JUNE 19, 2012

# Consumer Response: A Snapshot of Complaints Received

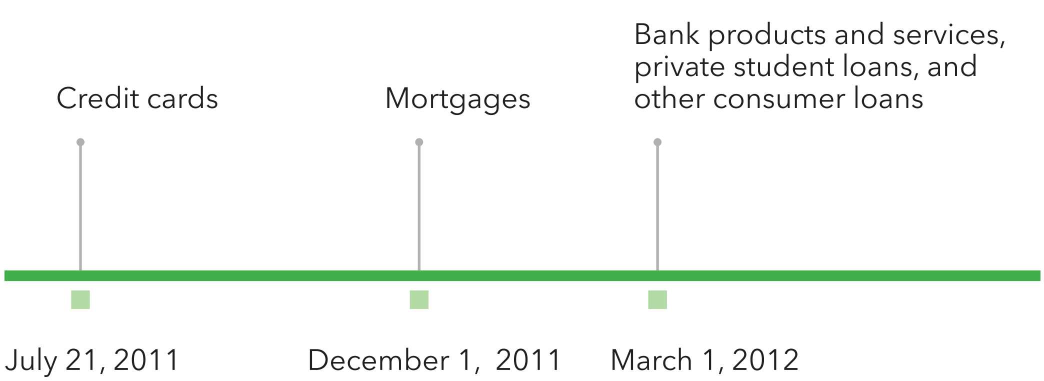
Consumer Financial
Protection Bureau

# Introduction

The Consumer Financial Protection Bureau ("CFPB" or "Bureau") began consumer response operations on July 21, 2011 and became the first federal agency solely focused on consumer financial protection. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank Act") created the Bureau to protect consumers of financial products or services and to encourage the fair and competitive operation of consumer financial markets. Taking in, resolving, and analyzing consumer complaints is an integral part of the CFPB's work, as Congress set forth in the Dodd-Frank Act. The Bureau's Consumer Response team hears directly from consumers about the challenges they face in the marketplace, brings their concerns to the attention of financial institutions, and assists in addressing their complaints.

The Consumer Response team began taking consumer complaints about credit cards on July 21, 2011; it began handling mortgage complaints on December 1, 2011; and it began accepting complaints about bank products and services, private student loans, and other consumer loans on March 1, 2012. Over the next year, the CFPB expects to handle consumer complaints on all products and services under its authority. In the meantime, consumers may contact the CFPB about products and services beyond those listed above. The Bureau answers these inquiries by referring consumers to other regulators or additional resources where appropriate.

This snapshot report provides an overview of how Consumer Response handles complaints and presents an analysis of complaints received over the period from July 21, 2011 to June 1, 2012.



# How The CFPB Handles Complaints

The CFPB accepts complaints through its website and by telephone, mail, email, fax, and referral from other agencies. The CFPB's U.S.-based contact centers handle calls with little-to-no wait times, providing services to consumers in 187 languages and for hearing- and speech-impaired consumers via a toll-free telephone number. Cutting-edge technology, including secure company and consumer portals, makes the process efficient and user-friendly for consumers and companies. For companies, the CFPB provides secure channels for communicating directly with dedicated staff about technical issues.

Consumer Response screens all complaints submitted by consumers based on several criteria. These criteria include whether the complaint falls within the CFPB's primary enforcement authority, whether the complaint is complete, or whether it is a duplicate of a prior submission by the same consumer. Screened complaints are sent via a secure web portal to the appropriate company. The company reviews the information, communicates with the consumer as needed, and determines what action to take in response. The company reports back to the consumer and the CFPB via the secure "company portal." The Bureau then invites the consumer to review the response. Consumer Response prioritizes for review and investigation complaints in which the consumer disputes the response or where companies fail to provide a timely response. Consumers can log onto the secure "consumer portal" available on the CFPB's website or call the toll-free number to receive status updates, provide additional information, and review responses provided to the consumer by the company.


Throughout this process, Consumer Response is supported by CFPB colleagues who provide subject matter expertise and help monitor complaints involving certain groups.

