Issues and Outcomes Report
January to December 2013

Sarah Wolff, Center for Responsible Lending

This provides a review of some of the financial products and services most in need of reform and an accounting and analysis of reform outcomes from January to December 2013.

The report covers the following issues:

- Payday lending (storefront, bank and online)
- Car title lending
- Consumer installment lending
- Student lending
- Auto lending
- Credit cards
- Prepaid cards
- Deposit accounts/overdraft practices
- Credit reporting
- Money transfer (remittances)
- Debt settlement
- Debt buying

BACKGROUND

Responsible financial products and services play an important role in the lives of Americans: helping families pay for goods and services, manage risk, borrow to build assets and save and invest for the future. However, predatory features of financial products and services can have devastating consequences. They can trap consumers in a debt cycle that they can't escape, fool consumers into paying for what they don't want or surprise consumers with hidden fees and costs. Consumer advocates work to reform financial products and services so that they work for, not against, consumers.

This report provides a review of some of the financial products and services most in need of reform and an accounting and analysis of reform outcomes from January to December 2013.

METHODOLOGY

The 12 issues covered in this report were chosen by CRL, AFR and the Ford Foundation. The issues were chosen primarily because consumer advocates are actively working on them – some for a long time and some less until recently. We identified a set of market ideals and describe the current state of the marketplace for each product or service.

<table>
<tr><td rowspan="2">Issue</td><td>Narrative assessment of issue.

Status of the issue in 2013.</td></tr>
<tr><td>Market Highlights</td></tr>
<tr><td colspan="2">Ideals are described for each issue.

A single issue may have multiple ideals identified.</td></tr>
</table>

The narrative assessment section describes the product or service in more depth with a focus on the current practices that are harmful to consumers. This section includes a 1-2 sentence description of the status of the issue in 2013. The orange section highlights a few recent statistics about each market. The ideals (presented in italics) describe attributes of each financial product or service that, if in place, would ensure consumers are protected and able to benefit from the product or service. The assessment and ideals were developed by CRL after reviewing press releases, papers, reports and other documents produced by consumer advocates[1].

Associated with each issue, we present a list of outcomes. These outcomes occurred between January and December 2013 and include regulatory and legislative actions and product or market changes. Some outcomes improved the market and some added challenges for consumers. We identified outcomes by reviewing news stories and press releases[2] and by soliciting ideas from AFR members. All suggested outcomes that could be verified (by news stories, press releases or legislative documents) were included in the report.

[1] Documents reviewed were written by: the Center for Responsible Lending (CRL), National Consumer Law Center (NCLC), Demos, the Pew Charitable Trusts (Pew) and Americans for Financial Reform (AFR). However, the issue summaries and ideals were written by CRL and are not intended to present the consensus opinion of all advocates.

[2] Press releases from federal regulators (CFPB, FDIC, OCC and FTC) and consumer advocates (NCLC, CRL, AFR, and Pew)

Outcome	RATING	Summary description.
	Impact	

We summarize, rate, and describe the impact of each outcome. The outcome rating indicates the degree to which the outcome changes the market with respect to the ideals. The scale for the rating is:

GAIN:	Fosters good or eliminates bad practices
HELPS:	Supports good practices, but does not lead to a tangible change
HOLD:	Maintains status quo practices (good and bad practices)
HARMS:	Supports bad practices, but does not lead to a tangible change
LOSS:	Fosters bad practices or restricts good practices

RESULTS & FINDINGS

While many financial products and services need reform, the 12 considered in this report are active targets for advocates. In 2013, legislators and regulators at the state and federal level all acted to address these issues. Some lenders also changed their offerings. Not all actors are relevant for every issue. For example, credit cards are primarily overseen at the federal level so no state actions occurred on this issue this year.

Summary of Outcomes by Product

	State Bills	Federal Bills	State Regulatory and Enforcement Actions	Federal Regulatory and Enforcement Actions	Lender/Provider Practices
Payday lending					
Car title lending					
Consumer installment lending					
Student lending					
Auto lending					
Credit reporting					
Deposit accounts/overdraft practices					
Prepaid cards					
Credit cards					
Money transfer (remittances)					
Debt collection/buying					
Debt settlement					

This table is color coded. Green indicates that the outcomes in the given category improved the market for consumers; Yellow indicates outcomes that didn't change the market one way or the other; and Red indicates outcomes that harmed consumers.

On the whole, the outcomes increased consumer protections for many financial products and services. The outcomes also reflect an increased appetite by federal actors, and some state actors, to draw attention to bad practices and hold companies accountable to consumer protection standards and laws.

Some of the most notable outcomes for the year include:

DEBT TRAP PRODUCTS: Payday loans, Car title loans, Consumer installment loans

- Federal regulators (OCC/ FDIC) issued and finalized rules on payday lending by banks.
- Some firms stopped making payday loans (Regions Bank in NC, Western Sky).
- States, particularly NY, cracked down hard on online lending abuses, regulators rejected arguments against regulation of online lending.
- No states authorized payday lending. Some localities responded when states failed to act to prevent payday and car title lending.
- The CFPB brought attention to payday lending: collecting, publicizing, and analyzing information about market.
- Car title lending reform received less regulator attention and legislative focus than its cousin payday lending.
- Car title reforms were primarily at the state and local level.
- States were more likely to introduce predatory bills that expand car title lending than to restrict it, though none passed.
- Three states passed laws that increase the costs of consumer installment loans (NC, FL, IN)

TRADITIONAL LENDING: Student loans, Auto loans, Credit reporting

- Improvements in Federal student loan programs helped existing consumers manage debt.
- Student loans received attention from multiple federal regulators: CFPB, US Department of Education, FDIC and DOJ.
- States took action against for-profit colleges.
- Federal regulators showed an appetite to investigate and act on disparate impact in auto lending. The CFPBs settlement with Ally Bank was particularly significant.
- Regulators brought attention to credit report errors.

PAYMENT TOOLS: Deposit accounts/overdraft, Credit cards, Prepaid cards, Remittances

- Banks continued to see repercussions from overdraft reordering practices as legal settlements and changes in practices continued.
- Federal regulators showed an appetite to continue to investigate and hold credit card issuers accountable despite gains of CARD Act.
- States and issuers continued to improve consumer protections on prepaid cards.
- CFPB expanded oversight by focusing on both overdraft practices and remittances.

DEBT COLLECTION AND SETTLEMENT SERVICES

- Two major banks stopped selling debts.
- Consumer protection debt collection bills failed to pass and some states passed bills harmful to consumers.
- Federal oversight increased on debt collectors and settlement firms through the CFPB.
- States pursued debt settlement bad actors, increased consumer protections and failed to pass laws that would weaken existing rules.

When looking across products some general themes emerge. Most notable is the important role of the CFPB. State actions and outcomes tended to be more mixed with some states taking strong stances for consumer protection and others actively stripping away existing protections. Lender outcomes also tended to be positive, though these actors may have publicized only product changes perceived to benefit consumers.

