

Consumer Response Annual Report

January 1 – December 31, 2013

Message from Richard Cordray

Director of the CFPB

The Consumer Financial Protection Bureau (CFPB or the Bureau) began consumer response

Through our public Consumer Complaint Database, launched by Consumer Response in June 2012, others can learn from consumers' complaints too. By making anonymized complaint data publicly available, we hope to improve the transparency and efficiency of this essential consumer market. The database, available on our website, is already being used by consumers, advocacy groups, businesses, policy makers, and journalists as a resource for spotting trends in the marketplace that they then share with the public.

Through these various approaches, we are putting the voices of consumers at the center of the Bureau's work. Many companies are adapting to th

1. Introduction

The CFPB is the first federal agency solely focused on consumer financial protection.¹ Collecting, investigating, and responding to consumer complaints² are integral parts of the CFPB's work.³ The Bureau's Office of Consumer Response hears directly from consumers about the challenges they face in the marketplace, brings their concerns to the attention of companies, and assists in addressing their complaints.

When the Bureau opened its doors on July 21, 2011, it began consumer response operations on the same day, accepting consumer complaints about credit cards. Since then, the Bureau has expanded its complaint handling to include complaints about: mortgages, bank accounts and services, private student loans, vehicle and other consumer loans, credit reporting, money transfers, debt collection, and payday loans.

¹ The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, Pub. L. No. 111-203 ("Dodd-Frank Act") created the CFPB to protect consumers of financial products or services and to encourage the fair and competitive operation of consumer financial markets.

² Consumer complaints are submissions that express dissatisfaction with, or communicate suspicion of wrongful conduct by, an identifiable entity related to a consumer's personal experience with a financial product or service.

³ See Dodd-Frank Act, Pub. L. No. 111-203, Section 1021(c)(2).

The CFPB continues to work toward expanding its complaint handling to include other products and services under its authority, such as prepaid cards. Consumers may also contact the CFPB about other products and services. The Bureau refers consumers to other regulators or additional resources as appropriate.

The CFPB's phased-in approach to taking complaints has allowed Consumer Response to develop strong foundations over time. Based on

FIGURE 1: COMPLAINTS OVER TIME

Information about consumer complaints is available to the public, through the CFPB's public [Consumer Complaint Database](#), launched on June 19, 2012.⁴ Initially populated with credit card complaints received on and after June 1, 2012, the database has been expanded over time:

- x October 2012: added credit card complaints dating back to December 1, 2011;
- x March 2013: added mortgage complaints dating back to December 1, 2011; bank account and service complaints, private student loan complaints, and other consumer loan complaints, all dating back to March 1, 2012;
- x May 2013: added credit reporting complaints dating back to October 22, 2012 and

In the summer of 2012, the CFPB asked for public comment about adding complaints about other consumer financial products and services under its authority to the Consumer Complaint Database and received a wide range of comments from interested stakeholders.⁶

The CFPB continues to evaluate, among other things, the release of consumer narratives, the potential for normalization of the data to make comparisons easier, and the expansion of functionality to improve user experience.

The CFPB also has a “Tell Your Story” feature on its website that gives consumers the opportunity to share their experiences – positive or negative – with consumer financial products and services. These submissions, like formal complaints, are reviewed by CFPB staff to help the Bureau understand current issues in the financial marketplace.

In keeping with the CFPB’s statutory responsibility and its commitment to accountability, this report provides an overview of how Consumer Response handles complaints and presents an analysis of complaints received over the peri

2. How the CFPB handles complaints

Consumer Response receives complaints and inquiries directly from consumers. The CFPB accepts complaints through its website and by telephone, mail, email, fax, and referral. Consumers submit complaints on the Bureau's website using complaint forms tailored to specific products, and can also log on to a secure consumer portal to check the status of a complaint and review a company's response. While on the website, consumers can chaslte

determines what action to take in response. The company reports back to the consumer and the CFPB via the secure “company portal.” The Bureau then invites the consumer to review the response and provide feedback. Consumer Response reviews the feedback consumers provide about company responses, using this information along with other information such as the timeliness of the company’s response,⁹ for example, to help prioritize complaints for investigation. Consumers who have submitted complaints with the Bureau can log onto the secure “consumer portal” available on the CFPB’s website or call a toll-free number to receive status updates, provide additional information, and review responses provided to the consumer by the company.

