

## FOREWORD

The following report was researched and authored by five Members, one of who served as Chair of the Taskforce; and six support staff, overseen by a Staff Director. This group will be referred to as the Taskforce on Federal Consumer Financial Law (or simply the Taskforce).

The Taskforce was created by Director Kathleen Kraninger to be an independent body within the Bureau and chartered to develop a report and recommendations to improve consumer financial protection and modernize Federal consumer financial laws and regulations. Given the independent nature of the Taskforce, the views espoused in the report may not be representative of current Bureau positions or policy. Additionally, the Bureau Director will select which of the Taskforce recommendations will be accepted or advocated for by the Bureau. Recommendations proposed seek to improve the lives of every American consumer, regardless of race, creed, gender, ability, or status, with a particular focus on improving access, inclusion, and choice.

The Members were selected based on three primary factors:

- 1) expertise in consumer protection and consumer financial products or services and recognition for professional achievements and objectivity in economics, econometrics, or law;
- 2) significant research background analyzing consumer financial markets, laws, and regulations; and
- 3) past record of senior public and/or academic service.

Each member selected brought unique experiences and views and is impressively accomplished, well respected, and immensely capable in the field of consumer financial protection and Federal consumer financial law. To fulfill the Taskforce mandate, the Members leveraged their combined 150 years of professional experience as well as the extensive expertise that exists within and outside of the Bureau.

As every American has a stake in a fair, efficient, and modern system of consumer finance. However, given the limited number of positions on the Taskforce, tremendous effort was taken to ensure the great diversity of the American consumers' views, opinions, and experiences were given voices; a commitment that became more challenging when the global pandemic hit just weeks after the Taskforce was formed. On this note, the Taskforce would like to specially thank and commend the Bureau staff for engaging in open and constructive dialogue about the marketplace and the work of the Bureau and helping to identify opportunities to improve the Bureau's mission. Other efforts taken to maximize the diversity of viewpoints were foundational to our work as well. Support staff were encouraged to challenge the views of the Members by bringing their individual, anecdotal experiences into the conversation. Likewise, the Taskforce issued a Request for Information; conducted a robust public research effort; met with trade, consumer advocates, academics, and the Bureau's advisory committees in meetings listened to by hundreds of public observers; and conducted over twelve intergovernmental engagements with partner state and Federal regulators to hear as many perspectives as possible. Economic

analyses are the foundation of this report, and it advocates for the interest of only one stakeholder – the consumer.

The report serves several purposes, which are reflected in its two-volume structure. The first volume is thirteen chapters. The first five chapters provide a historical and economic overview of consumer financial while the middle five chapters cover five traditional key principles that make up consumer protection: the legal framework of consumer protection, consumer information and education, competition and innovation, inclusion and access to financial products and services, and regulatory modernization and flexibility. Finally, the volume closes with more contemporary and future looking topics that are of import to the Bureau's work. Volume Two uses the insights shared in Volume One to develop a set of recommendations that will improve and strengthen the application of financial laws and regulations.

Readers will notice that some important sectors and topics are not addressed at length. The Members used a three-pronged test to help determine the scope of the following report: was a sector or subject substantially addressed in the recent history, did the members have something meaningful to say about a sector or topic, and was there a comparative advantage in the Members offering insights. For example, mortgages and mortgage service providers are only tangentially covered given the recent and extensive modernization efforts the Bureau has done in the space. And some issues the Taskforce commended to ongoing work of the Bureau and other sources of expertise. Due to the time-limited nature of the Taskforce's work, numerous recommendations suggest further research and deliberation before a position should be formed. The importance of topics should not be measured by the number of pages or recommendations devoted to them, and the potential for improving consumer financial protection should remain a perennial subject of examination.

Unlike many government work products, this report seeks to make the complex subject of law, economics, and consumer financial protection approachable and easy to understand. Readers will notice that the background and recommendations are written in plain language while scholarly studies, analyses, and denser material can be found in footnotes and references. Policy makers should consider the report in totality, but other readers will not be lost should they choose to review a single chapter or section. Important themes are repeated to help accomplish this goal.

In Volume Two, recommendations are grouped in topics for ease of navigation. Topics range from organizational structures to emerging issues with newer subjects such as alternative data to general concepts like inclusion. It is important to note that, if implemented, many recommendations span across multiple topics.

Structurally each topic has a short outline, or preamble, that sheds light on issues that the recommendations seek to address. These preambles reference principals discussed with greater detail in Volume One. The preambles are followed then by a series of recommendations. Each recommendation includes the specific government audience that has authority to act on the recommendation; the suggested mechanism or action that can be taken to implement the recommendation; and where reasonable, a potential measure of success the recommendation should have.

As mentioned above, the average person, entry level Legislative or Executive employee, seasoned economist, or invested stakeholder should all find the report engaging, informative, and accessible. The Taskforce believes that Volume One will be useful for any policymaker but hopes that it will be particularly useful for new Bureau employees to help ground them in the history, economic theory, and law of consumer financial protection and Federal consumer financial law. The research and analysis presented in Volume One is a framework for thinking about how to approach consumer financial protection law and economics. It is intended to lay a foundation of knowledge and principles to which policymakers, bureau employees, and the public can return to as new issues in consumer finance and financial protection arise. It may also serve as foundational thinking or guiding principles for future Bureau actions (rule makings, supervisions or enforcement actions, assessments, research, policy guidance, consumer education, et cetera).

Where Volume One is more conceptual and drafted to have a longer lasting impact, Volume Two is more pragmatic and temporal in nature. The recommendations are being made at a point in time. Government executives, policy makers, and their staff should consider how the current financial regulatory regime and framework has evolved when viewing these recommendations in the future.

Regardless of what the future holds, it is worthwhile to remind readers that a crisis of confidence in the financial system inspired the creation of the Bureau. In the ten years of its existence, it has accomplished more to improve the financial well-being of consumers than any agency at any time in the history of the United States. (For an overview of some of the accomplishments of the Bureau over the past decade, see Appendix X). The technological revolution that is reshaping finance holds the potential for the Bureau to take its mission to new frontiers, and once again “to implement and, where applicable, enforce federal consumer financial law consistently for the purpose of ensuring that all consumers have access to markets for consumer financial products and services and that markets for consumer financial products and services are fair, transparent, and competitive.”