Federal regulators actively promoted consumer protections. Some federal regulator actions, like the FTC's report on errors on credit reports and the CFPB's public release of consumer complaints, served mainly to draw increased attention to harmful practices. Others, like the change the Department of Education made to income-based repayment for borrowers with student loans, made tangible positive changes in financial products and services. Not surprisingly, the CFPB was the most active federal regulator on consumer protection issues. Many of the CFPB's actions supported or set a path for reform (collecting and disclosing data, issuing reports) rather than changed policy (rulemaking) with some notable exceptions (remittance rules, payday enforcement actions and bulletins). The chart below summarizes CFPB actions by issue and type. Other federal actors – the FDIC, OCC, Federal Reserve, FTC and the Department of Education – also took action over this time period on these issues.

Summary of CFPB Actions

	Payday lending	Car title lending	Consumer installment lending	Student lending	Auto lending	Credit reporting	Deposit accounts/overdraft practices	Prepaid cards	Credit cards	Money transfer (remittances)	Debt collection/buying	Debt settlement
Settlements/Orders	2				2				3			2
Data releases												
Reports												
Extended oversight												
Investigations				2								
Guidance/Bulletins/Rules						2					2	

State legislatures were active in proposing and passing bills that both added protections and took away existing protections. Many of the state legislative victories in 2013 maintained existing consumer protections rather than creating new ones. While advocates lost some of these fights, most notably in consumer installment lending and debt collection, advocates managed to stave off a number of state bills that would have reduced or eliminated existing consumer protections. The defeat of proposed payday and car title bills in six states (NC, WA, NY, AL, NV, TX) is particularly notable as well-funded industry interests were pitted against coalitions of consumer advocates.

State regulators increased oversight and scrutiny of the marketplaces in their states, in some cases aggressively. For example, a host of states took action against to prevent one payday lender, Western Sky, from operating illegally based on state laws. Western Sky stopped lending late in 2013 as a result of these strong actions. New York's AG was particularly aggressive and attacked illegal loans from many angles. Attorneys general in six states (FL, NC, MO, WI, CT, CO) sued debt settlement companies for illegally operating in their boarders.

Some lenders/providers of financial products and services reformed their practices voluntarily. Regions Bank pulled their deposit advance (payday) product from NC. American Express added protections to one of their popular prepaid cards. Huntington Bank stopped reordering deposit account transactions in a way that maximized the chance an accountholder would overdraw their account. FICO opened up their proprietary credit scores a bit for consumers. These changes, all voluntary, improved the marketplace for consumers and reformed the products in ways consumer groups intended.

The remainder of this report is organized by product/service. For each we present a narrative description and set of market ideals, and detail and assess recent outcomes.

Payday Lending

Payday loans are high-cost loans averaging $350 that typically require a single payment made two weeks later. Whether the loan is made online, in storefronts, or through banks, most borrowers cannot both repay the loan and cover basic expenses. As a result, borrowers take out multiple successive loans, paying fees each time. A borrower's post-dated check or ACH access to their bank account serves as collateral for the loan. Lenders do not underwrite the affordability of the loan since they are "first-in-line" when the borrower gets a paycheck.

In 2013, 400% interest loans that trap borrowers in long-term debt continue to persist; however, momentum for change is building. No new state expanded payday lending in 2013. CFPB studies documented the problem more completely than ever before as the Bureau heads towards rulemaking.

38 states	76%	$3.4 billion
Where banks and storefronts make payday loans	Of loan volume is due to churn	Annual fees paid for non-bank loans

Lenders should make loans only after determining that the borrower is able to repay the loan while meeting other expenses without re-borrowing.

Loans should not create a long term cycle of debt.

Annual Percentage Rates (APR) should not exceed 36%.

Loans should be successfully repaid as the loans are originally structured, without high levels of eventual defaults, rollovers or refinancings.

FDIC and OCC rules	GAIN Restricts bad practices	FDIC and OCC issued and finalized guidance on bank payday lending (also called deposit advance) which effectively directs the banks they supervise to end abusive practices inherent in payday lending.
Regions Bank in NC	GAIN Restricts bad practices	Regions Bank stopped offering bank payday loans in NC.
Western Sky stops lending	GAIN Restricts bad practices	Western Sky, among other large online payday lenders, stopped accepting new loan applications after strong actions by state regulators.
MN fines internet lenders	GAIN Restricts bad practices	Judge in MN ordered one online lender to pay $8M in damages for operating in the state without a license. This is the last settlement in cases brought against 8 lenders for making illegal payday loans in the state.
States actions against Western Sky	GAIN Restricts bad practices	In a number of states (AR, CO, CT, MD, MA, PA, OR, IA, NC and MI) Western Sky Financial was deemed to have engaged in unlawful payday lending. These states rejected their tribal sovereign immunity arguments and ordered the organization to pay fines and/or stop lending in these states.
Crack down on internet lenders through payment network	GAIN Restricts bad practices	The FDIC, the Department of Justice and NY and CA state regulators put pressure on banks to stop facilitating ACH payment to illegal internet lenders. Regulators also pressured NACHA (an organization that monitors ACH transactions) emphasizing the role they need to play to prevent illegal lending. NY won a suit brought by tribal internet lenders who tried to block these actions (the case is

		being appealed).
NACHA high-risk merchant guidelines	GAIN Promotes good practices	NACHA (an electronic payments association) issued a bulletin clarifying the role of the consumer's bank and the bank that originates a payment for a high risk merchant like a payday lender. It makes clear that if an authorization obtained from a consumer to debit their account is invalid under applicable law, it is not a proper authorization and the payment cannot be processed.
States stop online lenders	GAIN Restricts bad practices	MD, CA and ID issued cease and desist orders against a number of online lenders saying the loans are illegal, unenforceable and uncollectable.
Houston ordinance	GAIN Restricts bad practices	Houston passed an ordinance, identical to those enacted in 8 other Texas cities, which places limits on payday and car title loans in the city and has provisions aimed at limiting the cycle of debt.
CFPB Cash America enforcement action	GAIN Penalizes bad practices	CFPB obtained a $19M settlement with national payday lender, Cash America, for robo-signing, violations of the Military Lending Act and obstructing CFPB examinations.
CFPB CashCall enforcement action	GAIN Penalizes bad practices	A CFPB enforcement action cited unfair, deceptive and abusive practices by online payday loan servicer and collector CashCall (and related companies) for collections related to payday loans made in violation of 8 state laws which render illegal loans void and unenforceable. The lawsuit seeks monetary relief for consumers, civil penalties and injunctive relief to restrict future activity.
State CashCall enforcement actions	GAIN Penalizes bad practices	The NC and CO Attorney Generals, in coordination with the CFPB, brought enforcement actions against CashCall (and related companies) for collecting illegal payday loans made in violation of state law.
CA borrowers receive restitution	GAIN Penalizes bad practices	San Francisco's city attorney secured $7.7 million in restitution for more than 100,000 borrowers of California payday lenders who were found to have circumvented California's interest rate and loan principal limits.
GA borrowers receive restitution	GAIN Penalizes bad practices	Cash America settled a Georgia class action suit for violating Georgia usury laws via the rent-a-bank scheme during the early 2000s. The company agreed to a $36M settlement, a portion of which will be made available to consumers.
Large banks scrutinize business with payday lenders	HELPS Restricts bad practices	JPMorgan Chase and Bank of America announced that they are scrutinizing their relationships with payday lenders. JP Morgan Chase reportedly, cut ties with Cash America in the face of greater regulatory scrutiny and Bank of America said it was "winding down" its relationships over time and has ceased doing new business with payday companies.
CFPB data release	HELPS Highlights bad practices	CFPB added complaints about payday loans to the public Consumer Complaint Database.

