



CFPB Bites of the Month – October 2024 – (Don't Fear) The Reaper CFPB

October 31st, 2024 | [Eric L. Johnson](#), [Justin B. Hosie](#) and [Kristen Yarows](#)

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In this month's article, we share some of our top "bites" for the prior and current month covered during the October 2024 webinar.

Bite 10: CFPB Publishes Servicemember Affairs Annual Report

On September 24, 2024, the CFPB [published](#) its annual report on the top financial concerns facing servicemembers, veterans, and military families. The report found that active duty and veteran students encountered many financial challenges, including difficulties getting help from student loan servicers and schools withholding transcripts as a means to collect. The report also identified other problems experienced by the military community, such as increasing scams targeting older veterans. In 2023, servicemembers, veterans, and their families submitted nearly 84,600 complaints to the CFPB, which was a 27% increase from 2022 and a 98% increase from 2021. Key findings from the annual report include: the number of complaints filed by service members increased across all major products, including credit or consumer reporting, debt collection, credit cards, checking or savings accounts, and mortgages. Servicemembers, military families, and veterans reported challenges when trying to contact or get help from their student loan servicer. Servicemembers reported servicing errors for student loans that prevented enrollment in income-driven repayment plans. The CFPB noted that schools withholding transcripts may prevent servicemembers and veterans from securing employment, receiving promotions, or completing their degrees.

Bite 9: CFPB Issues a Consumer Advisory on Medical Debt Collection

On October 1, 2024, in addition to issuing an Advisory Opinion, addressed below, the CFPB [issued](#) a Consumer Advisory on medical debt collection. The advisory explained to consumers that under federal law, consumers have rights and protections when they deal with medical debt collectors. It also outlined various actions that consumers can take when they are unsure about a bill, including: asking the healthcare provider or debt collector for an itemized bill or superbill and review it for charges that cannot be legally collected; negotiating the amount owed; submitting a complaint if debt collectors are not complying with federal law; and getting legal help if it appears that a debt collector might be breaking the law. The advisory contained examples, including costs for a healthcare service the consumer did not receive, amounts that are inflated beyond legal limits, and bills that were already paid by the consumer or their insurance. The advisory also noted that many states do not allow debt collectors to sue over debts that are

several years old.

CFPB Bite 8: Issues an Advisory Opinion on Medical Debt Collection

On October 1, 2024, in addition to issuing the Consumer Advisory, addressed above, the CFPB also [issued](#) an Advisory Opinion that details how debt collectors, including “revenue cycle management” companies, violate federal law when they collect on inaccurate or legally invalid medical debts. According to the opinion, illegal practices may include activities like: “double-dipping” to get paid for services already covered by insurance; “hounding” consumers to pay fake or exaggerated charges; misrepresenting consumers’ rights to contest bills; and collecting without documentation that the amount is actually owed. The opinion indicates that debt collectors are strictly liable under the Federal Debt Collection Practices Act and Regulation F for engaging in certain activities when collecting medical bills, such as by: collecting an amount that’s not owed because it was already paid (double-billing); collecting amounts not owed due to federal or state law; collecting amounts above what can be charged under Federal or State law; collecting amounts for exaggerated services, or charges for services not received; misrepresenting the nature of legal obligations; and collecting unsubstantiated medical bills. Director Chopra spoke about the advisory opinion at a White House event and said that the “CFPB is taking additional actions to address unlawful and predatory medical debt collection practices. We have issued new guidance that takes on the illegal collection of medical bills that are false, inflated, or may not actually be owed.”

Bite 7: CFPB Publishes Supervisory Highlights for Auto Finance

On October 7, 2024, the CFPB [released](#) an Auto Finance Special Edition of its Supervisory Highlights that focuses on the auto finance market. This edition covers select examinations that were completed between November 1, 2023 and August 30, 2024. According to the CFPB, consumers encountered difficulties with optional products, including being charged for products they did not agree to purchase, had difficulty canceling these products, and did not receive refunds for early payment. Regarding unfair, deceptive, and abusive acts and practices related to add-on products, the CFPB noted a failure to ensure that consumers get refunds, miscalculation of refunds, and delays in applying refunds to account balances. According to the CFPB, examiners found that auto-loan servicers engaged in unfair acts or practices when the servicers failed, through service providers, to timely deliver the titles to vehicles after a payoff or when consumers requested the title in connection with transferring vehicle registrations to a different state. The CFPB also indicated that servicers’ policies are generally to provide title documentation within two business days but that delivery times significantly exceeded this timeline. The CFPB claims that servicers engaged in both deception and unfairness by applying consumers’ auto-contract payments to post-maturity contracts in a different order than that disclosed to consumers on their websites, which resulted in borrowers having to pay late fees. The CFPB also claimed that creditors were improperly applying payments and wrongly repossessing automobiles. The CFPB examiners also claimed to find that creditors misled consumers about the chance to qualify for a low interest rate and noted that creditors were placing inaccurate account information on thousands of consumers’ credit reports.

Bite 6: CFPB Proposes Changes to Remittance Transfer Rule

On September 20, 2024, the CFPB [proposed](#) changes to the Remittance Transfer Rule, to clarify that consumers should contact their remittance company for issues specific to their money transfer, not regulatory agencies. The Electronic Fund Transfer Act and Regulation E currently require

remittance companies to give senders a disclosure at the time of payment that includes contact information for both state regulators and the CFPB. The CFPB believes this amendment can potentially save consumers time by resolving their inquiries quicker and may reduce the number of inquiries sent to regulators that would be better suited for the remittance providers. The CFPB indicated that consumers currently contact the CFPB with questions that should first be directed to their remittance transfer provider, and as many as 35% of the total calls the CFPB receives at its toll-free number have been about these types of questions. The public will have until November 4, 2024 to submit comments.

