

HOUSE FINANCIAL SERVICES COMMITTEE CONVENES HEARING TO CONDUCT OVERSIGHT OF THE CFPB

EXECUTIVE SUMMARY

On June 13, the House Financial Services Committee held a [hearing](#) to conduct oversight of the Consumer Financial Protection Bureau (CFPB). During the hearing, Republicans were highly critical of the CFPB's [proposal](#) to remove medical debt from consumer credit reports, arguing that it would inhibit the ability of lenders to assess prospective borrowers. Conversely, Democrats and **CFPB Director Rohit Chopra** defended the proposal. There was a similar partisan split over the agency's Section 1033 Personal Financial Data Rights [proposal](#) — which seeks to encourage open banking — as some Republicans raised concerns that the proposed rule could negatively impact competition. Data privacy and security was a significant point of discussion throughout the hearing, with some lawmakers asking questions regarding the CFPB's forthcoming Fair Credit Reporting Act proposal, which Director Chopra described as seeking to address the transfer of sensitive financial information by data brokers. Additionally, both Republicans and Democrats expressed their concerns regarding mortgage application “trigger leads.”

GOP lawmakers were critical of the CFPB's activities related to “junk fees” — especially the credit card late fees [rule](#) — whereas Democrats supported the agency's regulatory efforts. Additionally, a few Democrats called on the CFPB to continue its work to address what they viewed as deceptive marketing practices in the remittances industry. Republicans also voiced their disagreement with the CFPB's Section 1071 small business lending data collection [rule](#). Finally, Committee Republicans criticized the CFPB's [interpretive rule](#) on Buy Now, Pay Later (BNPL) products. Other less significant points of discussion included the CFPB's [larger participants rule](#) for digital consumer payment applications, the regulation of insurance, manufactured synthetic identities, and the consideration of immigration status in loan determinations.

OPENING STATEMENTS

Chair Patrick McHenry (R-NC) noted that the Supreme Court upheld the CFPB's funding mechanism, though he advocated for passing legislation to put the CFPB on the congressional appropriations cycle to increase accountability and transparency. He criticized the agency's efforts against junk fees as “politically motivated.”

Ranking Member Maxine Waters (R-CA) applauded the Supreme Court's decision to preserve the CFPB's independent funding mechanism. The Ranking Member was supportive of the agency's efforts to address junk fees, redlining and discrimination in housing, and consumer harms perpetrated by

banks. Specifically, Ranking Member Waters touted the CFPB's proposal to remove medical debt from credit reports, as well as the agency's final rule to lower credit card late fees.

Rep. Andy Barr (R-KY) emphasized his criticisms of the CFPB, opining that the agency's regulatory and enforcement activities create market uncertainty.

Rep. Bill Foster (D-IL) also supported the Supreme Court's decision regarding the CFPB's funding mechanism. He applauded the Bureau's activities to protect consumers.

WITNESS TESTIMONY

CFPB Director Rohit Chopra ([testimony](#)) noted the agency's initiatives on credit card late fees, medical debt, and artificial intelligence (AI). He stressed the importance of the Committee and the CFPB collaborating to ensure data and financial privacy protections for consumers. Specifically, Director Chopra touted the Personal Financial Data Rights proposal to encourage open banking, which he said will be finalized in the Fall. He also indicated that the CFPB plans to propose a rule under the Fair Credit Reporting Act to restrict uses of certain sensitive data by data brokers. Lastly, Director Chopra discussed the importance of addressing concerns regarding mortgage "trigger leads" and the privacy of payment transactions data.

DISCUSSION AND QUESTIONS

Medical Debt Proposal & Medical Credit Cards

- Ranking Member Waters inquired about the CFPB's medical debt proposal. Director Chopra contended that existing regulations sometimes allow "unverified" medical bills to impact consumer credit reports, a practice that he believed is unaligned with federal statutes and does not offer predictive power with respect to financial behaviors.
- **Rep. John Rose (R-TN)** was concerned that the medical debt proposal includes elective procedures. However, Director Chopra clarified that elective procedures refers to medically necessary but scheduled procedures. He added that non-medically necessary cosmetic surgeries often do not accept insurance and are paid upfront.
- **Rep. French Hill (R-AR)** panned the timing of the CFPB's medical debt proposal as being politically motivated.
- **Rep. Mike Lawler (R-NY)** did not support the CFPB's medical debt proposal, arguing that it would make it more difficult for lenders to collect medical debt and prevent lenders from getting a clear picture of a consumer's credit history. Director Chopra disagreed, adding that there have been complaints of lenders seeking to coerce consumers that have already paid off their medical debt. Further, Director Chopra maintained that medical debt is not necessarily predictive of performance on other loans.
- **Rep. Ritchie Torres (D-NY)** stressed his support for the agency's medical debt proposal.
- **Rep. Rashida Tlaib (D-MI)** touted the medical debt proposal. In response, Director Chopra continued to argue that medical debt is not necessarily predictive of performance on other loans.