CFPB Report	HELPS Highlights bad practices	CFPB issued a report that examined customer use of payday and deposit advance products and raised a number of concerns about the debt trap nature of the products. The CFPB indicated they would be considering further regulatory action based on the research.
Fed supervisory statement	HELPS Improves oversight	The Federal Reserve issued a statement to bank supervisors directing them to consider the risks associated with the deposit advance products including potential consumer harm and the potential for elevated compliance risk. While an improvement upon existing practice, it is unclear how influential this will be.
CFPB authority over tribal lenders	HELPS Improves oversight	The CFPB denied a petition by tribal payday lenders that sought to block CFPB examination. The CFPB asserted that these lenders are subject to federal oversight.
AZ regulator statement	HELPS Highlights bad practices	The AZ regulator issued a policy statement clarifying that illegal payday loans are void and unenforceable.
NY subpoenas lead generators	HELPS Highlights bad practices	NY department of financial services subpoenaed 16 lead generators offering loans that are illegal in NY.
NY warns debt collectors	HELPS Highlights bad practices	NY department of financial services warned debt collectors not to collect on payday loans made illegally in the state.
National charter bill stalled	HOLD Prevents bad practices	Congress failed to advance a bill that would have chartered payday lenders and pre-empted small dollar lending state laws.
NC predatory bill defeated	HOLD Prevents bad practices	NC defeated bill that would have allowed payday lending back into the state. It has been illegal since 2001.
WA predatory bill defeated	HOLD Prevents bad practices	WA defeated attempts to increase allowable payday lending. The bill would have repealed the state's 8 loans/year cap and instead authorized predatory payday installment loans.
TX predatory bill defeated	HOLD Prevents bad practices	TX defeated a bill that would have preempted local ordinances limiting payday and car title lending. The defeat of this bill was significant, as it was falsely billed as consumer protection and the payday and car title lenders hired 82 lobbyists with up to $4.2 million in contracts to push it.
NY predatory bill defeated	HOLD Prevents bad practices	NY defeated a bill that would have allowed payday lending in the state.
AL consumer bill defeated	HOLD Allows bad practices	Legislative efforts to restrict payday lending in Alabama failed to pass in the 2013 session.

HI consumer bill defeated	HOLD Allows bad practices	A bill to limit interest rates on payday loans to 36% died in the House after passing the Senate.
CA consumer bill defeated	HOLD Allows bad practices	CA bill to restrict payday lending failed in committee. The bill, supported by consumer advocates, would have established a 6 loan/year cap and put in place other consumer protections.
AL improves reporting requirements	HELPS Highlights bad practices	The AL banking regulator improved reporting requirements for payday loans in the state, requiring that the loans be reported to a single state-wide database. The database is on hold while a suit challenges these rules.
MS predatory bill passed	LOSS Expands bad practices	MS passed bill that permanently repealed payday sunset. If this bill had not been passed payday lending would have become illegal in 2015 in Mississippi.

<table>
<tr><td rowspan="2">Car-title Lending</td><td colspan="3">Car-title loans are expensive loans secured by a borrower's vehicle. They are offered as payday-loan-like single-payment loans with one-month terms, which tend to be renewed multiple times. An emerging practice is a movement toward longer-term and still high-cost installment products. The very structure of car-title loans leads to problems for consumers, including excessive repayment fees and repossessions.

In 2013, high-cost car title loans continued to trap borrowers in long-term debt in some states and state and federal efforts to limit abuses have been limited. However, few states have expanded car title lending in the last year and regulators are taking note of abuses.</td></tr>
<tr><td>21
States allow car title lending</td><td>9 loans
The average borrower renews their loan 8 times</td><td>$4.3 billion
Fees paid annually</td></tr>
<tr><td colspan="4">Lenders should make loans only after determining that the borrower is able to repay the loan while meeting other expenses without re-borrowing.

Loans should not create a long term cycle of debt.

Annual Percentage Rates (APR) should not exceed 36%.

Loans should be successfully repaid as the loans are originally structured, without high levels of eventual defaults, rollovers or refinancings.

In the event of a default, borrowers must be provided important consumer protections (ie: notice prior to repossession or sale, a right to redeem the vehicle, and a ban on deficiency).</td></tr>
</table>

MN closed loophole	GAIN Restricts bad practices	MN closed a loophole that car title lenders in the state were exploiting. This change effectively ends car title lending in the state.
NY penalizes out of state lender	GAIN Penalizes bad practices	NY Attorney General settled with Manor Resources, an out of state company that was making illegal car title loans in NY. Eligible consumers will receive refunds and the company must stop lending activities in the state.
AZ regulator limits fees	GAIN Reduces costs for consumers	AZ regulator clarifies that some fees being charged on car title loans are impermissible under the state's existing regulation.
Houston ordinance	GAIN Restricts bad practices	Houston passed an ordinance, identical to those enacted in 8 other Texas cities, which places limits on payday and car title loans in the city and has provisions aimed at limiting the cycle or debt.
NC predatory bill defeated	HOLD Prevents bad practices	NC defeated a bill that would have allowed car title lending in the state.
NV predatory bill defeated	HOLD Prevents bad practices	NV defeated a bill that would have removed the ability to repay/underwriting requirement for car title lenders.

AL predatory bill defeated	HOLD Prevents bad practices	Legislative efforts to expand and increase prices for car title loans in Alabama failed to pass in the 2013 session.
TX predatory bill defeated	HOLD Prevents bad practices	TX defeated a bill that would have preempted local ordinances limiting payday and car title lending. The defeat of this bill was significant, as it was falsely billed as consumer protection and the payday and car title lenders hired 82 lobbyists with up to $4.2 million in contracts to push it.
AL consumer bill defeated	HOLD Allows bad practices	Legislative efforts to restrict car title lending in Alabama failed to pass in the 2013 session.

