chopra

I know. I'm as frustrated as you as when I -- when I arrived, I was surprised to see how little progress had been made. It is one of the most important rules that the CFPB can do. It is something that Congress wants us to do. I wish I could give you a discrete timeline, but I am prioritizing the rule makings that have been required by Congress.

This rule in particular has the ability to open up consumer, you know, opportunities, financial institution opportunities. At the same time, there's some tough issues in it related to data privacy especially. Are our institutions going to be able to go and grab consumers data and then sell it or share it or resell it?

Rep. Ritchie Torres (D-N.Y.)

Do you have any timeline at all or?

Rohit Chopra

You know, the hope is to get the next step done, you know, within a year. I don't know when the final implementation will be, but it is certainly a top role.

Rep. Ritchie Torres (D-N.Y.)

Well, I'll ask you bluntly, if you fail to get Section 1033 finalized by the end of President Biden's first term, would you consider that a failure?

Rohit Chopra

Oh, I definitely -- I would not be happy. And yes, I would almost agree that would -- that would not be a good sign at all.

Rep. Ritchie Torres (D-N.Y.)

On March 6th, and I hope I can squeeze in this question. The New York Times published an article with the following headline. Fraud is Flourishing in Zelle. The banks say It's Not Their Problem. Did you read this article?

Rohit Chopra

I'm familiar with the issue. I don't know about this specific article, but probably.

Rep. Ritchie Torres (D-N.Y.)

The New York Times tells the story of several victims, including a man by the name of Justin, who lost \$500 to a sophisticated scammer pretending to be a banking official. And the scammer sent a text that seemingly came from the fraud Department of Wells Fargo. And the scammer actually called the victim from a phone that a caller ID flagged as coming from Wells Fargo.

And as a result, he was successfully scammed because he reasonably thought he was transferring his money to a bona fide bank employee. My understanding is that if a transaction has an unauthorized user, a fraudulent user, a bank as I understand it, is required to reimburse a customer for losses. Is that correct understanding of the law?

Rohit Chopra

That's right. I want to be careful not to comment on this specific situation, but generally speaking, the regulation provides what the fraud protections are.

Rep. Ritchie Torres (D-N.Y.)

Now what about the case cited in the New York Times article? What if a transaction has a fraudulent Receiver rather than a fraudulent user? Is a bank then required to reimburse a customer for losses? Should a bank be required to do so?

Rohit Chopra

Well, we will answer that question. For the record, I'm being especially careful because there -- you know, there's a specific entity you're referring to. But I'm on board generally that we need to make sure that these payment systems, especially peer to peer that fraud is -- is piling up, and it's a major problem including for service members and seniors. And it's -- it's high on our radar.

Rep. Ritchie Torres (D-N.Y.)

I see My time has expired.

Rep. Jake Auchincloss (D-Mass.)

The gentleman from Indiana, Mr. Hollingsworth is not recognized for five minutes.

Rep. Trey Hollingsworth (R-Ind.)

Dr. Chopra and Mr. Torres, I really appreciate that back and forth because Mr. Gottheimer and I have worked really hard on several pieces of legislation trying to combat fraud, especially against our seniors. It is becoming more and more rampant in the stories that are told especially to my district caseworkers are horrific about individuals that have lost their life savings due to these very, very sophisticated fraud schemes as Mr. Torres alluded to. I wanted to ask something more specific that you said yesterday, which surprised me and I hope is not a disquieting statement of belief, but perhaps a flippant quip.

You said in response to some questions at a Senate Banking hearing, I'm not sure there is really a balance between consumer protection and others. The others I think in this refers to expansion of consumer access to products, financial innovation and products. But I wondered if you might very specifically, but also very succinctly talk a little bit about how you view consumer protection also being aided by financial innovation and the expansion of financial products to those that don't currently have access to them?

Rohit Chopra

Yeah, sure. And I've been -- I've been testifying many hours and I hope I remember it right. But what I think I was trying to articulate is I don't necessarily know that it's a trade off always between innovation and competition and consumer protection. I think there's many ways that actually everyone benefits, especially when there's some newer technologies being used. You can use it in different ways that are good for the institution and good for the consumer.

Rep. Trey Hollingsworth (R-Ind.)

I would say that you recognize that financial innovation is an important part of long term consumer protection; being able to lower costs of delivery of products to consumers, being able to lower the costs to consumers, being able to enable them for more access to those products. Those are important aspects of consumer protection in the long run.

Rohit Chopra

Yeah, I think it has -- Consumer protection has a lot of features and one, you know, that Congress has spelled out is fair, transparent competitive in our law. So across the board, it's certainly true that technologies can help across the board to do that. And as you guys want more, Yeah.

Rep. Trey Hollingsworth (R-Ind.)

You guys have these internal discussions about policy making and the press releases that come out. You're really thinking about how this might have a deleterious impact on innovation or deleterious impact on the expansion of access to financial products, not just on some of the near and present, and seemingly perhaps more urgent if not perhaps less important aspects of consumer protection.

Rohit Chopra

Well, I am happy to discuss this further with you. I think we try our best to make sure that entities especially smaller ones and nascent ones, it can often be hard to directly engage them. You know they don't necessarily have people in Washington, but we try and make sure when, you know, lawyers might be scaring them to be able to give them some facts about the scope of what is happening and also to figure out ways, what are the barriers that They are facing in order to challenge the status quo in order to raise capital in order to use new technologies.

And you know, no agency is perfect, but I've really pushed us to really make sure we don't just have lawyers, we have technical talent, We have a diversity of skills especially that understand this intersection between technology, the capital markets and consumer finance.

Rep. Trey Hollingsworth (R-Ind.)

So there is a great amount of recognition that over the last 70 to 100 years, this country has continued to see cost to phone -- to financial consumers go down. Some of that is due to innovation. And as you continue to think about what comes out of your office, you're going to be focused on ensuring that we don't have too much of a deleterious impact on that innovation over the long run.

You want consumers to have access to a wider variety of products and for them to be able to choose the products they want, those products to be delivered at a lower cost and perhaps even at a faster pace than ever before.

Rohit Chopra

Yeah, my sense is that we're right at a moment about the future could take very different paths. And I think one path is that it could be dominated by a very small set of firms or big tech firms, big Wall Street firms, or we could do what has seemed to work best in a lot of sectors, which is a very, very diverse ecosystem of big medium, small and especially new firms that are entering.

Rep. Trey Hollingsworth (R-Ind.)

Well, when I talk with a lot of the small firms, they live in fear of CFPB, not live in hopes that CFPB will be their savior. And I want to make sure that you are thinking about those smaller firms, those nascent technologies, those things in their infancy today that could become very important to consumers in the future and not foreclose upon any of those technologies going forward.

And with that I yield back my time.

Rep. Jake Auchincloss (D-Mass.)

The gentleman from Massachusetts, Mr. Lynch, who is also the chair of the Task Force on Financial Technology is recognized for five minutes.

Rep. Stephen Lynch (D-Mass.)

Director Chopra, thank you very much for all your great work. I do want to follow up on -- on Mr. Torres question -- line of questioning. As you know, we are concerned about consumer data, Financial data, not only the positioning of that data and how it might be shared, but also letting consumers know what's happening with their data when they participate on these platforms.

I know we have a rulemaking that is pending on 1033. I won't press you on a deadline. I know you're doing your best in that regard, but I would like to get some -- some direction, some sense of where we're going with that sort of as a -- as a benchmark. I don't want to wait till the next time you're before this committee to -- to ask you about this.

very important piece of rulemaking because there are a number of members on both sides of the aisle here who are putting forward legislation. And what you do with that rulemaking will have, you know, a lot to do with whether we are in harmony with the -- the guidance issued by CFPB.