- Rep. Tlaib was critical of medical credit cards, and she encouraged Congress to examine the financial product.
- **Rep. Blaine Luetkemeyer (R-MO)** defended using credit cards for medical payments, and he was concerned that the CFPB is seeking to restrict such products. Director Chopra remarked that medical credit cards have been a significant source of consumer complaints, though he stated that the CFPB has not yet taken any specific actions.

Open Banking Rule

- Chair McHenry opined that the CFPB's Personal Financial Data Rights proposal would further entrench incumbent firms. In response, Director Chopra explained that the proposed regulations would help to ensure the legitimacy of secondary uses of data — such as product optimizations — to address data-related “bait-and-switch” tactics. Director Chopra added that the agency's goal is to finalize the rulemaking in October.
- **Rep. Gregory Meeks (D-NY)** supported the Personal Financial Data Rights proposal, though he was concerned that certain limitations within the rule could advantage larger financial institutions that have already stored a wealth of consumer data over the course of years. Director Chopra argued that the proposal's aim is to address this issue since it would allow consumers to transfer data from large incumbent banks to small firms.
- **Rep. Joyce Beatty (D-OH)** commended the CFPB for proposing its Personal Financial Data Rights rule.
- **Rep. Mike Flood (R-NE)** claimed that the Personal Financial Data Rights proposal could prevent firms from developing tools to detect and prevent fraud. Director Chopra committed to ensuring that the final rule does not inhibit fraud detection and prevention efforts.

Fair Credit Reporting Act Proposal

- When prompted by Chair McHenry, Director Chopra explained that some types of data brokers may not be in compliance with the Fair Credit Reporting Act regarding restrictions on the sale of U.S. consumers' data to foreign adversaries. Chair McHenry seemed supportive of the CFPB's work to enforce and maintain consumer financial privacy laws.
- Rep. Meeks noted the CFPB's work to issue a proposed rule under the Fair Credit Reporting Act to address identity theft, and he asked the agency to ensure that the rule will not make it more difficult for banks to use state-of-the-art tools to combat identity fraud and comply with anti-money laundering (AML) rules. Director Chopra answered affirmatively, though he noted that the CFPB is still developing the proposal.
- Rep. Meeks asked how the CFPB plans to tailor the Fair Credit Reporting Act proposal to distinguish between companies that only collect consumer data and companies that sell data. In response, Director Chopra encouraged Congress to update the statute so that it is current with new technologies and industry practices.
- Regarding the CFPB's potential Fair Credit Reporting Act proposal on data brokers, identity verification, and know your customer (KYC) requirements, **Rep. Scott Fitzgerald (R-WI)** asked whether the CFPB is exploring “use-related” exemptions if financial institutions are using consumer data to comply with Bank Secrecy Act (BSA) rules. Director Chopra answered in the affirmative.

- **Rep. Andrew Garbarino (R-NY)** criticized the CFPB’s definition of data brokers as being overly broad, and he asked whether the agency is considering any limitations or exemptions. Director Chopra said yes, adding that the CFPB is examining how data brokers engage in aggregating financial data in a similar manner to the consumer reporting industry in order to inform development of the proposal.