Consumer Installment Lending	Consumer finance installment loans (offered by companies such as Springleaf, OneMain, World Acceptance, and others) are typically $1,000 - $3,000 loans repayable over longer terms. Depending on state law, these loans can carry very high costs due to APRs as high as triple-digits and additional fees for junk add-on products. Like payday and car title lenders, consumer finance lenders have high volumes of repeat re-financings. In 2013, payday and car-title lenders offered more installment products. Additionally, installment lenders have been successful at the state level in raising allowable costs for the consumer.	
	75% **Of loans are made to existing customers refinancing**	**Max Allowable** **Companies typically charge the maximum allowed by law**

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The costs of all financed costs (including credit insurance) should be disclosed and included when calculating APR.

CFPB data release	HELPS Highlights bad practices	CFPB added complaints about installment loans and personal lines of credit to the public Consumer Complaint Database.
CFPB probes Bill Me Later	HELPS Highlights bad practices	The CFPB probed Ebay's Bill Me Later program. The probe expressed concerns with the mechanism by which the loans were made (which banks were involved), the "deferred interest" nature of the product, and high fees.
OK bill vetoed	HOLD Prevents bad practices	OK governor vetoed a bill that would have increased interest rates on installment loans. While doing so, he also made a strong public statement against predatory lending practices.
ME bill defeated	HOLD Prevents bad practices	ME defeated a bill that would have increased the interest rates charged on consumer finance loans. The bill proposed increasing the allowable loan size and increasing the amount of the loan subject to the highest rate.
MS bill defeated	HOLD Prevents bad practices	MS defeated a bill that would have increased interest rates and fees on consumer installment loans to an APR as high as 99%.

CA Pilot Program	HOLD Promotes good practices	CA modified a small dollar lending pilot program, allowing somewhat higher fees and interest rates to encourage more lending in the $500-$2,500 space, resulting in APRs mostly in the 40s and 50s, and up to mid-70s. The program promotes good practices in consumer installment lending (such as underwriting, credit reporting, bans on credit insurance products, and limits on refinance and repeat lending), for loans with minimum terms of 90 – 180 days.
NC bill passed	LOSS Increases costs for consumers	NC passed a bill that makes consumer installment loans larger and more expensive. The bill increased the interest rates on almost all loans, added new fees and increased the allowed loan size. Despite this, the increases were not as high as industry wanted.
FL bill passed	LOSS Increased costs for consumers	The bill increased the interest rates by raising the loan amount subject to the highest allowed rate.
IN bill passed	LOSS Increased costs for consumers	The bill increased the loan amount subject to the highest rates, increased rates and increased allowable fees.

<table>
<tr><td rowspan="2">Student Lending</td><td colspan="2">Student debt has skyrocketed in recent years fueled by rising tuition rates and tight state budgets. Private student loans can be particularly dangerous for borrowers as they don’t have the same protections and repayment options as Federal loans. Some for-profit colleges encourage borrowing, yet provide questionable education and economic value for students. The debt burden and default rates on student loans have risen sharply in recent years leading many to question the wider economic impact of these trends.

In 2013, Federal efforts made small improvements in repayment options, but serious problems (particularly in the for-profit college area) remain.</td></tr>
<tr><td>$1 trillion
Student loans outstanding</td><td>30%
Of borrowers in repayment are delinquent</td></tr>
<tr><td colspan="3">Student loans should leverage a valuable education.
Student loans should be affordable.
Struggling borrowers should have access to flexible repayment options.</td></tr>
</table>

CFPB to supervise non-bank servicers	GAIN Improves oversight	CFPB issued a rule to oversee nonbank student loan servicers that handle more than 1 million borrower accounts, a majority of the nonbank servicers. Examiners will make sure all relevant laws are being followed and that banks and nonbanks are following the same rules in the student loan servicing market.
Improved Income-Based Repayment Program	GAIN Reduces costs for consumers	The Department of Education implemented a new Income-Contingent Repayment (ICR) plan based on the President’s “Pay As You Earn” repayment initiative, which improves the Income-Based Repayment (IBR) plan. The changes adopt a more expansive formula for qualifying future borrowers for the program and improve the application and certification process for applicants.
Improved Disability Discharge Program	GAIN Improves servicing	The Department of Education implemented changes to the total and permanent disability (TPD) discharge process for borrowers. The changes streamline the application and approval process with in the Department of Ed, improve the forms used, and allow some borrowers to certify their disability by showing they meet a SSDI-set standard that many applicants have already obtained.
Improved collections procedures	GAIN Reduces costs for consumers and reduces redefaults	The Department of Education instructed collectors to use their Income Based Repayment (IBR) formula to calculate the payment amount during a borrower’s rehabilitation period. Payments calculated from this formula are generally lower than the payments collectors were previously requiring of borrowers.

Dept of Ed finalizes rehabilitation rules	GAIN Reduces costs for consumers	The Department of Education finalized new rules (to go into effect July 2014) that strengthen protections for distressed borrowers. The rules define "reasonable and affordable" payments for borrowers in rehabilitation as no more than 15% of discretionary income rather than allowing payments to be based on loan amount, a set minimum or other criteria. The rules also add protections for borrowers who request a forbearance plan.
Regulators clarify loan mod rules	GAIN Reduces costs for consumers	Federal bank regulators clarified guidance to confirm that private lenders can modify private loans.
NY AG fines for-profit conglomerate	GAIN Penalizes bad practices	Career Education Corp., one of the largest for-profit college conglomerates, agreed to pay more than $10 million to settle claims that it falsified job placement rates to boost revenue.
CFPB data release	HELPS Highlights bad practices	CFPB added complaints about student loans to the public Consumer Complaint Database.
CFPB report	HELPS Highlights bad practices	CFPB issued a report about student lending and the roadblocks this form of debt can create for consumers after college.
FDIC, DOJ and CFPB warn Sallie Mae	HELPS Highlights bad practices	The FDIC, DOJ and CFPB have all warned Sallie Mae that they plan to take regulatory action against the organization. The regulators are concerned about the company's payment allocation practices and procedures and potential violations of the Equal Credit Opportunity Act (ECOA), Servicemembers Civil Relief Act (SCRA), and Regulation B.
Dept of Ed starts gainful employment rulemaking	HELPS Highlights bad practices	The Department of Education held negotiated rulemaking sessions in Fall 2013 to craft a Gainful Employment rule which would ensure students attending for-profits and other career-focused programs do not experience overwhelming or unsustainable debt loads as a result of attending these programs. A proposed rule is likely to be published for comment in the first half of 2014.
CFPB investigation of for-profits	HELPS Highlights bad practices	ITT and COCO have disclosed that they are under investigation by the CFPB regarding their marketing and origination of private student loans
CA suit against Corinthian College	HELPS Highlights bad practices	CA Attorney General filed suit against Corinthian College, accusing the for-profit college of falsifying job placement rates and misrepresenting its educational quality, accreditation, costs and financial aid.