Rohit Chopra

So here's a few principles I can share. So one, a couple of goals is we want to make it easier ultimately to switch to be able to shop, find a product and switch. We also want to make it easier for small firms including community banks and start ups to be able to reach new customers with new products.

I think at the same time, we don't necessarily want to create a market where there's an underworld of data exchange where people can grab your data and then sell it. That is actually where you see in other jurisdictions, there is some worries about that. We also don't want to create a haven for scams, and especially what you know Congressman Hollingsworth mentioned, and Torres about some of the scams we're seeing, especially on payment, you know, transfers.

That's something we want to avoid. So I do think it's important that we figure out how to get the data sharing and data privacy aspects, right. And I think in as much that we can create a framework where people can participate without feeling like they're handing over everything and then everyone will know about it. Those are -- those are the goals that I've set.

Rep. Stephen Lynch (D-Mass.)

Okay, Let me -- let me move to the issue that Mr. Torres raised around Zelle. According to The New York Times article and the reporters did a great job on this Stacey Cowley in -- March 6th, 2022 article which is entitled Fraud Is Flourishing on Zelle, and the Banks Say It's Not Their Problem.

There were -- according to the article, there were 19 million Americans who were defrauded through, you know, wallets and financial platforms. And we have a hearing tomorrow in this committee on digital wallets and the security surrounding them. What could CFPB do? I know you did issue a guidance, right, that -- that I think got the attention of a lot of the banks because they own -- they own the -- the company that's actually handling that security. So there's -- there's a responsibility in principle on the part of the banks, but also the fact that they own the company that is responsible for -- for security. What can the CFPB do to protect our consumers?

Rohit Chopra

Well certainly as faster payments you know go more widespread whether it's through private technologies or through systems like Fed now, it is true that in jurisdictions across the world, fraud and errors become a much bigger issue. You know complaints go up and often people are out a lot. So there is currently the Electronic Fund Transfer Act. Congress passed this to get those balances right about fraud protection, about getting errors resolve about what consumer rights, where to place the liabilities to make sure that people are protected from theft and hacks.

So there is currently that law that exists and, you know, in as much that you think there needs to be further rulemaking or clarifications, we have set up a process for people to be able to petition for rulemaking on any -- on topics like this. So you know, I take this very seriously, especially we want an instant payment system. We don't want people to fear it if they feel like there will be -- they won't have the same rights.

Rep. Stephen Lynch (D-Mass.)

Thank you. I just want to end by saying we would like to be informed on this committee about that rulemaking process 1033. There have been long periods of silence that not -- not of your fault, but we need to be kept up to date during that process. So it'd be great if we had some interim -- interim updates as you -- as you move forward that rulemaking.

Thank you. I yield back. Mr. Chairman.

Rep. Jake Auchincloss (D-Mass.)

Gentleman from Tennessee, Mr. Rose is now recognized for five minutes.

Rep. John Rose (R-Tenn.)

Thank you. Thanks to Chairwoman Waters and Ranking Member McHenry for holding this hearing. And thank you Director Chopra for being here today. A lot has happened since the last time you testified and as my time is limited, I want to go ahead and dive right in. We have talked a lot today about your requests for information on quote junk fees, unquote, which you have now defined for us as fees that do not correlate with the underlying costs of products or services offered by financial institutions.

Director Chopra, is that a -- is that a fair assessment of your understanding of what junk fees are?

Rohit Chopra

No, I think again a junk fee is an experience by so many consumers. Each of them may have a different experience. The way I often hear about it is it's for a fee for a service that you didn't even ask for, you didn't necessarily want, or a fee, for example, that doesn't feel like it's subjected to the competitive process that it's way in excess of really what a normal market would provide.

You know we -- I'll give you an example, a big area we hear is so-called pay-to-pay fees where you have to actually pay a fee in order to pay, and that fees sometimes way out of line with what people would typically expect. We've also seen payoff statement fees where you have to pay a significant fee to know how much you're supposed to pay exactly To pay off an amortizing loan.

Rep. John Rose (R-Tenn.)

Okay, Well, so -- so it still seems to me that in a competitive marketplace, competition will ultimately weed those things out. And if we try to substitute regulation for competition, it seems problematic. And I'm just -- I'm wondering would you -- would you consider requesting public comment on junk regulations or as I might define those regulations in which the costs do not outweigh the underlying benefits?

Rohit Chopra

Yes. So we actually have solicited comment as part of an assessment of rules. We have actually changed our procedures to allow anyone to submit a petition for rulemaking, and that will be posted so that the public can put comments in. It's actually much more open and accessible, so I will share with you that you're right.

Competition is one of the best ways to help them, you know, deliver good outcomes. Here's the challenge. There's many cases where consumers don't get to actually choose the provider they're working with. This is common, especially in loan servicing, but it's also true in credit reporting collections and other markets as well?

Rep. John Rose (R-Tenn.)

Director Chopra, on December 22nd, 2021 FTC Commissioners Noah Phillips and Kristine Wilson, both of whom you served with at the agency penned an op ed in the Wall Street Journal following your attempted coup at the FDIC, the title of which was Remember Norms The Biden Appointee -- this Biden appointee doesn't. The commissioners wrote that they were dismayed by your conduct, but not surprised.

They stated that your routine public denigration of terrific FTC staff, your disregard for bipartisan norms and traditions and your willingness to distort both law and fact eroded the tradition of bipartisan engagement in a way that even Democrats lamented. Commissioners Phillips and Wilson wrote that your actions undermined the credibility and integrity of this -- of the agency, its missions and its initiatives.

Director Chopra, Could you explain what actions you took at the FTC that led to such a stark rebuke from your former colleagues?

Rohit Chopra

Well, we -- there was significant disagreements we had on a number of major policy issues and law enforcement actions, whether it was the Facebook settlement, the YouTube settlement and others. I am disappointed that actually some of my colleagues have not embraced the rule of law and following agency procedures.

I have disagreed with my FTC commissioner colleagues about laws that Congress passed and asked the agency to do and some believed across multiple administrations that we should just ignore them. So yes, I've had disagreements with Democrats, I've had disagreements with Republicans, but also I had a lot of agreement with Republicans and Democrats too.

There are different things that we agree on. We don't always follow on one side. And I will tell you we have the utmost respect for all of the civil servants who work at our agencies.

Rep. John Rose (R-Tenn.)

Thank you. I see that my time is about to expire. Chairman, I'll yield back.

Rep. Sean Casten (D-Ill.)

The gentlewoman from Michigan, Ms. Tlaib, is now recognized for five minutes.

Rep. Rashida Tlaib (D-Mich.)

Thank you so much, chairman. Director Chopra, thank you so much for CFP's work around -- I know the study came out in regards to medical debt and that we know now over 20 percent of our neighbors across the nation are facing, you know, the harms and impact of having medical debt on their credit report. You know, last month as you know, you know Equinox -- not Equinox -- Equifax -- Equifax, Experian, and TransUnion announced that they would be making some changes, slight changes, to the reporting of medical debt.

But it does remove about 70 percent -- nearly 70 percent of medical debt from credit reports. And again, I think they capped it off how much -- you know, which dollar amount and things like that. So, it's not, you know, some of my folks that got diagnosed with cancer or have major surgeries. And again, these are medically necessary procedures.