# Results

## HOW COMPLAINTS REACH THE CFPB

Between July 21, 2011, and June 1, 2012, the CFPB received approximately 45,630 consumer complaints, including approximately 16,840 credit card complaints, 19,250 mortgage complaints, 6,490 bank products and services complaints, and 1,270 private student loan complaints.

Approximately 44 percent of all complaints were submitted through the CFPB's website and 11 percent via telephone calls. Referrals from other regulators and agencies accounted for 39 percent of all complaints received. The rest were submitted by mail, email, and fax.

More than 37,120 complaints (81 percent) of complaints received as of June 1, 2012, have been sent by Consumer Response to companies for review and response. The remaining complaints have been referred to other regulatory agencies (9 percent), found to be incomplete (4 percent), or are pending with the consumer or the CFPB (6 percent). Companies have already responded to approximately 33,000 complaints or 89 percent of the complaints sent to them for response.

Once the company responds, the CFPB provides this response to the consumer for review. Consumers are given the option to dispute responses indicating a resolution has been provided or that the company has closed the complaint with or without relief. Consumers are asked to notify the CFPB within 30 days if they want to dispute a company's response. Consumers have disputed approximately 5,940 company responses (19 percent) to complaints.

The product-specific analyses below describe complaints by type as reported by consumers, actions taken, company responses, and consumer review of company responses.

(Note that percentages in this snapshot report may not sum to 100 percent due to rounding.)

## CONSUMERS' CREDIT CARD COMPLAINTS

Billing disputes are the most common type of credit card complaints. Some consumers are confused and frustrated by the process and limits of challenging inaccuracies on their monthly credit card billing statements. For example, some consumers only realize that they needed to notify their credit card companies within 60 days of any billing errors after their claim has been denied. In other cases, consumers are not aware that companies typically do not stop a merchant charge once the cardholder has authorized it or do not override a merchant's "no-return policy." Other common types of credit card complaints

complaints are those about annual percentage rates or interest rates and identity theft, fraud, or embezzlement.

Approximately 14,070 (84 percent) of credit card complaints, have been sent by Consumer Response to companies for review and response. The remaining credit card complaints have been referred to other regulatory agencies (6 percent), found to be incomplete (7 percent), or are pending with the consumer or the CFPB (3 percent). Companies have already responded to approximately 13,240 complaints or 94 percent of the complaints sent to them for response. Since December 2011, companies have also had the option of reporting the amount of monetary relief, if any. The median amount of relief reported was approximately $130 with $25 being the most common amount of relief for the more than 2,000 credit card complaints where companies reported relief. Consumers have disputed approximately 1,950 company responses (16 percent) to credit card complaints.

## CONSUMERS' MORTGAGE COMPLAINTS

The most common type of mortgage complaint is about problems consumers have when they are unable to pay, such as issues related to loan modifications, collection, or foreclosure. For example, consumer confusion persists around the process and requirements for obtaining loan modifications and refinancing, especially regarding document submission timeframes, payment trial periods, allocation of payments, treatment of income in eligibility calculations, and credit bureau reporting during the evaluation period. The shelf life of documents provided as part of the loan modification process is of particular concern to consumers. Though consumers must provide documents within short time periods and income documentation generally remains valid for up to 60 days, lengthy evaluation periods can result in consumers having to resubmit documentation - sometimes more than once. This seems to contribute to consumer fatigue and frustration with these processes.

Other common types of mortgage complaints are those about making payments, such as issues related to loan servicing, payments, or escrow accounts. For example, consumers express confusion about whether making timely trial period payments will guarantee placement into a permanent modification. Issues related to applying for the loan, such as the application, the originator, or the mortgage broker, are also among the most common type of mortgage complaints.

Consumers filing complaints about problems when they are unable to pay generally appear to be driven by a desire to seek agreement with their companies on foreclosure alternatives.

Approximately 16,250 (84 percent) of mortgage complaints, have been sent by Consumer Response to companies for review and response. The remaining mortgage complaints have been referred to other regulatory agencies (7 percent), found to be incomplete (2 percent), or are pending with the consumer or the CFPB (6 percent). Companies have already responded to approximately 13,930 complaints or 86 percent of the complaints sent to them for response. The median amount of monetary relief reported was approximately $410 for the nearly 600 mortgage complaints where companies reported relief. Consumers have disputed approximately 3,020 company responses (23 percent) to mortgage complaints.