<table>
<tr><td rowspan="2">Auto Lending</td><td colspan="3">A car is one of the largest purchases American consumers make. The lack of transparency and regulation in auto finance has allowed different predatory practices to thrive throughout the years, creating unnecessarily expensive and unsustainable loans for consumers. Particularly harmful practices include: auto dealers marking up the interest rate for compensation; coercing consumers to sign second, more expensive financing contracts because the dealer was unsatisfied with the first agreement, and even though the consumer leaves the lot thinking the deal is final; and, aggressively selling add-on products like extended warranties and other insurance products, which can have price markups of well over 100% and be riddled with exclusions and deductibles. While all car buyers are affected, consumers of color are disproportionately affected.

In 2013, regulators have taken a first look at abuses in auto lending, but are far from implementing widespread solutions that would bring fairness and reign in abusive and discriminatory practices.</td></tr>
<tr><td>$25.8 billion
Additional amount paid over the life of the loan due to dealer interest rate mark-up</td><td>25-30%
Buy Here Pay Here deals end in repossession</td><td>10-30 basis points more
Non-white borrowers pay higher interest rates</td></tr>
<tr><td colspan="4">Prices of all financed costs (car, any add-on products, and interest rates including mark-up) should be clearly presented to borrowers.

The loan used to finance an auto purchase should be final before the consumer takes possession of the vehicle.</td></tr>
</table>

Ally Bank settlement	GAIN Penalizes bad practices	The CFPB and DOJ announced a settlement with Ally Financial and Ally Bank for violations of ECOA in their auto lending portfolio. The settlement requires Ally to pay $80 million in restitution to borrowers affected and an additional $18 million in civil penalties paid to the CFPB.
CFPB guidance	GAIN Improves oversight	CFPB released fair lending guidance that makes lenders liable for lending practices on indirect loans.
CFPB order	GAIN Restricts bad practices	CFPB ordered US Bank, and one of its nonbank partner companies, to refund $6.5 million and end deceptive marketing and lending practices. The agency found that the two companies failed to properly disclose all the fees charged in the companies' Military Installment Loans and Educational Services (MILES) auto loans program, and misrepresented the true cost and coverage of add-on products financed along with the auto loans.
CFPB data release	HELPS Highlights bad practices	CFPB added complaints about auto loans to the public Consumer Complaint Database.

<table>
<tr><td rowspan="2"><h1>Credit Reporting</h1></td><td colspan="2">Credit bureaus collect and analyze consumer financial transactions and produce credit reports and scores. Sometimes the reports contain errors which can be hard for consumers to resolve. Furthermore it can be difficult for consumers to get access to their score without paying a fee. Credit reports and scores are increasingly important and can impact not only the availability and price of credit but also insurance, rental and employment opportunities.

In 2013, greater attention has been paid to abuses in credit reporting, but it has resulted in few improvements for consumers.</td></tr>
<tr><td>20%
Of consumers had a verified error on their credit report</td><td>7 years
Most negative information stays on a credit report</td></tr>
<tr><td colspan="3">Consumers should have free access to the credit information (reports and scores) used by most lenders.

Credit reporting agencies should have procedures to ensure that errors on credit reports are extremely rare.

Errors on credit reports should be corrected by the credit reporting agency and/or creditor in a timely manner following a meaningful investigation of disputes.</td></tr>
</table>

CFPB bulletin to furnishers	GAIN Restricts bad practices	CFPB outlined its expectations for companies that supply information for credit reports (furnishers). The bulletin highlights the company's responsibilities to respond when consumer dispute credit information.
CFPB bulletin to debt collectors	GAIN Restricts bad practices	CFPB warned debt collectors to avoid making deceptive representations to consumers about the impact that paying on a collection account would have on the consumer's credit report or score.
Credit Bureaus improve dispute handling	GAIN Improves consumer information	After CFPB supervision began, the credit bureaus improve their procedures for dispute handling by forwarding a copy of the dispute and supporting documentation to the creditor, debt collector or other information furnisher.
FTC fines Certegy	GAIN Penalizes bad practices	Certegy, one of the nation's largest check authorization service companies, agreed to pay $3.5 million to settle charges with the FTC that it violated the Fair Credit Reporting Act. In addition to the fine, Certegy must improve its procedures to settle consumer disputes with regard to the information they pass on to retailers and other companies.
FTC Equifax settlement	GAIN Restricts bad practices	The FTC settled with Equifax over its selling of information about consumers who were late on their mortgages. The settlement included a fine and prohibitions on future sales of prescreened lists. Among the limitations, lists cannot be sold unless there is a "permissible purpose" and not for debt relief products and services when advanced fees are charged.

FTC action against companies acting as credit reporters	GAIN Penalizes bad practices	The FTC took action against marketers of criminal background checks, rental histories and data brokers. The actions emphasized that companies acting as credit reporting companies must following the requirements of the Fair Credit Reporting Act (FCRA) including that the information be for a permissible purpose, be accurate and provide for resolving consumer disputes.
FICO Score Open Access	GAIN Improves consumer information	A new FICO program, announced in November, allows lenders to share a consumer's credit score. The company projected that 25 million consumers will have free access to scores by the end of 2013. Previously, this critical credit information had only been available to consumers for a fee.
CFPB complaint collection	HELPS Highlights bad practices	CFPB added complaints about credit reporting to the public Consumer Complaint Database.
FTC report	HELPS Highlights bad practices	The FTC released a report highlighting the frequency of and damage done by credit report errors. It found that ~20% of consumers had credit reports errors, 13% had errors that affected their score and 5% had errors that caused an increase in the cost of credit.

Deposit Accounts and Overdraft Practices

Consumers rely on deposit accounts to be a safe place to keep their money. High, tricky fees erode that confidence. In particular, overdraft practices have transitioned from an occasional courtesy to a practice designed to extract fees from consumers.

In 2013, banks continue to change their overdraft practices as a result of legal settlements and there appears to be some appetite for further reforms beyond simple opt-in requirements. However, high-cost overdraft products are still common in the marketplace.

$16.7 billion	$225	3/4
Overdraft fees annually	Average fees paid by accountholders with at least one overdraft	Of the nation's largest banks charge overdraft fees on debit card purchases

Banks should not manipulate the processing order of transactions to maximize fees.

Banks should not charge overdraft fees on debit card purchases and ATM withdrawals.

Banks should not charge customers more than 6 overdraft fees in a single year.

Regulators should collect and make data on overdraft fees widely available.

All deposit account fees should be transparent, reasonable, and fair. Pricing structures should facilitate comparison and not rely on back-end fees.

Customers should have effective means to resolve account disputes.

Banks should prevent and reverse unauthorized payments.

Customers should be able to easily close an account and transfer necessary charges without encountering fees.