It is a small victory for many of my neighbors and advocates who have been pressuring the predatory debt collection and credit reporting industries to protect patients instead of their bottom lines. And so, I applaud that kind of action, but this also change, you know, can easily be reversed and undone, right?

And so, Director Chopra, what steps can or is CFP doing to ensure that these changes can be permanent and maybe to be able to continue expanding on them?

Rohit Chopra

Yeah. Well, to be candid with you, we are looking at whether it is appropriate and lawful to include this information at all. So, we also think that the level of inaccuracy on credit reports -- and by the way, our country I do think is shifting toward this sort of social scoring world and the fact that you getting sick, we actually -- that's not supposed to predetermine the rest of your financial future.

So, I think we have to take a hard look about what our authorities are in terms of whether this should be restricted altogether. We're talking to people in the healthcare industry. We're talking to the industry -- financial industry about it. But I am worried that when you get sick, and you're dealing with a billing dispute or stuck in a doom loop with the insurance company and the provider that you might lose out on an employment opportunity because of a credit check or a tenant screening check or even a loan.

Rep. Rashida Tlaib (D-Mich.)

No, I can't agree more. You know, between the confusing reimbursements, director, to OPAC billing, you know the increase in high cost of health care in a single, you know, unexpected trip to the hospital can set one of my neighbors back for years, again, due to medical debt. You know, often patients are caught up in the middle in disputes between the hospitals, insurers as you know, and collectors, and so forth.

Do you -- I mean what steps -- and it sounds like you may have touched on this, but is CFP taking to -- like talk to furnishers that -- to you ensure that furnishers do not contaminate the credit reporting system in an accurate report? And it sounds like you all are moving towards that direction. I mean, should these credit agencies cut off access to repeat offenders as well?

Rohit Chopra

Yeah. I think there is this major question about what happens when, you know, there is inaccurate data by a furnisher that's constantly being furnished.

Rep. Rashida Tlaib (D-Mich.)

That's right

Rohit Chopra

At what point do they need to just be cut off? There is a law, The Fair Credit Reporting Act, that governs some of this. There's supposed to be reasonable procedures to ensure maximum possible accuracy.

But I worry that the credit reporting system is -- is sometimes used as a vehicle to coerce people into paying debt that they don't owe or that they already paid.

Rep. Rashida Tlaib (D-Mich.)

And you know also in -- I don't know many of my colleagues know this, but I'm also concerned because health care providers are often now providing our patients, our residents with applications for medical credit cards or other financial products to pay for their health care. So, between -- you know, when the patient puts the medical debt on their credit card or finances the debt in some other way -- and I've heard horror stories about this -- that they may lose out on legal protections from medical debt and may also lose the opportunity to negotiate with the provider about the amount and terms.

I mean, director, is CFP incorporated or thought about other financial products such as credit card debt, did analysis on medical debt? If so, you know, what are some of the findings that you would like to share?

Rohit Chopra

Yeah. So, we're early in thinking about some of this, but we do know that there is growth in the use of certain medical, I would say, credit instruments. Some of that -- we see that's in some places it's used, you know, in particular areas, cosmetic surgery, dentistry. I don't know exactly, but we're happy to follow up with you.

But yes, I do worry that medical -- that illness is creating kind of cycles of debt that people get pushed down and can't get back up from.

Rep. Rashida Tlaib (D-Mich.)

Can't agree more. Finally, you know, many low-income patients are frequently not screened for eligibility or notified of the availability of financial assistance. As a result, medical debt should, you know, be forgiven or covered by hospital financial programs, but they are not aware of it. How can CFP -- oh, I'm sorry. Okay. Well, we can ask later.

Rohit Chopra

We'll take the question for the record.

Rep. Rashida Tlaib (D-Mich.)

Yes, thank you so much.

Rep. Sean Casten (D-Ill.)

Gentleman from Ohio -- excuse me, Mr. Gonzales is now recognized for five minutes.

Rep. Anthony Gonzalez (R-Ohio)

Thank you, chairman. And thank you, director. Good to see you. I want to start with the distinction between algorithmic lending and banking and relationship banking. I think you've stated a number of times or at least implied that relationship banking is better. Am I putting words in your mouth? Or would you agree with that?

Rohit Chopra

No, it's more that you need to use both. And I wouldn't want to see the relationship banking option get totally eliminated. There's -- there's strengths of relationship banking and I worry that it's fading away.

Rep. Anthony Gonzalez (R-Ohio)

Okay. I think that's fair. And for what it's worth, it felt like at various points that the distinction was being made to attack algorithmic banking in favor of relationship banking. I think there should be options, right? I think the goal should be to provide as many options as possible. And if algorithmic banking isn't providing services, isn't providing loans to folks who

either can't get them or on better terms, then, you know, why wouldn't we want algorithmic banking, I think is sort of the perspective that I have.

And I guess the question I would have -- because one thing I hear a lot of is, is the bias issue. And that's obviously something we should all be thinking about and should have on our minds. I'm curious, you know, in a world where 22 percent, according to the fed in 2019, 22 percent of Americans are unbanked or underbanked.

Is there any evidence that suggests that algorithmic banking would make those numbers worse? Or is it just a supposition at this point?

Rohit Chopra

Well, again, I think let's -- let me -- let's distinguish. I think maybe we should use the term human only or algorithm only. You know, the truth is, is it's probably good when it's both. You know, when it's -- there's some human dimension to it because when you do get that you can get benefits of both.

And obviously, data analysis technology has the ability to do a lot including to expand.

Rep. Anthony Gonzalez (R-Ohio)

Right.

Rohit Chopra

But we also want to make sure that we don't have situations like we've seen where those algorithms don't really have any explainability about the decisions that are made because that can have problems.

Rep. Anthony Gonzalez (R-Ohio)

And I think relationship banking only has proven throughout our entire history to have enormous problems. It does a lot of good. I'm not saying it doesn't. But with respect to redlining and overt discrimination that we've seen over many, many years when it's just humans, I think we've always seen and known.

That's why the laws exist to prevent these sorts of things that, that can go sideways, right? So, I'm happy to hear that you see it as both. Not either or but, but both and. And I look forward to seeing work that suggests that that's true. I want to talk about 1071 for a second. I know it's been touched on. Complying with 1071 will be harder for small lenders as they have less staff to record compliance to submit the data the CFPB is asking for.

Do you believe 1071 will increase the cost of small business credit or put an undue burden on some of the smaller lenders in my state of Ohio?

Rohit Chopra

Sorry. There's background noise. I think the question is --

Rep. Anthony Gonzalez (R-Ohio)

Do you believe that it will increase the cost of credit to small businesses?

Rohit Chopra

It's hard to simulate because the cost of credit is obviously going to be driven by capital markets conditions, interest rates, other things. But yes, I'm sensitive to the idea that for smaller creditors, you know, that when they have costs, they have to meet return on equity thresholds. They need to make --

Rep. Anthony Gonzalez (R-Ohio)

You have to push them somewhere, right?

Rohit Chopra

And so, I think the challenge is, is obviously we want to make sure we're meeting the congressional objective just like Home Mortgage Disclosure Act, there's this requirement. We need to get it done. And again, if there's concerns about if you're looking to draft exemptions, we're happy to provide technical feedback to you.

But we are under a court order to make progress on this. And so, we're trying to do it in a way that adheres to the law and the order.

Rep. Anthony Gonzalez (R-Ohio)

Fair. And I hope progress means more options for small businesses and more of my smaller lenders being able to participate in the market because I think it would be an absolute tragedy if, as a result of 1071, we all of a sudden are now freezing small businesses out of the market or increasing the cost of capital.