## CONSUMERS' BANK PRODUCT AND SERVICE COMPLAINTS

The most common type of bank product and service complaint is about opening, closing, or managing the account such as confusing marketing, denial, fees, statements, and joint accounts. Other common types of complaints include those about deposit and withdrawal issues such as transaction holds unauthorized transactions, and problems caused by the consumer's funds being low such as bounced checks, overdraft and late fees, and credit reporting. Many consumers remain frustrated with overdraft fees and the wide discretion companies have to assess these and other fees so long as the fees are outlined in account agreements. Similarly, some consumers express frustration with the order in which companies process account withdrawals because of the number of overdraft fees charged when larger transactions are processed before smaller ones.

Approximately 5,120 (79 percent) of bank product and service complaints received as of June 1, 2012, have been sent by Consumer Response to companies for review and response. The remaining bank product and service complaints have been referred to other regulatory agencies (11 percent), found to be incomplete (3 percent), or are pending with the consumer or the CFPB (7 percent). Companies have already responded to approximately 4,360 complaints or 85 percent of the complaints sent to them for response. The median amount of monetary relief reported was approximately $100 for the more than 1,000 bank product and service complaints where companies reported relief. Consumers have disputed approximately 740 company responses (17 percent) to bank product and service complaints.

## CONSUMERS' PRIVATE STUDENT LOAN COMPLAINTS

The most common type of private student loan complaint is about repaying the loan, such as fees, billing, deferment, forbearance, fraud, and credit reporting. Consumers struggle with the limited payment deferment options permitted in their loan agreements, especially when they have not found employment by the time they need to start paying back their loans and because deferments often are for no more than six months.

Another common type of complaint is about problems consumers have when they are unable to pay, such as issues related to default, debt collection, and bankruptcy.

Approximately 900 (71 percent) private student loan complaints have been sent by Consumer Response to companies for review and response. The remaining private student loan complaints have been referred to other regulatory agencies (10 percent), found to be incomplete (2 percent), or are pending with the consumer or the CFPB (17 percent). Companies have already responded to approximately 830 complaints or 92 percent of the complaints sent to them for response. Fewer than 60 companies have reported relief. Consumers have disputed approximately 130 company responses (17 percent) to private student loan complaints.

Listening and responding to consumers is an integral part of the CFPB's work to understand issues in the financial marketplace. As Consumer Response processes complaints, it also continues to identify new ways to improve its processes to make them as efficient, effective, and easy-to-use as possible. The Bureau uses consumer complaints to inform its work in making prices and risks clearer, protecting consumers of financial products and services, and encouraging financial markets to operate fairly and competitively.

# Stories of Success

Since the CFPB launched, the Consumer Response team has been hearing directly from consumers about the challenges they face in the marketplace, bringing their concerns to the attention of financial institutions, and assisting in addressing their complaints. This taking in, resolving, and analyzing consumer complaints is an integral part of the CFPB's work.

The CFPB has helped thousands of consumers. The following stories are from a few consumers who the CFPB has helped and who have agreed to let the CFPB make their stories public.

**Ronald, a 77-year-old Army veteran and retired businessman from Georgia believed he had paid off his mortgage but found his mortgage servicer said he still owed money.** Ronald, who bought his home in 1979 for $38,000, was blind and had trouble finding the paperwork to prove he owned his home free and clear. So he continued to hand over $100 each month to the lender. After the CFPB got involved at the end of 2011, the bank determined that Ronald had in fact paid off his mortgage in 2007 before the current servicer took over the loan. The bank refunded Ronald's money at 3 percent interest and sent him a check for $30,000.

**Julio, a 31-year-old waiter from Florida struggled to pay his private student loans from a for-profit college after his payments shot up.** When Julio left Puerto Rico to pursue his dream of studying to be an artist, he chose a for-profit college that he says advertised itself as a top ranking school. But after accruing $110,000 in debt and graduating with only an Associate's Degree, not the Bachelor's he wanted, he couldn't find a job in his field. The college was not competitive, he was told. Like many other students, Julio says the school steered him into taking on expensive private loans before exhausting his federal loan options. For more than a year, he promptly paid $700 a month to the private student loan lender. But when his federal loan kicked in, his payments increased to $1,100 a month and he could no longer make ends meet. He called his private student lender and asked to work out a deal for lower, extended payments. The company refused, he said. After Julio contacted the CFPB, the loan provider discovered that Julio was eligible for a reduced-payment program. Julio's private student loan payments were cut back to $407 a month for the next year. Julio is still working out a plan for to reduce his payments for the federal loans.