Other Data Privacy & Security Issues

- Chair McHenry touted his Data Privacy Act ([H.R.1165](#)) to update financial privacy protections under the Gramm-Leach-Bliley Act (GLBA). In response, Director Chopra argued that the notice and consent regime is ineffective, and he encouraged Congress to consider “common sense” permissible purposes or restrictions regarding how financial data is shared, reused, or monetized.
- Rep. Luetkemeyer raised concerns about the Financial Crimes Enforcement Network’s (FinCEN) beneficial ownership information reporting (BOI) requirements, contending that more data points are being required than was originally intended.
- **Reps. Bryan Steil (R-WI), Dan Meuser (R-PA), and Warren Davidson (R-OH)** criticized the CFPB’s [auto finance data pilot](#), which he believed would impose compliance costs and threaten the privacy of borrowers. Director Chopra defended the pilot, countering that it is largely intended to increase transparency in the industry.
- Rep. Davidson promoted his Fourth Amendment Is Not For Sale Act ([H.R.4639](#)) — which would expand prohibited disclosures of stored electronic communications — and his forthcoming Payment Privacy Act, which he described as being complementary to the CFPB’s Personal Financial Data Rights proposal. Director Chopra expressed support for the concept of the Payment Privacy Act, stressing his concerns about lack of privacy regarding payment transactions.
- When **Rep. Pete Sessions (R-TX)** asked Director Chopra to opine on the increasing prevalence of cybersecurity attacks, Director Chopra described the Equifax data breach as a “wake up call” because the hack was used not just to defraud consumers — but also as a tool of statecraft.
- Rep. Sessions asked Director Chopra to recommend legislative changes with respect to data security. Director Chopra recommended additional limitations on what companies can monetize, which he believed would help to increase data security by decreasing the amount of data that is vulnerable to breaches.

Mortgage Trigger Leads & CRA

- In response to a question from Chair McHenry, Director Chopra argued that mortgage application trigger leads are both a data privacy and fairness issue.
- When asked by Rep. Rose about mortgage trigger leads, Director Chopra indicated that this is a major issue being brought to the CFPB by mortgage lenders.
- Rep. Rose touted his bipartisan Homebuyers Privacy Protection Act ([H.R.7297](#)) to limit the sale of mortgage trigger leads to financial institutions that have a preexisting relationship with customers.

- Rep. Torres echoed Director Chopra’s concerns regarding mortgage trigger leads, and he asked whether Director Chopra would support legislation to address this practice. Director Chopra said yes, expressing skepticism of claims that trigger leads have increased competition.
- **Rep. Emanuel Cleaver (D-MO)** advocated for requirements similar to the Community Reinvestment Act (CRA) to be enacted for certain nonbank entities and credit unions. Director Chopra agreed with Rep. Cleaver, noting that the majority of mortgage origination now occurs outside of the banking sector.

Credit Card Late Fees & Junk Fees

- Ranking Member Waters raised concerns regarding late fees and junk fees, and she asked Director Chopra to discuss the agency’s efforts in this respect. Director Chopra stated that the CFPB is working to enforce existing laws that, he argued, require upfront and transparent fees in credit cards and other financial products. He encouraged additional congressional action to address junk fees.
- Rep. Barr contended that the CFPB’s credit card late fees rule will inhibit the ability of financial institutions to invest in efforts to detect and combat fraud. Director Chopra disagreed with Rep. Barr’s assessment.
- When prompted by **Rep. Nydia Velázquez (D-NY)**, Director Chopra confirmed that the credit card late fees rule exempts financial institutions with less than \$10 billion in total assets.
- **Rep. Brad Sherman (D-CA)** applauded the CFPB’s credit card late fees rule.
- **Rep. Ann Wagner (R-MO)** was worried the credit card late fees rule would make it hard for lenders to engage in risk-based pricing. Director Chopra disagreed, stating that banks have other means to engage in risk-based pricing, such as by increasing interest rates.
- When **Rep. Juan Vargas (D-CA)** raised concerns about hidden fees in remittances services. Director Chopra agreed, pointing to what he viewed as marketing that falsely advertises services as being free and exchange rate manipulation.
- **Rep. Sylvia Garcia (D-TX)** asked Director Chopra to describe the CFPB’s [guidance](#) on deceptive marketing practices in the remittances industry. Director Chopra responded by emphasizing the importance of providing transparency regarding the speed or cost of sending a remittance transfer.
- **Rep. Sean Casten (D-IL)** asked whether the CFPB is monitoring brokerage firms entering the credit card space. Director Chopra said yes and emphasized that these firms are not exempt from federal consumer protection laws, and he added that firms need to be more transparent about whether accounts are Federal Deposit Insurance Corporation (FDIC) insured.
- **Rep. Roger Williams (R-TX)** maintained the importance of bank overdraft fees and disapproved of the CFPB’s [proposal](#) to close a “loophole” that exempts overdraft lending services from certain consumer protections.
- **Rep. Ayanna Pressley (D-MA)** contended that university-sponsored banking products often come with higher fees that can harm students, and she asked how the CFPB is working to ensure that universities are meeting credit card disclosure requirements. Director Chopra said that the CFPB is working with the Department of Education to examine the relationship between colleges and banks.

