

## ARTICLES

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### CFPB TO SCRUTINIZE NONBANK PRODUCTS: PREPAID CARDS, DEBT SETTLEMENT, CREDIT REPAIR, AND PAWN AND TITLE LOANS

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Three years after it opened for business, on July 21, 2014, the Consumer Financial Protection Bureau (CFPB) announced it was accepting complaints from consumers with problems with (1) prepaid cards; (2) debt settlement services; (3) credit repair services; and (4) pawn and title loans. This signals that the CFPB will now be subjecting companies in these markets to heightened scrutiny.

#### Background

The CFPB started taking complaints about credit cards when it opened its doors in July 2011. It also solicits complaints about mortgages, bank accounts and services, private student loans, auto and other consumer loans, credit reporting, debt collection, payday loans, and money transfers. To date, the CFPB has received 400,000 complaints from consumers.

#### Complaint Process

The CFPB expects companies to respond to complaints within 15 days and describe the steps they have taken or plan to take. The CFPB expects companies to close all but the most complicated complaints within 60 days. Consumers are given a tracking number after submitting a complaint and can check the status of their complaint by logging on to the CFPB website.



#### Prepaid Cards

Prepaid cards, which include gift cards, benefit cards, and general purpose reloadable cards (GPRCs), generally allow a consumer to access money that has been paid and loaded onto the card upfront. The CFPB and consumer groups believe that some prepaid cards have fewer consumer protections than debit or credit cards. As a result, the CFPB indicates it will issue a proposed rule aimed at increasing federal consumer protections for general purpose reloadable prepaid cards.

Complaint categories include:

- Problems managing, opening, or closing an account
- Overdraft issues and incorrect or unexpected fees
- Frauds, scams, or unauthorized transactions
- Advertising, disclosures, and marketing practices
- Adding money and savings or rewards features

#### Debt Settlement and Credit Repair Services

While debt settlement services fall under the jurisdiction of the CFPB, credit repair services don't clearly do so. Nonetheless, they are now included in the portal.

Complaint categories include:

- Excessive or unexpected fees
- Advertising, disclosures, and marketing practices

#### ARCHIVES

2014 2010 2006  
2013 2009 2005  
2012 2008 2004  
2011 2007

- Customer service issues
- Frauds or scams

### **Pawn and Title Loans**

According to the CFPB, pawn stores and title loan companies often provide small loans to consumers using personal property or a vehicle title as collateral that are frequently short-term and may have high interest rates.

Complaint categories include:

- Unexpected charges or interest fees
- Loan application issues
- Problems with the lender correctly charging and crediting payments
- Issues with the lender repossessing, selling, or damaging the consumer's property or vehicle
- Unable to contact lender

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The consumer complaint portal is an integral part of the CFPB's data gathering process and used to inform decisions about regulatory, supervision and examination, and enforcement priorities.

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For more information, please contact [Jonathan L. Pompan](#) at 202.344.4383 or .

Jonathan L. Pompan, a partner in the Washington, DC office of Venable LLP, co-chairs the firm's Consumer Financial Protection Bureau Task Force. His practice focuses on providing comprehensive legal advice and regulatory advocacy to a broad spectrum of clients, such as nonbank financial products and services providers, advertisers and marketers, and trade and professional associations, before the CFPB, the Federal Trade Commission, state Attorneys General, and regulatory agencies.