Banks improve posting order processes	GAIN Reduces costs for consumers	The list of banks improving posting order continued to grow, with addition of Huntington Bank and Bank of America. Huntington Bank changed the method it used for posting transactions, posting debit card transactions and checks chronologically and others from lowest dollar amount to highest. Bank of America stopped posting many debit transactions largest to smallest, changing to chronological order.
Judgment against Wells Fargo	GAIN Penalizes bad practices	A federal judge reinstated a $203 million judgment against Wells Fargo for their posting order practices on debit cards. The judge agreed that the bank mislead consumers about posting orders and posted transactions in a such a way as to maximize fees.
Bank overdraft settlements	GAIN Penalizes bad practices	Banks continued to agree to multi-million settlements in lawsuits related to manipulating posting order to increase fees. Banks have agreed to more than $1 billion in settlements since 2011, with some cases still under consideration.

JPMorgan Chase payday payment processing settlement	GAIN Restricts bad practices	As part of a settlement with customers who experienced multiple withdrawals and overdraft fees resulting from electronic payments for illegal payday loans, JPMorgan Chase agreed to improve consumer protections in its electronic funds transfer policies. The bank agreed to stop electronic transfers from a customer's account after a single request by the accountholder; to create a process to effectively stop payments even if the lender manipulates the form of the payment; to charge only one NSF fee per month per payment; and to permit consumers to close their accounts and to stop further payments even if the account is negative.
NACHA re-initiation guidelines	GAIN Promotes good practices	NACHA (an electronic payments association) issued a bulletin clarifying when a bank can re-submit a payment to be debited against a consumer's account after a check or ACH payment has been stopped or rejected. The bulletin prohibits an electronic payment from being processed after a check was stopped, and reminds banks that bounced payments can only be submitted a total of 3 times. The bulletin also prohibits manipulations to evade stop payment orders, like changing the name or amount.
CFPB releases complaints	HELPS Highlights bad practices	CFPB added complaints about deposit accounts to the public Consumer Complaint Database.
CFPB overdraft report	HELPS Highlights bad practices	CFPB issued a report about overdraft programs. The report documents a variety of bank overdraft practices and brings to light concerns about the programs. Importantly, it demonstrates that problems persist in the market after the opt-in rule's implementation and that further substantive reforms are needed.
CFPB probes college affinity products	HELPS Highlights bad practices	The CFPB highlighted the ways colleges promote particular accounts and debit cards. Similar practices regarding credit cards were outlawed by the CARD Act and the CFPB raised concerns that colleges may be steering students to particular products.
NACHA payment quality rules	HELPS Promotes good practices	NACHA(an electronic payments association) proposed new rules to require banks and payment processors that originate payments to conduct closer scrutiny of payments that are returned for any reason (stop payment, insufficient funds, etc.). This will make it harder for scammers, illegal payday lenders and others to process unlawful payments.
Agency data collection	HELPS Highlights bad practices	Bank regulators proposed changes to CALL reports (by FDIC, OCC and Fed) that would list overdraft fee income as a separate report item. The proposal, which the regulators continue to evaluate, signaled recognition from the regulators that overdraft fees may warrant separate disclosure.

<table>
<tr><td rowspan="2"><h1>Credit Cards</h1></td><td colspan="2">Credit cards have become ubiquitous methods of payment for most Americans. The CARD Act of 2009 put in place a number of consumer-friendly reforms. However, abuses remain, particularly in the areas of underwriting, add-on products, deferred interest cards, and products targeted for sub-prime consumers.

In 2013, The CARD Act protections have proven successful, and regulators continue to hold issuers responsible for consumer abuses, particularly in the sale of add-on products.</td></tr>
<tr><td>68%
Of Americans have a credit card</td><td>$4 billion
Annual savings for consumers from reductions in over the limit and late fees due to the CARD Act</td></tr>
<tr><td colspan="3">The interest rate the borrower will pay for credit card purchases should be stated and agreed to by the borrower before credit is extended.

Borrowers who accept zero interest offers should not be hit with retroactive interest payments.

All fees associated with credit cards should be clearly presented. Fees and add-on products should not be used to understate the APR or the cost of the card.

Lenders should extend credit only after determining that the borrower is able to make the payments as they come due.

Lenders should not target overextended consumers with credit offers.</td></tr>
</table>

<table>
<tr><td rowspan="2">JPMorgan Chase settlement</td><td>GAIN</td><td rowspan="2">JPMorgan Chase was assessed penalties by the OCC and CFPB for unfairly billing customers for add-on products. The bank must pay more than 2 million harmed consumers more than $309 million in total.</td></tr>
<tr><td>Penalizes bad practices</td></tr>
<tr><td rowspan="2">American Express settlement</td><td>GAIN</td><td rowspan="2">American Express agreed to a $76M settlement for illegal credit card practices, in particular that it misled consumers about the benefits of credit add-on products. The settlement includes penalty fines assessed by the FDIC, OCC and CFPB ($16.2M) and refunds to consumers ($59.5M).</td></tr>
<tr><td>Penalizes bad practices</td></tr>
<tr><td rowspan="2">GE CareCredit refund ordered</td><td>GAIN</td><td rowspan="2">The CFPB ordered GE, and its subsidiary CareCredit, to refund $34.1M to consumers. The refund will go to victims of deceptive enrollment tactics that were employed when consumers were offered a credit card to fund medical expenses at dentist's and doctors' offices.</td></tr>
<tr><td>Penalizes bad practices</td></tr>
<tr><td rowspan="2">CFPB report</td><td>HELPS</td><td rowspan="2">The CFPB released a report assessing the impact of the 2009 CARD Act. The report found that provisions limiting penalty fees saved customers $4B annually and that overall the total cost of credit had fallen by approximately 2 percentage points.</td></tr>
<tr><td>Highlights good practices</td></tr>
<tr><td rowspan="2">CFPB fee rule</td><td>LOSS</td><td rowspan="2">CFPB adopted a revised rule on credit card fees such that a cap on total allowable fees no longer applies to fees charged prior to account opening.</td></tr>
<tr><td>Encourages bad practices</td></tr>
</table>

Prepaid Cards	Prepaid credit cards can provide convenience and safety, but most lack basic consumer protections and they can come loaded with fees. Because the disclosure of these fees varies from card to card and is often hidden, consumers have a tough time comparison shopping. Some employers and states push for or require wages and public benefits to be loaded onto a particular prepaid card. Some payday lenders and others have used prepaid cards as vehicles for offering predatory loans and evading credit rules. In 2013, there remains no widespread regulation of these products, which continue to grow in popularity. It is likely that federal regulators will seek to address prepaid concerns in the coming years. **41 States** Provide unemployment benefits on a prepaid card **22% growth** In prepaid card usage

Prepaid cards should not have overdraft or credit features.

The fees on prepaid cards should be limited and well disclosed. Customers should have access to statements and account information at low costs.

Prepaid cards should include deposit insurance.

Prepaid cards should have the same protections in place as those on electronic payments generally (Regulation E).

Workers and other consumers should be able to choose how they receive the funds they are entitled to.