And I agree there are other factors, but holding all those constant, if you increase cost, they have to -- cost has to be priced in somewhere.

Rohit Chopra

Yeah. And I think part of what I've been asking is what is the ways in which we can move toward more simplicity. Of course, you know, sometimes congressional requirements are challenging but make it -- also looking at how to use technology to make the reporting, you know, easier. You know, it doesn't have to be in paper form all of that. So, that's -- I take your point seriously.

Rep. Anthony Gonzalez (R-Ohio)

Thank you. Last comment in my 10 seconds. Let's talk about junk fees outside of normal market forces feel -- people feel like they don't make sense. You're paying for things you don't want. Can you please turn that on the tax code and some of the things that we're spending money on at the federal government level? Because I think a lot of us think that that's junk and I'd love to see those go away.

Rohit Chopra

And to be clear, that's on you. But I hear you loud.

Rep. Anthony Gonzalez (R-Ohio)

I hear you. Thank you. I yield back.

Rep. Sean Casten (D-Ill.)

The chair will note that there is no waste on this committee and the illustrious members that serve here. The gentleman -- gentlewoman from Georgia, Ms. Williams, who is also the vice chair of the Subcommittee on Oversight and Investigations, is now recognized for five minutes.

Rep. Nikema Williams (D-Ga.)

Thank you, Mr. Chairman. A lot of folks watching today don't have banks knocking down their doors to give them loans. And y'all, I know exactly what that's like because I've been unbanked. I've lived paycheck to paycheck as a public school educator, trying to figure out how I was going to have the money in time to pay my rent and my bills.

And to this day, I remain strapped by student loan debt. My hard work and determination to achieve the promise of America hasn't always been reflected in my credit score. I'm lucky to have been able to buy a home and get ahead. And now as a member of Congress, I'm determined to open the door to financial inclusion wider so that everyone seeking the promise of America can walk through it. One way that we can do this is ensuring mortgage lenders consider alternative data not found in traditional credit reports so that everyone has the opportunity to put their best foot forward when it comes to getting a home.

Dr. Chopra, I understand the Consumer Financial Protection Bureau is planning to collect alternative credit data like this. Can you tell us a little bit more about this effort and what you hope to learn about the value that the inclusion of such information may provide to marginalized consumers working hard to get ahead?

Rohit Chopra

So, I don't think we have any specific collection of data going on, but it's obviously an issue that we think very closely about. How can we get data and lenders use data that are reasonable approximations for whether they can repay a loan? Often looking at those characteristics will allow people to, you know, change their underwriting models.

So, you know, in some cases it's about different income streams that they might be having. In some cases it might be about, you know, their -- their rental history or other histories where they've made good on their obligations, and it will help them get access and effect underwriting. So, we think hard about this.

At the same time, you know, unchecked use of data without transparency may have other consequences. And I know a lot of lenders are thinking carefully about that as well.

Rep. Nikema Williams (D-Ga.)

I have legislation including in this hearing that would task mortgage lenders with considering additional credit information at the request of the mortgage applicant. And to me, this is a win-win. A truly reflective mortgage application is valuable for both consumers and lenders. So, how could giving consumers the chance to point lenders toward additional information such as positive rental payments help lenders to understand the true credit worthiness of an applicant?

Rohit Chopra

Yeah. So, many lenders actually do invite that information because some people's credit histories may be fairly unique or they may have, you know, various nuances in their life. So, we're happy to discuss that further with you, if you -- if you'd like us to provide any technical feedback on it. I will tell you that the industry is definitely innovating and evolving about how it considers its underwriting process.

Obviously, market conditions are changing for many people. Homeownership is feeling out of reach because of high prices. And so, obviously how that intersects with the mortgage markets is extremely important.

Rep. Nikema Williams (D-Ga.)

Thank you. Another big part of ensuring mortgage applications reflect the applicant is making sure that their hard work, not just their hardship is reflected. And right now when a borrower goes through the hard work of rehabilitating a defaulted federal student loan, the default technically goes away. But a lot of the associated adverse information stays.

So, that's really not a true second chance. Along with Congresswoman Alma Adams, Deborah Ross, and Haley Stevens, I've introduced the Clean Slate Legislative Series. The three bills included will remove default related information once the student borrower rehabilitates, consolidates, or repays their defaulted federal student loan.

The affected borrowers have done the incredible work to repair a defaulted student loan. How would giving them a true second chance facilitate fairer outcomes in their future loan applications, including mortgages?

Rohit Chopra

Yeah. So, you're right, there is this rehabilitation program, I believe that Congress established in federal student loans. I don't know the status of it in other products, but I think there's a few pieces of this. It's not just what's in your credit report. There's also what's reflected in your credit score.

And so, when information is deleted, you know, we don't necessarily know if it impacts the credit score depending on which reports that scores are using. So, it's really challenging. I think this issue -- and again, we're happy to provide feedback to you as you think about, you know what you'd like to propose.

Rep. Nikema Williams (D-Ga.)

Thank you. Mr. Chairman, I yield back the balance of my time.

Rep. Sean Casten (D-Ill.)

Gentleman from Ohio, Mr. Davidson, is now recognized for five minutes.

Rep. Warren Davidson (R-Ohio)

Thank you, chairman. I thank our colleagues. And director, thank you for coming to testify before us today, one of the limited connections to Congress that the CFP still has. So, hopefully we're change that. The burden is on our body to do that, not you, but certainly you could cooperate a little more.

And I appreciate your exchange with Mr. Luetkemeyer and your offer to actually respond to some things that have been loose ends and many of us have been, you know, cosigners on some of these letters. So, thanks for the correspondence and the commitment to continue the dialog. One of the areas that I've focused on significantly because Congress hasn't provided legal clarity for digital assets.

So, that is a big void. And you know go back to the ICO market, you would think that in the midst of that, Congress would weigh in and provide some legal clarity and Congress still hasn't. So, we have had legislation since 2018 to make it clear that, you know, if you are in fact a security then you have to submit to US securities regulations.

And really if something is a security, we would want the SEC to be vigorous in their enforcement. There are many things that I think broadly people will look at and say that's a pump and dump scam and investors are being harmed. That's really the SEC's jurisdiction. They've been very selective about it. And I guess I'm just curious how you perceive consumer protection and the role that you see for CFB in digital assets?

Rohit Chopra

So, it's interesting. I think people talk about digital assets solely as blockchain based technologies and maybe that's the right definition from it. I think our focus has been a lot on digital payments. So, unfortunately, the US is quite behind China and others when it comes to fast instant real-time payments.

And so, there are laws that we -- Congress has asked that we administer, and we have actually seen an uptick in complaints and issues related to fraud and scams in this area. So, it's obviously something we worry about. We have -- we are studying how the big tech companies are entering the payments area. With respect to, you know, I think your question about digital assets, if I'm understanding it right, the Treasury Department and others, I believe they submitted a report about a payment's working group.

We were not part of that, but it does lay out, I think, some frameworks. And I know there's open discussion about bank intermediated versus other places for it. So obviously, certainly technology is changing payments. It's something I pay close attention to, but hopefully that's responsive.

Rep. Warren Davidson (R-Ohio)

Yeah, I mean somewhat. It doesn't sound like you have a very well-defined area that you plan to focus on. And look, you know, there's a need for it. And I guess the concern is that really Congress needs to provide the clarity here because, you know, people continue to have the debates. And I think the other thing is you've seen selective enforcement and of course we've seen that it's certainly been characteristic of the CFP in the past, hopefully never again.