**Nelda, a 67-year-old data entry clerk from California, received a $2,000 charge on her credit card for purchases she never made.** She says she contacted the card issuer to report the mistake and found out the charges were systematically accrued on one day by someone withdrawing $200 at a time. She told the issuer it was fraud. But she says the issuer said she was still on the hook for the money because it was her card. The charges set off a cascade of bad events for Nelda that lasted nearly a year. Eventually, the debt was sold to a collection agency that took Nelda to court. After the CFPB got involved, the card issuer accepted that the charges were fraudulent and agreed that Nelda was not responsible.

**Greg, a 39-year-old insurance adjuster from Michigan, whose credit rating was damaged after a bank failed to tell him that an account with which he was associated was in arrears.** Greg added his name to his 71-year-old mother's checking account after he helped her move into an assisted living facility. Six months passed without Greg getting any statements or hearing from the bank. Little did he know, however, that his mother had written a check and the account was racking up big fees because its balance had fallen below zero. He found out about it when he checked his credit report and saw that he owed a collection agency $469. Greg paid the bill but his credit was harmed and he says the bank wouldn't help. After the CFPB got involved, the bank apologized for their error, called off the debt collector, and had Greg's negative credit record removed.

**Jonna, a 53-year-old legal assistant from Texas, was accruing high fees on her credit card because of a card issuer computer glitch.** The problems started in August 2011 when Jonna says she tried to pay $200 toward her $3,100 credit card debt but a malfunction of the credit card issuer's website instead caused a $3,100 withdrawal from her bank account. That malfunction resulted in an overdraft charge from her bank and a charge of $25 from the card issuer for a bounced payment. After repeated phone calls to customer service, the card issuer finally straightened out the amount that Jonna had wanted to pay but accidentally put the $3,100 balance as cash advance charges, which have a higher interest rate than purchases. Interest owed was ratcheting up fast. The fees grew to $345 before the issuer agreed to return the balance to the purchased category. When Jonna contacted the CFPB in May 2012 she says there was still an erroneous cash advance balance on her card, extra fees were still being charged, and the issuer still had failed to reimburse her for the mistaken interest charged while the balance was in the higher-interest cash advanced category. Within a week after the CFPB got involved, the credit card issuer corrected all their errors. And, although the issuer could not refund Jonna for the insufficient fund charges from her bank, it sent Jonna a gift card for a national retail outlet.

**Tom, a 39-year-old attorney from Virginia, spent three years getting the runaround from his bank when he attempted to modify his mortgage.** In 2008, Tom requested the mortgage modification after his employer reduced his salary. From that point, Tom had a frustrating back-and-forth exchange with the bank. At first, Tom said, the bank said he qualified but that he had to miss two payments for the modification to go through. When the paperwork on the account didn't reflect what he had been told by the bank representatives, he said he was told to be patient. Then the bank increased the principal on his loan. He asked about it but was told to be patient again and that the computer system needed to be updated. Then, he received notices saying he was defaulting on his loan. Every time Tom tried to fix the situation by calling his bank, he was unable to reach anyone who could help. He says he was told that the errors could not be corrected by any one department. After the CFPB investigated the matter, the bank proposed a settlement agreement including a $12,000 principal reduction and a cash payment of $8,000 to cover the accrued fees, interest and other related charges that occurred during his request for loan modification. Tom is still waiting for the paperwork to be signed but expects it to be soon.

## CFPB CONSUMER RESPONSE CONTACT INFORMATION:

consumerfinance.gov/complaint

Toll-free telephone number:

1-855-411-CFPB (2372)
(8 a.m. to 8 p.m. EST, Monday through Friday)

TTY/TDD telephone number:

1-855-729-CFPB (2372)

Mail: Consumer Financial Protection Bureau
P.O. Box 4503
Iowa City, Iowa 52244