UTB Withdrawals Overdraft "Protection"	GAIN Reduces costs for consumers	Urban Trust Bank (UTB) eliminated overdraft fees from all of its prepaid cards, ending credit features on all of its prepaid cards. This optional "feature" allowed purchases when the card was empty, at a cost of $0.15 for every $1 in negative balance. The fee equated to an APR of 390%.
States improve their prepaid cards	GAIN Reduces costs for consumers	According to NCLC analysis of unemployment prepaid cards offered by 41states, 18 states improved their unemployment prepaid cards from the last accounting (2011) by reducing fees for ATM withdrawals, balance inquiries, purchases, and other transactions.
CA adds protections to state benefits cards	GAIN Protects consumers	A CA law increased consumer protections on prepaid cards used for unemployment and safety-net benefits paid by state. The law prohibits state benefits from being loaded to cards that have overdraft fees or credit features, that lack deposit insurance or that fail to comply with protections for electronic payments.
Bluebird adds FDIC insurance	GAIN Protects consumers	American Express added FDIC insurance to its Bluebird prepaid card, a card it launched partnership with Wal-Mart. The insurance makes the card an option for customers who want government funds (like Social Security and tax refunds) loaded onto a prepaid card in addition to providing customers with assurance that the money on the card is insured.

MasterCard improves payroll card standards	GAIN Protects consumers	MasterCard released new standards (to take effect July 2014) that improve consumer protections on payroll cards that carry the MasterCard brand. The changes address the ways that consumers can access their funds and information about their funds, protect consumers against fraud in the case of a lost or stolen card, and improve disclosures about services and fees.
CFPB Bulletin	GAIN Highlights bad practices	The CFPB put out a bulletin that reminded employers of their legal obligations when offering wages on pre-paid cards – payroll cards cannot be the only way employees can receive wages and the payroll cards must comply with federal consumer protection requirements related to fees and access.
American Payroll Association Guidelines	HELPS Promotes good practices	The American Payroll Association released guidelines for prepaid payroll cards that include recommendations for consumer protections. The guidelines include recommendations that employees have access to funds and information about funds with limited fees, that cards provide deposit insurance, and that cards not have overdraft and other credit features.

Money Transfer (Remittances)	Millions of Americans transfer money electronically to friends and family overseas. These transfers (remittances) provide critical support to people across the world. Unfortunately, the process of sending money can be fraught with fees and confusion. Since the majority of both senders and receivers have low-incomes, reducing fees, bringing transparency and increasing protections to this market can have great impact. In 2013, rules went into effect that improved fee disclosures and added protections for borrowers. **>$400 billion** Sent annually **8.8% growth** Annual growth predicted

Costs associated with money transfer should be disclosed in a clear, understandable way that allows customers to compare across providers.

Transfers should be secure and accurate.

Customers should have an effective means to dispute and correct errors.

CFPB rule	GAIN Restricts bad practices	CFPB rules that provide much greater transparency to people sending money outside the US went into effect. Under the rules, remittance transfer providers will be required to disclose certain fees and taxes, as well as the exchange rate that will apply to the transfer. The rules also provide consumers with error resolution and cancellation rights. However, some advocates felt the rules could have gone further to protect consumers.
CFPB data release	HELPS Highlights bad practices	CFPB added complaints about remittances to the public Consumer Complaint Database.

Debt Collection & Buying

Debt collection abuses have for years been at the top of the list of complaints reported to the FTC. Illegal threats, harassment and privacy violations are common tools of debt collectors. The debt buying industry has grown rapidly, spurred by rapidly rising amounts of consumer debt and an increased willingness of creditors to sell charged-off consumer debts. Debt buyers typically purchase portfolios of consumer debts, some of which are years old, for pennies on the dollar and then attempt to collect on the debts using a variety of techniques. However, these companies rely on scant and potentially inaccurate information obtained from the original creditors. As a result, unreliable records are used to collect or bring suits on debts. The records may show inaccurate amount and include debts that are beyond the statute of limitations, have been discharged in bankruptcy or already paid, or which do not even belong to the consumer being contacted or sued.

In 2013, consumer abuse and confusion are common, however, some regulators and states are holding companies accountable and improving protections. Federal regulators have also begun to address best practices in the industry and are likely to take further action in the coming year.

1 in 10	$1,500	4 cents
Americans pursued by debt collectors	Average amount of each debt	Average amount paid per dollar of debt

Debt collectors should collect debts only in a fair manner without threats or harassment and with respect for consumer privacy.

First party creditors such as payday lenders should be required to abide by fair debt collection rules.

Consumers should have effective remedies against unfair debt collection practices.

Debt collection actions (in and out of court) should be brought only by creditors or debt buyers who actually own the debt, against consumers who actually owe the debts, and for the amounts being collected.

Consumer information should travel with the debt from the lender or original creditor to subsequent collectors and debt buyers. No debt should be sold or assigned without business records establishing the essential facts about the debt and previous debt collection efforts.

Appropriate and strong laws, regulations, and court rules should govern the sale of charged-off consumer debt, debt buying companies, and debt collection lawsuits, and these laws, regulations, and court rules should be enforced rigorously.

Large banks stop selling some debts	GAIN Restricts bad practices	Bank of America, JPMorgan and Wells Fargo stop selling card debt to debt collectors. Citi is the only one of the top 5 credit card issuers continuing this practice.
MN consumer bill passed	GAIN Restricts bad practices	MN passed debt buying reforms. The new rules require the debt collector to submit information proving the debt is owed in court before collecting on debt.
CA consumer bill passed	GAIN Restricts bad practices	CA passed a law that strengthens state oversight of the debt buying industry. The law requires debt buyers to provide consumers and the courts with proof of the debt amount and ownership.
OCC enforcement against JP Morgan Chase	GAIN Penalizes bad practices	The OCC accused the bank of violating the Servicemember Civil Relief Act through improper debt collection practices. The company is required to change their procedures and pay damages to consumers who were harmed.

FTC acts against debt collection scams	GAIN Penalizes bad practices	The FTC brought charges and a $1 million fine against companies that used misleading text messages to collect on debts illegally. In a separate case, a court order stopped the deceptive and threatening practices of a group that attempted to collect on fraudulent payday loan debts. In another case the FTC secured an $11.9M judgment and a ban on debt relief activities against companies that were involved in the "Rachel Robocall" scheme.
State actions against United Credit Recovery	GAIN Penalizes bad practices	Attorneys General in MN and CO filed lawsuits against United Credit Recovery, a large debt buyer, for creating, manufacturing and selling manufactured affidavits.
CFPB bulletins	GAIN Highlights bad practices	The CFPB released two bulletins that emphasize that it intends to hold all debt collectors (including creditors like payday lenders who collect financial debts) accountable for practices that are unfair, deceptive or abusive. The specific practices highlighted include: making false threats, falsely representing debt, misrepresenting that debts would be waived or forgiven, failing to properly post payments, and misrepresenting the impact of debt on a customer's credit standing.
CFPB added supervision	HELPS Improves oversight	CFPB began supervising any firm that has more than $10 million in annual receipts from consumer debt collection activities, approximately 60% of the market. Examiners will assess potential risks to consumers and compliance with existing laws. Among other things, examiners will look at whether debt collectors: provide required disclosures, provide accurate information, have a consumer complaint and dispute resolution process, and communicate civilly and honestly with consumers.
CFPB data release	HELPS Highlights bad practices	CFPB added complaints about debt collectors to the public Consumer Complaint Database.
CFPB announced proposed rulemaking	HELPS Highlights bad practices	The CFPB published an Advanced Notice of Proposed Rulemaking (ANPR) seeking comment on a wide range of debt collection practices. This is the first step the bureau has taken towards issuing rules for debt collection.
WA compromise bill passed	HELPS Improves oversight	WA passed a bill to include debt buyers in the collection agency law. This will require that debt buyers be licensed by the state.
NH bill passed	HELPS Highlights bad practices	NH bill to reform debt collection practices failed to pass the House as filed, but instead resulted in a bill that established a committee to study existing debt collection laws and practices.
WA predatory bill defeated	HOLD Prevents bad practices	WA defeated a bill to exempt attorneys and all litigation activities from the state's collection agency law.