Bite 5: CFPB Announces New Dollar Thresholds

On October 4, 2024, the CFPB, Federal Reserve Board, and the Office of the Comptroller of the Currency [announced](#) increases in thresholds for higher priced mortgage loans, Regulation Z, and Regulation M. The threshold for higher-priced mortgage loans that are subject to special appraisal requirements will increase from \$32,400 to \$33,500, effective Jan. 1, 2025. The dollar thresholds used to determine whether certain consumer credit and lease transactions in 2025 are subject to certain protections under Regulation Z (Truth in Lending) and Regulation M (Consumer Leasing) will increase from \$69,500 to \$71,900, both effective Jan. 1, 2025. The agencies are required to adjust the thresholds annually based on the annual percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers, known as CPI-W. Threshold increases are based on the 3.4% annual percentage increase in the CPI-W as of June 1, 2024.

Bite 4: Court Dismissed Case in Which CFPB Filed Amicus for Bank

On October 4, 2024, a judge in the U.S. District Court of Northern Illinois dismissed a proposed class action lawsuit that alleged that two banks failed to provide repayment disclosures to borrowers. Uniquely, the CFPB had [filed](#) an amicus brief favoring the bank's position. The judge had asked the CFPB to comment on whether the bank violated federal requirements to provide the borrower with disclosures, including the disclosure of how long it would take him to pay his loan if he only paid the monthly minimum payment. The borrower alleged that the banks violated the Truth in Lending Act and Regulation Z by failing to provide disclosures for his open-end line of credit and attempted to pursue the claim on behalf of all persons in Illinois who had this particular credit line. The CFPB's amicus brief indicated that the type of line of credit (an open-end line of credit not a credit card) was exempt from such requirements. In its brief, the CFPB said that since 2010, the disclosure obligations have only applied to credit card accounts under an open-end consumer credit plan. The judge agreed with the CFPB and found that the bank's omission of minimum repayment disclosures for the borrower's account was consistent with Regulation Z. So, he dismissed the proposed class action case.

Bite 3: Judge Denies Developer's Motion to Dismiss in CFPB Lawsuit

On October 7, 2024, the U.S. District Court for the Southern District of Texas denied a developer's Motion to Dismiss a discrimination lawsuit in which the CFPB alleged reverse redlining. Specifically, the CFPB alleged that the Texas developer targeted consumers with limited English proficiency. In December 2023, the CFPB and Department of Justice filed a [complaint](#) against the developer, alleging that the companies engaged in discriminatory targeting of Hispanic consumers with predatory financing and other unlawful conduct. The complaint alleged that the defendants violated the Equal Credit Opportunity Act, the Fair Housing Act, the Interstate Land Sales Full Disclosure Act, prohibitions on deception under the CFPA, and violated regulations under those

laws. The complaint alleged that the developer advertises almost exclusively in Spanish and featured cultural markers associated with Latin America in its advertising. The court denied the developer's motion and acknowledged that although the Supreme Court and the 5th Circuit have not ruled on whether reverse discrimination is a recognizable form of discrimination under the ECOA, other courts have ruled that it is.

Bite 2: CFPB Takes Action Against Arbitration Platform

On October 10th, the CFPB [issued](#) a consent order and ban against a private arbitration company that offered an online dispute resolution platform. The company conducted arbitration proceedings related to consumers' alleged default on income share agreements extended by a company the CFPB and state attorneys general shut down in 2023. The CFPB alleged that the arbitration company falsely claimed to be a neutral arbitrator – but received contingency fees from each settled claim; attempted to bind students to its proceedings by requiring consumers to agree to its terms of service; and started arbitration proceedings without the consumer's consent when consumers had not agreed to arbitrate on the platform. The order alleges that the company, acting as a service provider, engaged in unfairness and deception by knowingly allowing the other Company to commence arbitration proceedings without the consumer's consent and that the company knew it did not have jurisdiction over the claims because none of the income share agreements contained an arbitration clause. The order permanently bans the arbitration company from arbitrating disputes that concern a consumer financial product or service, prohibits the arbitration company from making misrepresentations, and imposes a \$1 civil money penalty (based on the company's inability to pay more).

Bite 1: CFPB and DOJ Take Action Against Mortgage Company

On October 15, 2024, the CFPB and DOJ [announced](#) an action against a mortgage company, alleging it redlined in Birmingham, Alabama, violating the Equal Credit Opportunity Act, the Consumer Financial Protection Act, and the Fair Housing Act. The CFPB alleged that the mortgage company's own data showed that it was failing to serve majority-Black neighborhoods around Birmingham, but before October 2022, did not take any steps to address redlining risks, other than telling loan officers not to discriminate. The complaint also alleged that the company predominantly directed its marketing to majority-white areas, including locating its three retail loan offices and three loan production desks in majority-white areas. The proposed order requires the company to pay a \$1.9 million penalty to the CFPB's civil penalty fund, provide \$7 million for a loan subsidy program, and pay at least \$1 million to serve neighborhoods it redlined. The \$1 million to serve the neighborhoods it redlined includes: spending at least \$500,000 on advertising and outreach, spending at least \$250,000 on consumer education, and spending at least \$250,000 on partnerships with one or more community-based or governmental organizations.

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