And I think the -- the concern is when you take a dormant clause and say we're going to -- dormant authority and just come in and say, yeah, we're going to use that, and then you combine it with something that recently happened -- administrative law judges, you know. So, we've had legislation in the past that, you know, really seeks to curb this practice because -- and a lot of people feel that it's abusive and coercive because, you know, in the SEC's case, I think they win like 96 percent of the cases that they bring.

So, everyone just settles because the judge actually works for the SEC. So, there's not really a feeling that there's real due process there. And CFPB recently fought to try to get administrative law judges. And -- and so what's your view on -- on that and selective enforcement?

Rohit Chopra

Yeah. I actually wouldn't characterize it that way at all. I think that the changes that we've made, first of all, it actually gives more due process in my view to be able to get orders reviewed to be able to expedite through the process. It gives defendants more ability to take depositions. I still think overwhelmingly we're going to be filing cases in federal court.

I really dispute -- I don't agree that actually administrative form is -- is more friendly than federal court to either party.

Rep. Warren Davidson (R-Ohio)

Well, the -- the thing is the federal agency has the authority to automatically just go to an article three court, and so should the citizen or the corporation. They should have the same standing and say, you know what, we're opting out of this process and we're going to go to an article three court, not this administrative procedure's path.

So, you know, we'll have legislation that will deal with that and look forward to your interaction on digital assets in particular. Thanks for coming today. My time has expired, and I yield.

Rep. Sean Casten (D-Ill.)

The gentleman from Massachusetts. Mr. Auchincloss, who is also the vice chair of the full committee, is now recognized for five minutes.

Rep. Jake Auchincloss (D-Mass.)

Director Chopra, thank you for being with us. I know it's been a heavy two days of testimony for you. I want to talk more about the issues raised by my colleague from Massachusetts, Mr. Lynch and from New York, Mr. Torres. Following consumer complaints directly to the CFP, the agency issued an electronic fund transfer FAQ to explain the bureau's approach.

It's on your website. Are you looking at other ways to provide protections to consumers and victims of fraud and scams?

Rohit Chopra

Yeah. So, I would make sure it's clear that it's fraud scams, but also hacks. So, a lot of people are losing out based on various breaches or, you know, hacks. And it is something that we're getting a lot of complaints on. As you know, the Electronic Fund Transfer Act and Regulation E, you know, provide the architecture for how -- what is the responsibility of the financial institution when it comes to these issues.

So, we obviously are monitoring this. And I think the guidance you may be referring to may have predated me. But certainly, if we want people to have confidence in our payment system, especially peer-to-peer and real-time payments, we need to make sure that people have similar level of protections regardless if they swipe a debit card or if they're using these services.

Rep. Jake Auchincloss (D-Mass.)

And what steps should financial institutions and companies be taking if their consumers are repeatedly flagged as fraudsters through peer-to-peer payments? So, if they have evidence that there is repeated fraud, do they have specific steps outlined for them by the CFPB?

Rohit Chopra

So, that's not really a CFPB requirement as -- if I'm remembering it right. And I'm sorry if I'm forgetting something. There is certain requirements under -- it's sometimes referred to as know your customer.

Rep. Jake Auchincloss (D-Mass.)

Right.

Rohit Chopra

There's also some anti-money laundering provisions that are related to that. So, when it -- when entities -- I know that many entities that do see patterns of fraud, you know, they will, you know, take certain steps.

Obviously, you know, it's important that they look for these trends and we also look for these trends as well.

Rep. Jake Auchincloss (D-Mass.)

Shifting gears to DEFI. You had mentioned earlier in this hearing that you take in activities rather than an entity-based approach to regulation, which I think broadly seems like the right approach. There is going to be a challenge here with DEFI in that there may not be a -- any kind of incorporated body in which to actually target the regulations that are to redress grievances with.

And you don't have to comment now about your exact approach. I understand this is a nascent field. But I would encourage the CFPB and your -- your peers to be thinking about how you do activities-based regulation when those entities -- the corresponding entities don't exist.

Rohit Chopra

Well, you're certainly right about that. I would say this. It's not that -- it's not a philosophy of activities based versus entities based. It's actually what Congress has set out. So our supervisory authority is, you know, it sets its banks and other insured institutions over \$10 billion in assets.

And there's a whole framework for how we supervise non-banks. There's a whole grouping of activities that are delineated of what's subject to our enforcement authority. But I hear you loud and clear that in a -- in a world with emerge -- and in the DEFI context, there may not necessarily be an entity.

Rep. Jake Auchincloss (D-Mass.)

And let's not -- and I think I say this collectively as sort of the US government, Congress, and the administration alike, we should not be penalizing these DEFI brokers who are -- who are not doing anything nefarious because there's a lack of clarity about the entity versus the activity. I think we -- I think we need to be working with them rather than against them and not saying that the CFPB is not, but just as a statement of principle on this approach.

You had mentioned earlier in this hearing that you had a clarifying remark to an earlier comment. I want to give you time to make that quickly.

Rohit Chopra

Oh, sure. Yeah. I think there was, you know, Congressman Luetkemeyer had claimed that we did not provide a specific legal memo. My staff has confirmed that that was already produced, and I did not -- I thought that was true, but I can confirm that it was produced.

Rep. Jake Auchincloss (D-Mass.)

And I also want to give you some time to discuss your distribution process of the FDIC documents about a memo with legal analysis.

Rohit Chopra

Well, the FDIC staff drafted the RFI. We asked many times, what is the legal justification for one board member being able to essentially ignore a supermajority of the board who went through all the processes and precedent following statute and bylaws and essentially got an answer of well, because we say so. It's so important that agencies follow the statute and bylaws of their governance structure, and it is quite clear that the actions of the board were valid.

Rep. Sean Casten (D-Ill.)

Gentleman from Texas, Mr. Gooden, is now recognized for five minutes.

Rep. Lance Gooden (R-Texas)

Thank you, Mr. Chairman. Thank you, director, for being here. Earlier this year, President Biden called on the DOJ to resume a controversial Obama era policy that permits prosecutors to offer settlement agreements that result in defendants paying an outside group rather than a victim or the government.

Following the financial crisis, the Obama DOJ used this practice to enter into quid pro quo settlement agreements that allowed banks to turn fines into donations and in some cases to activist groups with a checkered record of benefiting

consumers. I introduced recently HR 5773, the Stop Settlement Slush Funds Act, to prohibit the administration and future administrations from extorting companies to fund their partisan agendas and put a stop to this corrupt practice.

I think it's bad no matter who's in charge. And I'd like your thoughts on that. And I realize I'm probably catching you off guard. So, while you compose those thoughts, I'll tell you specifically what I'm interested in. I'd like to know if you'll commit today to ensure any funds distributed out of this fund will go directly to victims and not unaccountable third-party organizations.

What safeguards do you intend to implement to ensure the Civil Penalty Fund is equitably distributed among all states that want to increase compensation to victims and not just states in control of various parties at the time? In control by -- you know what I'm saying here? Will You commit also to ensuring the bureau continues to utilize the federal procurement process for these programs and to continue to post information about the process and the contract requirements as civil penalty fund money becomes available for consumer education and financial literacy programs?

Rohit Chopra

You're catching me off guard, but I'm glad you raised it. We -- I have actually put a moratorium on expenditures from the civil penalty fund that are not going to victims. I think the most important part when you reach these resolutions is to make those victims whole. Many of them are victimized a very severe fraud.