Throughout this process, subject-matter experts help monitor certain complaints. For example, the Office of Servicemember Affairs coordinates on complaints submitted by servicemembers or their spouses and dependents.

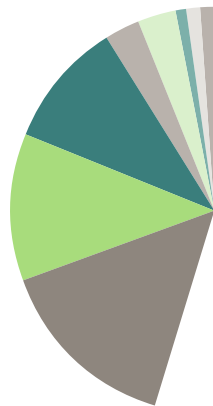
⁹ The CFPB requests that companies respond to complaints within 15 calendar days. If a complaint cannot be closed within 15 calendar days, a company may indicate that its work on the complaint is “In progress” and provide a final response within 60 calendar days.

3. Results

3.1 Complaints handled in 2013

Between January 1, 2013 and December 31, 2013, the CFPB received approximately 163,700 consumer complaints.¹⁰

FIGURE 2: CONSUMER COMPLAINTS BY PRODUCT¹¹



¹⁰ This analysis excludes multiple complaints submitted by a given consumer on the same issue and whistleblower tips. All data are current as of January 1, 2014.

¹¹ Percentages may not sum to 100 percent due to rounding.

FIGURE 4: TYPES OF MORTGAGE COMPLAINTS REPORTED BY CONSUMERS

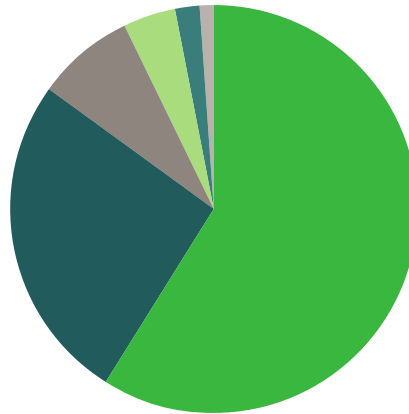


TABLE 1: TYPES OF MORTGAGE COMPLAINTS

Types of mortgage complaints	%
Problems when you are unable to pay (Loan modification, collection, foreclosure)	59%
Making payments (Loan servicing, payments, escrow accounts)	26%
Applying for the loan (Application, originator, mortgage broker)	8%
Signing the agreement (Settlement process and costs)	4%
Receiving a credit offer (Credit decision/Underwriting)	2%
Other	1%
Total Mortgage Complaints	100%

The most common type of mortgage complaint involves problems consumers face when they are unable to make payments, such as issues relating to loan modifications, collections, or foreclosures. Consumers with successfully completed loan modifications have complained that some servicers do not amend derogatory credit reporting accrued by consumers during trial periods – even when documents provided to the consumers by servicers indicated that they

would do so. Consumers seeking short sales have reported that second-lien holders refuse to accept or subordinate in a short sale, whereas some consumers who do obtain a short sale have concerns with the loan account being incorrectly reported as a foreclosure. Consumers facing foreclosure have expressed concern and confusion about fees assessed in connection with the foreclosure process. The fees often seem to represent a substantial barrier to a consumer's ability to reinstate the loan and avoid foreclosure, as many servicers will not roll the fees into the loan balance. Consumers are then required to pay hundreds or thousands of dollars, in addition to the loan reinstatement amount, to avoid foreclosure, and the amount of fees the consumer must pay to reinstate the loan can be confusing. Finally, foreclosure fees are sometimes listed as one line-item on a reinstatement quote, with no itemization provided unless the consumer specifically requests more information on what fees are being assessed.

Other common types of mortgage complaints address issues related to making payments, including loan servicing, payments, or escrow accounts. For example, consumers express concern over difficulties they experience when the servicing of their loans is transferred, including complaints about fees charged by the prior servicer, unexplained escrow deficiencies, issues with the new servicer accepting the previous servicer's modification, and communication between the old and new servicer, especially when loss mitigation efforts are ongoing. For consumers applying for a mortgage loan, consumers raise issues related to interest rate-lock agreements, such as lenders refusing to honor rate-locks, or assessing penalties when the loan does not close.

3.3 Consumers' debt collection complaints

Figures 5 and 6 show the types of debt collection complaints reported by consumers for the approximately 31,100 debt collection complaints the CFPB has received.