WA consumer bill defeated	HOLD Allows bad practices	WA bill to reform debt buyer practices failed to pass the House.
CT consumer bill defeated	HOLD Allows bad practices	CT bill to reform debt buyer practices failed to pass the house.
NY consumer bill defeated	HOLD Allows bad practices	NY bill to reform debt buyer practices and lawsuits passed the Assembly but failed to pass the Senate.
OR consumer bill defeated	HOLD Allows bad practices	OR bill to reform debt buyers practices failed to pass the House.
LA predatory bill passed	LOSS Limits legal options for borrowers	LA passed a law that limits the options debtors have in arguing against a debt judgment in court. The final law is less restrictive than it was as originally proposed.
TN predatory bill passed	LOSS Limits legal options for borrowers	TN passed a bill that weakens evidentiary requirements for proving the amount owned for credit card debt in a collection lawsuit.
AR predatory bill passed	LOSS Limits legal options for borrowers	AR passed a bill that weakens evidentiary requirements for proving the amount owned for credit card debt in a collection lawsuit.

Debt Settlement

The for-profit debt settlement industry grew significantly in the last decade by exploiting vulnerable consumers who are drowning in debt. Companies advertise and promise that they can eliminate consumer debt by negotiating reduced payoffs with creditors, usually credit card providers. However, these companies rely on a flawed model that typically requires consumers to stop paying their bills without any guarantee that their creditors will agree to reduce their debt loads and may also impose costs on the consumer that dwarf any benefit. Late fees and increased interest rates due to the default follow quickly, and any savings achieved on any debts settled may be dwarfed by the increase in the consumer's overall debt load. Most consumers do not realize the limited benefits these companies claim they can provide, and many end up worse off, with larger debt loads and often lawsuits filed against them by their creditors. These problems are exacerbated when companies evade the FTC's ban on charging fees before a debt is even settled.

In 2013, consumer abuse and confusion are common; however, some regulators and states are holding companies accountable and improving protections.

20-25%
Of the total debt is charged as a fee

Few consumers benefit
Estimates show 65-90% of consumers leave these programs without settling their debt

Consumers should not pay for debt settlement services unless they receive a benefit.

Debt settlement companies should screen consumers for affordability and suitability, provide an overall net benefit to the consumer, and forego their fee where the consumer experiences a net loss.

Debt settlement companies should not direct consumers to stop paying creditors without the prior written agreement of the creditor.

Appropriate and strong laws should govern debt settlement companies and these laws should be appropriately enforced.

MN consumer bill passed	GAIN Restricts bad practices	MN passed a bill to close a loophole in oversight of debt settlement. The change ended an exemption for attorneys and expanded the debt settlement providers covered by state law.
FL AG sues company	GAIN Restricts bad practices	The FL attorney general's office secured an injunction against a debt settlement company operating illegally in the state.
NC AG sues company	GAIN Restricts bad practices	The NC attorney general's office secured a court order against a debt settlement company operating illegally in the state. An ongoing lawsuit would make this temporary freeze permanent and secure damages for the company's victims.
CO fines company	GAIN Restricts bad practices	The CO attorney general's office settled with a debt settlement company illegally operating in the state. The company is banned from the business of for-profit debt settlement in the state and was fined $165,000.

CT Banking Dept pursues bad actors	GAIN Restricts bad practices	The CT Banking Department obtained temporary or permanent restraining orders against and/or consent agreements with 20 debt settlement companies, including law firms, for operating illegally in the state and charging CT residents fees higher than that allowed by state law.
States sue Legal Helpers	GAIN Restricts bad practices	The AGs in MO and WI along and the CT Banking department sued Legal Helpers Debt Resolution. The states argue that the company mislead consumers, charged exorbitant fees and operated illegally by not obtaining a license from the state.
FTC shuts down company	GAIN Restricts bad practices	The FTC successfully ended the illegal practices of a Florida company that had misled and wrongly charged consumers through their debt relief business.
CFPB Meracord enforcement action	GAIN Penalizes bad practices	The CFPB enforcement action requires Meracord, a debt-settlement payment processor, to pay $1.376M in civil penalties for helping other firms collect illegal upfront fees from consumers. The action also halts illegal activities by the payment processor.
CFPB Morgan Drexen enforcement action	HELPS Increases oversight	The CFPB brought suit against Morgan Drexen for charging consumers illegal upfront fees for debt settlement. The company had argued that the CFPB's structure was unconstitutional, but a U.S. District Court dismissed that argument.
CFPB filed complaints	HELPS Highlights bad practices	CFPB filed federal complaints against 3 debt-relief companies asserting that they misled consumers and charged illegal up-front fees. The suit against American Debt Settlement Solutions Inc was the first in which the CFPB used its authority to oppose "abusive" practices was used as a basis for suit.
NJ predatory bill defeated	HOLD Prevents bad practices	NJ defeated a bill that legalizes for-profit debt settlement.
GA predatory bill defeated	HOLD Prevents bad practices	GA defeated a bill that would have allowed for-profit debt settlement to operate in the state.
NM predatory bill defeated	HOLD Prevents bad practices	NM defeated a bill that would have legalized harmful debt settlement practices.
LA predatory bill defeated	HOLD Prevents bad practices	LA defeated a bill that would have legalized harmful debt settlement practices.
WA predatory bill defeated	HOLD Prevents bad practices	WA defeated a bill that would have weakened existing debt settlement laws.

HI predatory bill defeated	HOLD Prevents bad practices	HI defeated a bill that would have legalized harmful debt settlement practices.
WV predatory bill defeated	HOLD Prevents bad practices	WV defeated a bill that would have weakened existing state law to allow for-profit debt settlement to operate in the state.
NY predatory bill defeated	HOLD Prevents bad practices	NY defeated a bill that would have allowed for-profit debt settlement companies to operate in the state.