Research, Markets & the CFPB

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RESEARCH, MARKETS & THE CFPB

The Mission

Where We Are

Role of Research
CFPB HAS A BROAD MISSION…

Dodd-Frank’s Mission for the CFPB

• Rulemaking and enforcement of federal consumer financial laws
• Restriction of unfair, deceptive, or abusive acts or practices
• Consumer response
• Financial education
• Consumer market research
• Market monitoring
...BUT CONSTRAINTS AS WELL

Dodd-Frank’s Limitations on CFPB Authority

• Substantive Limits (e.g. usury caps)
• Process requirements, e.g.
  – Notice and comment
  – Small business panels
• Excluded markets, e.g.
  – Insurance products
  – Mutual funds
• Carve-outs, e.g.
  – Smaller bank primary supervision
  – Auto dealers
WE ARE FOCUSED ON IMPLEMENTATION

234

Days until Transfer Date
July 21, 2011
WE WILL BUILD A WORLD-CLASS RESEARCH FUNCTION

Dodd-Frank’s Vision for Research Unit

Research, analyze, and report on:
• Market developments
• Access to fair and affordable consumer credit
• Consumer awareness
• Consumer behavior
• Consumer response
• Experiences of traditionally underserved consumers
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HOW IS THIS DIFFERENT?
RESEARCH SHOULD TOUCH EVERYTHING WE DO

- Consumer Response Center
- Supervision
- Policy-Making
- Enforcement

HIGH IMPACT RESEARCH
HIGH-IMPACT RESEARCH CAN SPOT TRENDS EARLY

No Money Down
Percent of mortgage originations

Reduced Documentation
Percent of mortgage originations

Interest Only & Option-ARMs
Percent of mortgage originations

Source: Cambridge Winter Center for Financial Institutions Policy, citing Deutsche Bank; Credit Suisse; LoanPerformance.
HIGH-IMPACT RESEARCH CAN SPOT TRENDS EARLY

Interest Only & Option-ARMs
Percent of mortgage originations

RESEARCH MUST BE GROUNDED IN THE MARKET

Option Adjustable-Rate Mortgages with Balances Larger than at Origination

RESEARCH MUST BE GROUNDED IN THE MARKET... AND INDEPENDENT

“Much of the tenor of the Guidance is that non-traditional mortgage products are inherently riskier than other products. We believe that is incorrect; rather, they simply present different types of risks that may be well-managed by prudent lenders.”

- Major trade association, March 2006


1 Excerpt from a Comment Letter on Non-Traditional Mortgage Guidance (March 29, 2006).
BUILDING MARKET-FACING, INDEPENDENT RESEARCH CAPABILITY

Goals:

- Pragmatic
- Integrated
- Timely
- Specialized
- Accountable