FIGURE 5: TYPES OF DEBT COMPLAINED ABOUT BY CONSUMERS

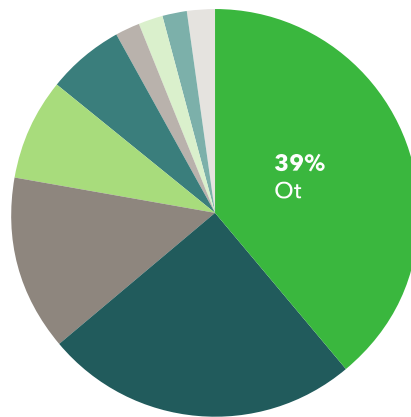


FIGURE 6: TYPES OF DEBT COLLECTION COMPLAINTS REPORTED BY CONSUMERS

TABLE 2: TYPES OF DEBT COLLECTION COMPLAINTS

Types of debt collection complaints	%
Continued attempts to collect debt not owed (Debt was discharged in bankruptcy, debt resulted from identity theft, debt was paid, debt is not mine)	33%
Communication tactics (Frequent or repeated calls, called outside of 8am-9pm, used obscene, profane or other abusive language, threatened to take legal action, called after sent written cease of communication notice)	22%
Taking/threatening an illegal action (Threatened to arrest me or take me to jail if I do not pay, threatened to sue me on debt that is too old to be sued on, sued me without properly notifying me of lawsuit, sued me where I did not live or did not sign for the debt, attempted to/collected exempt funds, seized or attempted to seize property)	14%
Disclosure verification of debt (Did not receive notice of right to dispute, not enough information to verify debt, did not disclose communication was an attempt to collect a debt)	13%
False statements or representation (Attempted to collect wrong amount, impersonated attorney, law enforcement or government official, indicated committing crime by not paying debt, indicated should not respond to lawsuit)	9%
Improper contact or sharing of information (Contacted me after I asked not to, contacted my employer, contacted me instead of my attorney, talked to a third party about my debt)	7%
Other	2%
Total Debt Collection Complaints	100%

As the table illustrates, the most common type of debt collection complaint is about continued attempts to collect a debt that is not owed. In many of these cases the attempt to collect the debt is not itself the problem; rather, consumers argue that the calculation of the underlying debt is inaccurate or unfair. In other cases, the consumer's complaint centers on the credit reporting of the debt. These complaints, which are often mirrored by credit reporting complaints submitted to the Bureau, indicate that consumers frequently only learn about debt collection accounts when they check their credit reports.

Another common type of complaint, related to consumers' questions about the underlying debt, involves verification of the debt. In these complaints, consumers ask the debt collection company to provide them with validation or verification of the underlying debt. Consumers are generally seeking documentation that they were the ones who signed the contract underlying the debt in question. Consumers, however, report that collectors do not provide them with the

3.4 Consumers' credit reporting complaints¹³

Figure 7 shows the types of credit reporting complaints, as reported by consumers for the approximately 24,200 credit reporting complaints received by the CFPB.

TABLE 7: TYPES OF CONSUMER LOAN COMPLAINTS

Types of consumer loan complaints	%
Managing the loan, lease, or line of credit (Billing, late fees, damage or loss, insurance (GAP, credit, etc.), credit reporting, privacy)	44%
Taking out the loan or lease / Account terms and changes (Term changes (mid-deal changes, changes after closing, rates, fees, etc.), required add-on products, trade-in payoff, fraud)	23%
Problems when you are unable to pay (Debt collection, repossession, set-off from bank account, deficiency, bankruptcy, default)	22%
Shopping for a loan, lease, or line of credit (Sales tactics or pressure, credit denial, confusing advertising or marketing)	11%
Total Consumer Loan Complaints	100%

The table illustrates that the most common type of consumer loan complaint pertains to managing the loan, lease, or line of credit. Another common type of complaint addresses problems consumers have when they are unable to pay, including issues related to debt collection, bankruptcy, and default.