So, it is true Congress has specified that there are two purposes. We're reviewing those processes. I think it is -- I think if I understand that procurement law, I believe that that has been the process that has been used. But I'm happy to follow up. In terms of your big picture policy question, I -- I will not do -- I have no interest in settlements that are not focused on, you know, redress and you know, forfeitures that are related to what the statute is saying.

I actually -- I think I -- I don't know if -- I don't know all the circumstances of the DOJ and what you're referring to. But on a principle's basis, I think you're on to something that when there is fines and penalties, you know, that should generally go to, you know, the taxpayers or to redress for victims.

Rep. Lance Gooden (R-Texas)

Thank you. What a pleasant answer. I appreciate that. Would love to follow up with you and visit more about it.

Rohit Chopra

Please.

Thank you. One more thing, big tech, I wanted to thank you for your work on that. Big tech companies have an incentive obviously to collect as much personal data on their users as possible.

Their business models are built around using consumer data for profits and this advantage of superior information is key to their success, as you know. There are countless examples of big tech exploiting data and behavioral biases to manipulate consumers' preferences. And I support your recent efforts to increase accountability.

And I appreciate you working with my office in our -- on our efforts -- our bipartisan efforts to rein in big tech.

Rohit Chopra

I actually really hope that as a committee we can work with you on this. I don't see -- I see this as potentially one of the biggest challenges we face. I think before you came in, I talked about, I really sincerely believe we are lurching toward a financial system that is not good for America and what we see in China.

And if we want to choose that, you all should choose that and do it with deep thought because I think we are much better off with a system that is not based on surveillance by a few firms, especially big tech firms. I think we need a decentralized system where small institutions who don't necessarily have an arsenal of data about each of us, they should be able to compete, too.

And I think this raises real questions about privacy, national security, and really a fair and competitive market. And we -- it's not just the big tech firms. There is big issues about when it comes to scooping up and surveilling us and what that data is being used for. And the accountability for the decisions around it.

Rep. Lance Gooden (R-Texas)

Thank you. I look forward to visiting with you more about that and working with you on this issue that I think has broad bipartisan support across our great nation. I yield back.

Rep. Sean Casten (D-Ill.)

The gentleman from New Jersey, Mr. Gottheimer, who is also the vice chair of the Subcommittee on National Security International Development and Monetary Policy is now recognized for five minutes.

Rep. Josh Gottheimer (D-N.J.)

Thank you, Mr. Chairman. And thank you, director. An ongoing concern of mine has been how government bureaucracy comes up with new rules that contradict other rules and layer on new ones without actually getting rid of old out-of-date rules. Year after year, these outdated rules pile up even when they're out of date, which is very tough for businesses and startups who must comply with all the outdated rules.

I introduced legislation that would create an independent bipartisan commission that would cut outdated and unnecessarily burdensome red tape and help streamline government so it moves faster and supports our small businesses and economic growth while continuing to protect families and consumers.

Director Chopra, do you think it's a good idea to have an independent bipartisan commission that modernizes our guardrails to help protect consumers from outdated, overly burdensome regulation?

Rohit Chopra

Well, I'm happy to look at the legislation with you. But in spirit, I have actually -- I'm in total agreement. We want to make sure that small players and startups are able to challenge the dominant incumbents the way our economy has prospered in so many sectors. Whether it's the life sciences, whether it's communications and financial services is when small entities can break in, can challenge the system, and to be able to make sure that we can have competition.

The rules should not be designed in order to only benefit the big players who have all of the legal resources to be able to use those rules and comply with those rules. So, competition and innovations -- oh, sorry.

Rep. Josh Gottheimer (D-N.J.)

No, no, no, I was going to say thank you, director. Additionally, I mean, I am concerned that some of the rules that build up, they just pile on to hurt all these businesses and they -- we end up just not looking -- a new administration comes in and we end up not looking at the old rules that are on the books.

We pile on new ones and then all these businesses have to comply and -- with things that are outdated and unnecessary. And as a result, that actually creates a huge burden on them. If I could just turn on to -- to discuss the consumer complaint database, I know a platform that the CFPB created to allow the public to file complaints against small businesses.

One area I'm particularly concerned about is how this database is managed. If you don't mind, can you please inform me about how you use this database to inform rulemaking and enforcement actions around small businesses and how you ensure the validity of these complaints protect small businesses from -- from unwarranted attacks, right?

What's -- what's the accountability measure that you have in place on the database?

Rohit Chopra

Yeah. So, thanks for the question. As I shared in my written testimony, we've actually moved our enforcement scrutiny away from small firms. I think that the most in need of attention is large firms engaged in market wide harm and repeat offenders. So, I have seen too many times federal agencies focus on these small players and strong arm them into settlements.

And I think it's inappropriate. Of course, if they are engaged in serious violations of law, we will work with others to figure out where to refer it. And if we need to do it ourselves, we will. But on the complaint database, as I understand, individual firms have the opportunity to respond not only to the consumer and there's certain fields. I'm happy to brief you more specifically on it, but --

Rep. Josh Gottheimer (D-N.J.)

-- I'd love to understand it because the way I've gone -- the way, director, it's been explained to me is literally anybody can post anything. And listen, obviously, if something is merited, there should be some accountability. We should -- it should be looked into. And then not just something that any random person or a competitor, which is what I worry about someone's competitor decides to throw up a complaint on a site and then suddenly it hurts the business.

And frankly, I don't care what size the business is. If it's not merited, it shouldn't -- we shouldn't allow people just to post things that hurt a business because they decide to do it for anti-competitive reasons, right, because they want to hurt another another competitive business. So, I just want to make sure there's accountability behind these complaints.

So you can't just throw them up and people see a name written a bunch of times and decide that that business of any size is not good because there was some complaint.

Rohit Chopra

So, as I understand, it is not like a bulletin board where you can just post whatever. There is a process of how it moves through from the -- the law enforcement side into what data is shared publicly. There is a dimension of it where companies have to enroll and there's a whole process around that. So again, we're happy to share more with your staff. But I -- I take it --

Rep. Josh Gottheimer (D-N.J.)

-- That'd be great.

Rohit Chopra

-- seriously, you know, what you're saying about making sure that small firms have the ability to, you know, compete and are not just kind of you know, pushed out by larger players and others who want to do them harm.

Rep. Josh Gottheimer (D-N.J.)

I appreciate that. Thank you so much. I yield back.

Rep. Sean Casten (D-Ill.)

Gentleman from Wisconsin, Mr. Steil, has ascended to the top of the dais and is now recognized for five minutes.

Rep. Bryan Steil (R-Wis.)

Thank you much, Mr. Chairman. Director, thank you for being here. It's been a long day of hearing and testimony. We got a small attendance left, but I think it's a big topic and I think the questioning you're getting from many members is warranted because the CFPB, unlike other independent agencies such as the SEC or FTC aren't dependent on congressional appropriations process.

So this is our one chance to ask you questions rather than an appropriations process. I think the way that CFPB was set up was foolish, but that's not for our discussion today. I'm going to dive into the announced changes that you made under the supervisory guidance related to discrimination on March 16th. The bureau announcement noted that customers can be harmed by discrimination regardless of whether or not it's intentional.

And so it sounds like a lot like disparate impact theory, the idea that different outcomes proves discrimination. And I reflect back on the bureau's analysis in particular of individuals, races based on the zip codes that they lived in. Whether or not ads have people of different races in an ad, whether or not -- and the Wall Street Journal even opined that you know, maybe -- whether or not people are clicking on different ads under different bases would be fall under disparate impact.

