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Supplemental Written Testimony

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In Response to Senator Thom Tillis (NC) Request for Written Comment on the Consumer Financial Protection Bureau's Taskforce on Federal Consumer Financial Law:

During the hearing, witnesses referred to the 2021 Report of the CFPB's Taskforce on Federal Consumer Financial Law. The report examined ways to harmonize and modernize federal consumer financial laws. In April, Consumers' Research hosted an enlightening discussion featuring me and Professor Todd Zywicki, the Chairman of the CFPB's Taskforce.

Contrary to claims the Taskforce was a partisan effort, Volume I of the final report contained nearly 800 pages of robust empirical research intended to serve as a research roadmap for future financial regulations. Volume II, meanwhile, contained 102 potential recommendations on a range of topics aiming to bolster consumer access to financial products. Consumer protection agencies, including the CFPB, are too hasty in their research, and reigniting quality research is essential for maximizing consumer welfare in the financial markets.

The membership of the Taskforce had a combined 150 years of experience in research and regulating consumer finance. If nothing else, the Taskforce report should serve as the new gold standard on how to conduct research that is used to justify new regulations.

In March, I expressed concern that "During his confirmation hearing, no Senator pressed Rohit Chopra, President Biden's nominee for Director of the CFPB, about how he plans to use research to underpin future CFPB decisions."

Regardless of whether he agrees with its recommendations, Mr. Chopra should look to the Taskforce's work as an example of the quality of research necessary to ensure the work of the CFPB is backed by rigorous empirical evidence.

You can find a link to my panel with Professor Zywicki here: [Higher Quality Research Needed at CFPB and Other Agencies, Experts Tell Consumers' Research - Consumers' Research \(consumersresearch.org\)](https://www.consumersresearch.org/higher-quality-research-needed-at-cfpb-and-other-agencies-experts-tell-consumers-research). This link contains a video of the panel as well as a written summary.

Attached, you will a copy of my Op-ed on the necessity of high-quality research at the CFPB, published by RealClear Policy.

Once again, thank you for the opportunity to provide additional supplemental testimony. Should you have further questions, I am happy to be of service.

Will Biden's CFPB Nominee Run a Research-Focused Agency?

By Thomas W. Miller Jr.

March 22, 2021

Why is the Senate allowing the Consumer Financial Protection Bureau (CFPB) to drift away from Senator Elizabeth Warren's original vision of a data-driven agency "with research at the core of all of its work?" Prudent regulators should not make policy based on mere beliefs, or on the findings of one or two studies.

During his confirmation hearing, no Senator pressed Rohit Chopra, President Biden's nominee for Director of the CFPB, about how he plans to use research to underpin future CFPB decisions. Chopra's 12-12 Committee vote indicates doubt. The full Senate must make an informed vote. To secure his confirmation, Chopra must assure a majority of the full Senate he can lead a data-driven Bureau. As he meets with Senators before his final confirmation vote, they should press him about his plans to generate and incorporate research at the CFPB.

If confirmed, Mr. Chopra would be one of the most powerful regulators in Washington, DC. Observers familiar with the agency expect a Chopra-led CFPB to act with a heavier hand than his predecessor.

Director Kathy Kraninger left Chopra a roadmap for a better CFPB. In January, Director Kraninger released a pivotal report from the Taskforce on Federal Consumer Financial Law that addresses access and inclusion issues that cut across ideological differences. The Taskforce Chair, Professor Todd Zywicki, said the report "will help provide guiding principles to advance the cause of consumer protection and inclusion for years to come."

Who is against consumer protection and inclusion? If Mr. Chopra considers this report objectively and implements its recommendations, he could revolutionize consumer financial regulation for a generation.

The Taskforce tapped its 150 years of professional experience in consumer finance to create the two-volume report. Volume I explains the consumer's need for credit products that include more users and minimize harm by giving regulators flexibility to monitor financial markets. Volume II contains 100 focused recommendations about moving forward. Together, the volumes can drive consumer financial policy for decades.

The report stresses the importance of innovation, access, and competition within the consumer credit industry. It gives the CFPB a compelling reason to foster more partnerships with researchers around the country to build a broad knowledge base to develop principles-based regulation. Such alliances can leverage the Bureau's data and expertise to craft an abundance of fresh, useful research.

A mosaic of up-to-date, rigorous, replicable consumer finance research has value beyond academia. As I testified, "deliberate, empirically informed regulators can do much to preserve and expand consumers' options" in financial markets.

The Taskforce's findings form a bedrock that can guide considerable research on consumer finance issues. In turn, careful research can form the base of facts for every future CFPB rule.

One remarkable finding of the Taskforce is that "credit invisibility" does not change over time. That is, if you are young and do not have a recorded credit history, it is hard for you to establish a broad credit record as you age. That finding should unleash a flurry of researchers to determine why (or truly if) consumers have trouble shedding the albatross of credit invisibility.

Everyone expects ruffled feathers over specific Taskforce recommendations. For example, Fintech companies probably don't like the idea of the CFPB being their primary regulator. Also, some Taskforce recommendations will rankle other federal agencies and the financial services industry — including banks.

Some policymakers, like Senators Elizabeth Warren and Sherrod Brown, called for disbanding the Taskforce before it even got off the ground. Detractors likely assumed the Taskforce would be a credit industry mouthpiece calling for Congress to dismantle the CFPB.

The detractors were wrong.

Instead, the Taskforce looked for inspiration from its predecessor, the National Commission on Consumer Finance, created by the Consumer Credit Protection Act of 1968. Its charge: conduct original research and provide Congress with recommendations about the regulation of consumer credit.

The Commission published the data, findings, and recommendations in a 1972 report. It wove together original data, information, and analyses. This work underpinned the report's final recommendations and formed the bedrock for every significant legislative and regulatory change in consumer finance for nearly four decades.

But 2021 is not 1972. Research on consumer financial markets desperately needs an update. The financial environment has completely changed. To cite just two obvious changes: Revolving consumer credit and student debt have exploded in recent years. A slew of new financial products exists today. The CFPB has an opportunity and responsibility to study the recommendations made in the 2021 Taskforce report.

Director Kraninger built a group of strong leaders to guide the capable research staff at the CFPB. Members of the Senate should demand that Mr. Chopra makes the Taskforce Report the cornerstone of future research, rulemaking, and enforcement. This commitment would transform the CFPB from a partisan prize in political warfare into a regulator that truly works for all consumers.

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