

# We Met with the CFPB and Were Pleasantly Surprised

By Robert L. Johnson and Ken Rees

JUN 14, 2012 10:48am ET

We have written op-eds in various publications on the need for innovation in underbanked financial services and our concerns about the potential impact of the Consumer Financial Protection Bureau on innovation. The CFPB, which is perceived by some as the largest and most powerful consumer regulatory body ever created, has so far remained largely silent on some of the biggest items on its agenda. So the financial services industry is holding its collective breath and bracing for the worst – more bureaucracy, draconian rule-making, a lack of understanding or acknowledgment of market demands, and a general attitude of hostility toward financial providers.

Hence when we were given the opportunity to meet with the CFPB regarding a new product we are jointly bringing to market we were more than a bit nervous. The meeting was to include some of the CFPB's top officials and a large number of attorneys, so it was easy to see how this could be an unpleasant experience. So we prepared ourselves for what looked to be a challenging meeting and went into the lion's den.

To our surprise, the meeting was quite positive and productive. We can't say that all of our concerns have been erased by the experience, but we were impressed with several aspects of the interaction:

- *Attitude:* In contrast to past experiences we've had with regulators, the tone of this meeting was very open, engaging, and respectful.
- *Industry knowledge:* The senior folks at the CFPB have clearly done their homework and show a deep understanding of the industry and the customer – even with regard to underbanked financial products.
- *Support for access to credit:* Many so-called consumer advocates fundamentally don't believe that consumers can make responsible decisions about credit and as a result should be prevented from using certain financial products. We did not sense this sort of patronizing viewpoint from the people we met with. They appeared genuinely committed to ensuring wide availability of "appropriate" credit in a world where traditional banks have reduced credit to American consumers by approximately \$1 trillion.
- *Economic pragmatism:* In recent years, the Federal Deposit Insurance Corp. heavily promoted a pilot program urging banks to provide low interest loans to customers who would otherwise use payday lenders. The program was a commercial failure because the loans lost money, so the FDIC suggested that banks view the program as a "loss leader" to acquire new customers. This unrealistic view of product pricing was nowhere in evidence during our meeting. In fact, we were quizzed at length about our risk models and whether we thought the product could be economically sustainable at the rates we wanted to charge.

The CFPB is a very new organization, but it's clear that Director Richard Cordray, Deputy Director Raj Date, and their teams are trying to strike a balance between eradicating unfair, deceptive, and abusive practices (something all responsible providers can and should get behind) and supporting the legitimate extension of credit to millions of Americans with economically viable rates.

We don't mean to be Pollyannas. We are sure that the CFPB (like any other regulatory agency) may make decisions that we (and our industry) don't agree with, but we have to give them credit for hiring a smart team of professionals and for establishing a positive attitude regarding the need for underbanked financial services, access to credit, and ongoing financial innovation.

*Robert L. Johnson is the founder and chairman of The RLJ Companies and founder of Black Entertainment Television. He serves on the boards of Lowe's Cos and KB Home, and is a member of Deutsche Bank's Advisory Committee. Ken Rees is the president and CEO of Think Finance and former CEO of CashWorks, a nonbank provider of financial services with over 2,500 locations nationwide.*



© 2012 American Banker and SourceMedia, Inc. All Rights Reserved. SourceMedia is an Investcorp company. Use, duplication or sale of this service, or data contained herein, except as described in the Subscription Agreement, is strictly prohibited.