TABLE 8: TYPES OF PRIVATE STUDENT LOAN COMPLAINTS

Types of private student loan complaints	%
Repaying your loan (Fees, billing, deferment, forbearance, fraud, credit reporting)	65%
Problems when you are unable to pay (Default, debt collection, bankruptcy)	28%
Getting a loan (Confusing terms, rates, denial, confusing advertising or marketing, sales tactics or pressure, financial aid services, recruiting)	4%
Dealing with lender or servicer	

This table illustrates that the most common type of money transfer complaint is about fraud or scams. In these cases, the consumer is prompted to send funds as a result of a scam, and someone other than the consumer's intended recipient ultimately receives the funds. For example, consumers often complain that they were prompted to transfer funds in response to a request for help from a family member or friend, for the purchase of goods or services, the rental of an apartment, a loan, a job opportunity, or to pay taxes on lottery earnings. In response to such complaints, companies engaged in money transfers define it as a person-to-person service and not a commercial service. Thus, they claim no liability when someone other than the

TABLE 10: TYPES OF PAYDAY LOAN COMPLAINTS

Types of payday loan complaints	%
Charged fees or interest I did not expect	37%
Applied for a loan, but didn't receive money	22%
Cannot contact lender	15%
Received a loan I did not apply for	10%
Lender charged my bank account on wrong day or for wrong amount	8%
Can't stop lender from charging my bank account	4%
Payment to account not credited	4%
Total Payday Loan Complaints	100%

This table illustrates that the most common type of payday loan or deposit advance (i.e., bank payday advance loan) complaint is about being charged unexpected fees or interest. Another common type of complaint involves issues with applying for loan



Company response	All	Credit card	Consumer loan	Student loan	Money transfer	Payday loan
Closed with monetary relief	7%	22%	8%	8%	17%	8%
Closed with non-monetary relief	11%	11%	8%	11%	2%	6%
Closed with explanation	68%	57%	72%	71%	63%	36%
Closed (without relief or explanation)	2%	1%	3%	1%	2%	2%
Administrative response	3%	2%	1%	1%	2%	11%
Company reviewing	7%	6%	8%	9%	14%	36%
Company did not provide a timely response	1%	<1%	<1%	1%	<1%	1%
Total Complaints Sent to Companies for Response	100%	100%	100%	100%	100%	100%

Approximately 11,000 complaints about incorrect information on a credit report have been sent to companies for response, including 10,200 se

Consumers are asked to notify the CFPB within 30 days if they want to provide feedback by disputing a company’s response. Approximately 21% of consumers disputed the response provided by the company while approximately 66% did not dispute the response during the feedback period. The rest were pending with consumers at the end of this period.

TABLE 13: CONSUMER FEEDBACK ABOUT COMPANY RESPONSES

Consumer review of company’s response	All	Mortgage	Debt collection	Credit reporting ¹⁸	Bank account or service
Consumer did not dispute company’s response	66%	66%	65%	60%	69%
Consumer disputed company’s response	21%	23%	18%	18%	20%
Pending consumer review of company’s response	13%	11%	17%	23%	12%
Total Responses for Consumer Review	100%	100%	100%	100%	100%

¹⁸ To the 9,300 inaccurate information complaints responded to by national credit reporting companies where consumers were given the option to provide feedback, consumers disputed approximately 15%. Sixty-two percent were not disputed by consumers and the remaining 23% were pending with consumers at the end of the period.

Consumer review of company's response	All	Credit card	Consumer loan	Student loan	Money transfer	Payday loan
Consumer did not dispute company's response	66%	68%	65%	69%	69%	68%
Consumer disputed company's response	21%	21%	24%	21%	16%	12%
Pending consumer review of company's response	13%	10%	11%	10%	16%	20%
Total Responses for Consumer Review	100%	100%	100%	100%	100%	100%

3.13 Consumer Response investigation and analysis

After requesting that companies respond to complaints sent to them for response and giving consumers the opportunity to review and provide feedback on company responses, Consumer Response prioritizes complaints for investigation based on a review of the complaint, the company's response, and the consumer feedback. Consumer Response seeks to determine why a company failed to provide a timely response (if applicable) and whether the consumer's feedback of the company's response (if applicable) justifies additional review of the company's minimum required actions under the consumer financial protection laws within the CFPB's authority. In the course of an investigation, Consumer Response may ask companies and consumers for additional information. In some cases, Consumer Response has referred complaints to colleagues in the CFPB's Division of Supervision, Enforcement, and Fair Lending & Equal Opportunity for further consideration.

Conclusion

Listening to consumers and reviewing and analyzing their complaints is an integral part of the CFPB's work in understanding issues in the financial marketplace, and helping the market work better for consumers. The information shared by consumers and companies throughout the complaint process informs the Bureau about business practices that may pose risks to consumers and helps the Bureau in its work to supervise companies, enforce Federal consumer financial laws, and write better rules and regulations.