I think it's a very interesting area to explore. And so to my knowledge, the bureau's UDAAP, Unfair, Deceptive, and Abuse Act -- Abusive Acts and Practices authorities not been successfully stretched to include disparate impact claims previously. Yesterday in the Senate, when Senator Toomey asked you about the apparent inclusion of disparate impact in the new supervisory guidance, you said quote, that is not what's in the manual, end quote.

And so, I'd like you to, if you would, clarify, does the CFP intend to use your UDAAP authority to pursue disparate impact claims, yes or no?

Rohit Chopra

So just to be clear, disparate impact is not part of UDAAP. Disparate impact is what the courts have determined is part of certain very specific laws, including the Equal Credit Opportunity Act that we do enforce. And it is in the regulations we inherited from the fed. Unfairness, deception, and abusive are spelled out. And unfairness has three prongs. These prongs --

Rep. Bryan Steil (R-Wis.)

-- Understood. But will -- are you -- are you using it under the guidance of a disparate impact analysis and measure?

Rohit Chopra

What you do is you evaluate the practice based on the prongs. So for example, take fake accounts. There's not a specific prohibition that says you can't make fake accounts necessarily. But there's three elements of unfairness that Congress has enacted, and you evaluate each of them. So substantial injury, was it reasonably avoidable? What's the counter --

Rep. Bryan Steil (R-Wis.)

Cognizant of the time. Understand -- understanding the analysis, you -- your view is under UDAAP. You don't have authority to use a disparate impact analysis.

Rohit Chopra

So, you, again --

Rep. Bryan Steil (R-Wis.)

You said it's not in the statute.

Rohit Chopra

I'm struggling. I want to be responsive, but disparate impact theory is not part of UDAAP. So --and to be clear, this is not a new -- this is not a new thing.

Rep. Bryan Steil (R-Wis.)

So, then, you've answered my question. It's not under UDAAP and you -- is it fair to say you don't have -- you don't have authority then to stretch disparate impact into -- into UDAAP?

Rohit Chopra

That's a different legal doctrine. Unfairness has a different one. So to be clear, this is not also very new. There are multiple banking agencies that have described how discriminatory practices and in their exam manuals may also violate the prohibition on UDAAP. So, I think there was a sense this is new.

Rep. Bryan Steil (R-Wis.)

Well, I'm going to reclaim my time. I appreciate it. I think that that's helpful to give us a little bit of clarity as to where you're looking there. I just want to touch real quick, if I can, just on junk fees. Your term not a -- not a -- not a definition in law, you've noted it includes hidden backend fees.

I don't want hidden backend fees. Can you provide clarity as to what our hidden backend fees? These are highly regulated regulated entities. Are these disclosed a hidden backend fees? Are they nondisclosed hidden backend fees? Can you describe what you mean by hidden backend fees?

Rohit Chopra

So in some cases and we have seen this and we're getting and analyzing comments on it, there are fees that are not necessarily disclosed beforehand. And I think there's certainly issues with this when the consumer doesn't get --

Rep. Bryan Steil (R-Wis.)

So, it's fees. So you're specifically looking at fees that are not disclosed.

Rohit Chopra

Well, we're looking at all fees.

Rep. Bryan Steil (R-Wis.)

Highly regulated firms. But -- but that's what you mean by -- by hidden backend fees.

Rohit Chopra

Yeah.

Rep. Bryan Steil (R-Wis.)

But they're hidden. They're not disclosed.

Rohit Chopra

That's it. It is --

Rep. Bryan Steil (R-Wis.)

I'm going to reclaim my time because I want to ask you one final question that I'm concerned about in particular as it relates to student loans.

Have you or anyone in your senior staff been in discussion and consultations with the termination of loans with the Department of Education?

Rohit Chopra

Yeah. So, we share certain entities.

Rep. Bryan Steil (R-Wis.)

So yes. Have you been in discussions with any other third party outside groups as it relates to the termination of student loans?

Rohit Chopra

To the determination?

Rep. Bryan Steil (R-Wis.)

Termination.

Rohit Chopra

What do you mean by terminate?

Rep. Bryan Steil (R-Wis.)

The Biden administration's proposing to terminate student loans.

Rohit Chopra

Oh, I see, the cancelation. Oh, I have not been. I think we've been advocated before on it. I have not had conversations with the White House about that. But we do administer certain laws that overlap with the Department of Education.

Rep. Bryan Steil (R-Wis.)

Thank you. I yield back.

Rep. Sean Casten (D-Ill.)

Gentleman from South Carolina, Mr. Timmons, is now recognized for five minutes.

Rep. William Timmons (R-S.C.)

The famous, Mr. Chairman. As you're aware, political appointees throughout the executive branch must sign ethics pledges and certain financial disclosures. Here in Congress, staff making a certain salary must follow financial disclosures and comply with various ethics requirements. Do you agree that those requirements and disclosures are important to maintaining the public's trust in the government?

Rohit Chopra

I think I know all the ones you refer to. I fill them out, too. Yes.

Rep. William Timmons (R-S.C.)

Ethics requirements are great.

Rohit Chopra

Yeah.

Rep. William Timmons (R-S.C.)

On June 2021, President Biden signed an executive order on ethics commitments that every political appointee and every executive agency must sign and commit to.

The ethics pledge also has a revolving door ban that does not allow appointees to participate two years in matters involving specific parties that are directly or substantially related to their former employer. So, Biden went above and beyond the legal requirements. Do you think that's good?

Rohit Chopra

Yeah, I think that was the Trump pledge, too, which I signed.

Rep. William Timmons (R-S.C.)

I love it. All right. We're on the same page. Are you familiar with White House Fellows Program?

Rohit Chopra

White House?

Rep. William Timmons (R-S.C.)

White House Fellows program.

Rohit Chopra

I think so. Yes.

Rep. William Timmons (R-S.C.)

Generally speaking, it's the most prestigious fellowship in the federal government. There's 17 every year. It's a one-year term. Each of them work directly under one cabinet secretary, the VP or the president. Importantly, they're subject to all the ethics requirements.

Rep. William Timmons (R-S.C.)

They make \$134,000 a year. And just for reference, cabinet secretaries make 210, the President makes 400. That's the White House Fellows Program. Up until a couple hours ago, I thought it was the best Fellows program out there. But you actually also have a Fellows program. It allows the CFPB to bring on advisors to develop policy. That's from the website.

Rep. William Timmons (R-S.C.)

I have information that shows that you have 23 fellows. And almost all of them make more than \$214,000. Over half of them make 240. That's even more than you make as a CFP director at 180. So, not only do fellows make more than you, but they also make more than any cabinet secretary and you get 23 of them. But the cabinet secretaries, the president, VP, get one, who makes almost half as much.

So these incredibly well-compensated fellows because they're not technically political appointees don't have any of the ethics requirements, none of the disclosure requirements, none of the outside earned income requirements. Do I have that right?

Rohit Chopra

No. So the fellowship program that the White House that is not the same --

Rep. William Timmons (R-S.C.)

Separate the White House. This is just the CFPB Fellows program. Do your CFPB Fellows Program have to go through the same ethics requirements outside income requirements that political appointees do because the answer's no.

Rohit Chopra

I don't think so. But again, it's -- it's a hiring authority that --

Rep. William Timmons (R-S.C.)

You have 23 people making over \$200,000 that are not political appointees and they're also not fellows. Fellows, generally, are graduate school or just starting their career. Most of your fellows have decades of experience. I just have a problem with this because it seems like you're circumventing the political appointee requirement.