- Rep. Luetkemeyer asked Director Chopra whether the CFPB has considered late fees charged by government services. Director Chopra answered in the affirmative, encouraging a comprehensive review of government late fees.

Small Business Lending

- Rep. Velázquez touted the CFPB’s Section 1071 small business lending rule, arguing that it provides needed transparency into consumer and small business credit access. Director Chopra described how the CFPB has considered the circumstances of small businesses in its rulemakings and enforcement activities, such as through exemptions and delayed compliance.
- Rep. Velázquez remarked on the importance of additional disclosure requirements for small businesses financing, and she was concerned about the “patchwork” of state disclosure laws. Director Chopra echoed Rep. Velázquez’s concern, emphasizing the importance of standardization and comparability regarding consumer credit and small business loans.
- Rep. Williams argued that the Section 1071 small business lending rule will generate confusion for small businesses.
- **Rep. Monica De La Cruz (R-TX)** cited concerns that the Section 1071 small business lending rule will harm small businesses. However, Director Chopra countered that the CFPB ultimately exempted many institutions from the rule to alleviate such concerns.
- **Rep. Zach Nunn (R-IA)** criticized the Section 1071 small business lending rule, arguing that it unreasonably increases compliance costs and poses data security risks.

BNPL & Payments

- **Rep. Young Kim (R-CA)** criticized the CFPB’s interpretive rule confirming that BNPL lenders must comply with certain rules for credit card providers, asserting that the rule should have gone through the full Administrative Procedures Act (APA) process.
- When questioned by **Rep. Byron Donalds (R-FL)** about the applicability of credit card regulations for BNPL products, Director Chopra explained that only certain regulations are being applied to BNPL products based on language in the Truth in Lending Act.
- Rep. Davidson noted that the CFPB’s larger participants rule for digital consumer payment applications would cover digital wallets. Director Chopra stated that the rule was proposed in response to large tech companies entering consumer payments, where the CFPB already has enforcement jurisdiction.

Repeat Offenders Registry

- Ranking Member Waters expressed support for the CFPB’s recently finalized rule to establish a registry and public database for repeat nonbank offenders.
- **Rep. David Scott (D-GA)** highlighted the final rule to create a registry for repeat offenders, arguing that it will help to protect consumers.
- Rep. Williams did not support the establishment of a registry for repeat nonbanks offenders, claiming that it is outside of the CFPB’s authority.

Servicemembers & Domestic Violence Victims

- In response to a question from **Rep. Josh Gottheimer (D-NJ)** regarding coercive debt faced by victims of abuse and domestic violence, Director Chopra noted that the CFPB has completed a Fair Credit Reporting Act rulemaking to protect survivors of human trafficking from coercive debt.
- **Rep. Al Green (D-GA)** warned that eliminating the CFPB could harm servicemembers, in response to which Director Chopra described the role that the CFPB plays in enforcing special financial protections for servicemembers.
- **Rep. Steven Horsford (D-NV)** highlighted the importance of financial protections provided to servicemembers that are enforced by the CFPB.

Other

- When Rep. Luetkemeyer asked whether Director Chopra agrees that the CFPB cannot regulate the insurance industry, the Director answered yes. Rep. Luetkemeyer then asked why the agency has issued a request for information (RFI) on title insurance fees. In response, Director Chopra explained that the CFPB oversees some narrow aspects of insurance, especially in housing.
- Rep. Sherman was concerned about the negative impact of manufactured identities on the U.S. automotive industry. Director Chopra responded by encouraging regulators and the industry to work with Congress to establish new methods of identity verification to combat the manufacturing of synthetic identities.
- **Rep. Bill Huizenga (R-MI)** was concerned about duplicative and AI-generated complaints being submitted to the CFPB.
- **Rep. Barry Loudermilk (R-GA)** was concerned that guidance issued by the CFPB would prohibit banks from considering immigration status in loan determinations. Director Chopra affirmed that banks can in fact consider immigration status in loan determinations.
- When prompted by Rep. Horsford, Director Chopra discussed a recent settlement that the CFPB reached to address fraud in the credit repair service industry.
- **Rep. William Timmons (R-SC)** was generally critical of the CFPB, and he pushed for passage of the CFPB Transparency and Accountability Reform Act ([H.R.2798](#)) to bring the agency within the congressional appropriations process.