And the chair of this committee last Congress passed a bill that she brought in Director Kraninger. She lambasted her for having 10. You have eight political appointees and 23 fellows which make more than you do.

Rohit Chopra

Okay. So --

Rep. William Timmons (R-S.C.)

Is that a problem?

Rohit Chopra

Just to be clear, these are term hires as I understand.

Rep. William Timmons (R-S.C.)

So, two-year term up to four years. That's still four years. The administration's four years. What's the difference?

Rohit Chopra

No, I understand that. But they're not determined by the president or the White House.

Rep. William Timmons (R-S.C.)

I'm aware. I actually think you -- do you determine who the fellows are?

Rohit Chopra

No. They go through a competitive process. It was a posting.

Rep. William Timmons (R-S.C.)

Do you know the 23 people now?

Rohit Chopra

I -- I think I have met almost all of them. I spoke at --

Rep. William Timmons (R-S.C.)

Did you know any of them prior to becoming the CFPB director?

Rohit Chopra

I knew a few of them. I encouraged a lot of people to apply, but I was not --

Rep. William Timmons (R-S.C.)

How many of the 23 did you know prior to apply?

Rohit Chopra

I don't know. Maybe a handful.

Rep. William Timmons (R-S.C.)

Okay. But you did know a number of these people that became --

Rohit Chopra

Not a number. I think I know a handful.

Rep. William Timmons (R-S.C.)

Okay. There's 23 years. You would say half?

Rohit Chopra

Oh, no, less than half.

Rep. William Timmons (R-S.C.)

Okay. I mean, we got a list if you want to see it. But I mean you would say at least five or ten?

Rohit Chopra

I don't know the exact number. Some people come through -- some people come through different hiring authorities.

Rep. William Timmons (R-S.C.)

Do you think this is a problem? Do you think it's a problem that the chairwoman of this committee went nuts over Director Kraninger having 10 political appointees and you have 23?

Rohit Chopra

Well, these are not political appointees. They're all --

Rep. William Timmons (R-S.C.)

They're paid more than political appointees.

Rohit Chopra

Well, let me just be clear there. There are a number of authorities and in fact the CFPB and other agencies have hired on a non-competitive basis --

Rep. William Timmons (R-S.C.)

Do they have outsiders --

Rohit Chopra

-- that make big salaries that are permanent.

Rep. William Timmons (R-S.C.)

Do they have outside earned income bans? Do they have --

Rohit Chopra

I believe so.

Rep. William Timmons (R-S.C.)

-- financial disclosure?

Rohit Chopra

I think all -- I think all employees and there may even be requirements if they make above a certain amount, too.

Rep. William Timmons (R-S.C.)

Okay. So, I don't think that they do because they're fellows. I think this is a workaround. And I'm --

Rohit Chopra

No. I think they're all -- like every other employee.

Rep. William Timmons (R-S.C.)

So, I don't believe that's the case. I believe that they are --

Rohit Chopra

Okay. I will look into this and I'm happy to discuss this with you.

Rep. William Timmons (R-S.C.)

It seems that you have 23 people that are political appointees that have no financial disclosure requirements, that have no outside income requirements, that have no bans on their spouses lobbying them. So I mean, these are big problems.

Rohit Chopra

If that's -- if their --

Rep. William Timmons (R-S.C.)

And by the way, they're all --

Rohit Chopra

If their spouse is allowed to lobby or --

Rep. William Timmons (R-S.C.)

By the way, they're all from aggressively left leaning organizations, their employment history. I'll get you a list.

Rohit Chopra

This is not true. We have people from Wall Street. We have people from industry. I mean, I get --

Rep. William Timmons (R-S.C.)

Sixteen of the 23 come from far-left associations. We can get you their work history.

Rep. Sean Casten (D-Ill.)

Gentleman's time is expired.

Rep. William Timmons (R-S.C.)

I yield back.

Rep. Sean Casten (D-Ill.)

The gentleman from Texas, Mr. Sessions, is now recognized for five minutes. Mr. Sessions, you're now recognized.

Rep. Pete Sessions (R-Texas)

Thank you. Thank you very much, chairman. Director, I want to thank you for taking time to be here. I know that your time of taking all day to our questions takes its toll on you. And I really don't want to put you in any diminished position right now, especially since I cannot be downstairs, and I apologize.

Director, I want to, if I can, to follow up on some of the advice and information that you provide to the industry. The industry, as you know, views that your viewpoints are important to them because they want to know the direction that you not only think, but that the agency may be headed in. And in particular, there are two points your comments made about the CFPB's efforts to reinvent their remittance market that were made in the context of announcing a lawsuit that included no specific allegation of consumer harm.

And so there are questions with people who are really trying to give advice, get ahead, prepare themselves as an opportunity for understanding your context of overregulation versus or I guess the term reinvent.

Rohit Chopra

So, sir, just to make sure we're clear, when we filed that action, you said there was no allegations. We actually publicly posted the public version of the complaint that went through each count. That is the lawsuit that was filed in federal court. So I'm happy to -- we're happy to follow up with you on that.

I think as I recall, there is no question that monies -- payment systems are really being reinvented right now. There's a lot of new technologies that are coming online that are helping people transfer money in ways that we haven't seen before, including in a cross-border context. So you do see apps.

You do see other products that are allowing people to do things in ways that are quite different. So there is no question that there is a lot of change. I hope I'm answering your question right. But I do think that there is, you know, a lot of innovation happening. And I do think we are better off in a world where there are faster payments, more real-time settlement, but also that consumers can be protected in the process.

Rep. Pete Sessions (R-Texas)

I think it's a question if I were to go a little bit deeper that you're suggesting, Mr. Director, the term reinvent, does that mean something new or different the way you look at things? And would consideration of advice be given ahead of time before action's taken?

Rohit Chopra

Yeah. And I think -- by the way, I think when I said reinvent, it's the market that's reinventing it. How people are moving money even just ten years ago is totally different than how people are moving money today. There is even some data to suggest that there is more, you know, peer-to-peer that some financial institutions are experiencing than even what they're clearing in checks. So I think that was meant to say what the market is doing, if I -- if I'm recalling it correctly.

Rep. Pete Sessions (R-Texas)

Okay. Well, in fact, Mr. Director, that is very helpful that you are talking about the marketplace, not the way you view the marketplace and oversight activities. And that is very helpful. And I will go back and re-look at what I believe and send you a letter because I believe now that you put it in the context.

The second question that I would have is from a source that would be the financial health network of March the 24th. And I will be glad, sir, to send you these discussions in writing so that -- because it's hard when someone comes at you with something from a month ago, but essentially, it's the buy now pay later loans.

And the discussion about them that data shows overwhelming majority of users understand the terms and successfully using the product. And perhaps, if I can gain your insight about how you look at -- once again, going back to the word reinvent, you take it that it's the marketplace as opposed to your oversight. Now with your oversight, the buy now pay later, would you mind discussing your context of that?

Rohit Chopra

I'm out of time and I'm being -- but I'm happy to answer for the record and to discuss with you further. But I also gave a response on this to some of your colleagues.

Rep. Pete Sessions (R-Texas)

Thank you very much. I'm done, Mr. Chairman.

Rep. Sean Casten (D-Ill.)

I'd like to thank Director Chopra for his testimony today. Without objection, all members will have five legislative days within which to submit additional written questions for the director to the chair, which will be forwarded for his response. I ask our witness to please respond as promptly as you are able.

Without objection, all members will have five legislative days within which to submit extraneous materials to the chair for inclusion in the record. This hearing is adjourned.

[END]