Ruby Hutchison Memorial Lecture

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The Consumer Financial Protection Bureau is a 21st century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. For more information, visit consumerfinance.gov.

First of all, I thank Uncle Allan Madden for that warm welcome to country on my very first visit to Australia. On behalf of all my colleagues, allow me to pay my respects to the traditional owners of these lands. Also, my thanks to Alan Kirkland for his thoughtful introduction and to all of you for making me feel so much at home. Over the years, I have spoken to many groups where we would debate who deserved the credit for having travelled the farthest to be present. Never before have I been more certain of my qualifications to claim that particular prize!

It is encouraging to be here with so many people who share similar goals and ideals for our global society. I am honored to be chosen to deliver the Ruby Hutchison Memorial lecture. In meetings over the past few days, you have shed much light on our common challenges and aspirations. I have also had the occasion to learn more about our namesake here today and her deep commitment to basic fairness for all consumers. The historical arc of our countries may be different, the evolution of our societies may be different, the structure of our economies may be different, but one strong thread ties us all together. That thread is the difficult, important, and humbling mission of establishing a financial marketplace that is responsible and sustainable for individual consumers, people who have come to depend on credit and other financial services to create opportunities for themselves and their families.

As a single mother of seven children, Ruby Hutchison was well aware of how vulnerable people can be to fraud and exploitation. In an era when formal consumer protections hardly existed, she was determined to inform consumers about their rights. She also found new and innovative ways to strengthen those rights. Her determination to tell people about products, their value, and their safety led to the birth of CHOICE magazine in April 1960.

At around the same time, these issues were beginning to receive more attention in the United States also. In March of 1962, John F. Kennedy addressed the Congress on the subject of identifying and protecting the common interest people share as consumers of goods and services. In discussing a Consumer Bill of Rights, President Kennedy spoke of Americans but could just as easily have been speaking of Australians or any other group of people around the world when he observed that consumers, “by definition, include us all. They are the largest economic group in the economy, affecting and affected by almost every public and private economic decision. Two-thirds of all spending in the economy is by consumers. But they are the only important group in the economy who are not effectively organized, whose views are often not heard.” It is this Presidential address that we now commemorate by our annual celebration of World Consumer Rights Day.

As the years unfold, the time may come when we have our own chance to wade into the currents of history. In my case, I have come to serve as the first Director of the United States Consumer Financial Protection Bureau. The Bureau was created by our Congress in the wake of the global financial crisis. Before that, the authority to administer and enforce various federal consumer financial laws was scattered across seven federal agencies. For each of these agencies, consumer financial protection was only one of its various responsibilities. Consequently, no single agency was primarily focused on protecting the everyday users of financial products and services – and consumers paid the price when the financial crisis hit us all so hard.

All of that changed with the advent of the Consumer Bureau. We are now the only agency in the United States government with the sole mission of protecting people in the consumer financial marketplace. The rules we write apply to all providers of consumer financial services. We also have the authority to supervise and enforce those rules, and the governing laws, with respect to the largest banks as well as nonbank financial firms such as mortgage lenders, payday lenders, and others.

The most important financial transactions in people's lives come within our province. Whether it is to pay their bills or finance larger investments in their futures, most people now use credit to help manage their affairs. Credit cards give us quick access to money when we need it. Student loans help us obtain a post-secondary education. Mortgages make it possible to buy a home and spread the payments over many years. In all of these areas and more, the Consumer Bureau was established to stand on the side of consumers and ensure they are treated fairly. Since we opened our doors less than four years ago, we have been intent on making consumer financial markets work better and helping people improve their financial lives.

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With the provision of financial products and services, as with many things in life, it takes two to tango. Every such transaction involves both a financial provider and a consumer. If we want to raise the standard for how these financial markets actually work, it behooves us to consider what we may be able to do to foster improved behavior on both sides of the table. We need to focus on what we can do to incentivize financial providers to engage in sounder lending and more responsible conduct. We also need to consider how we can help individuals obtain and build the skills to make sustainable choices that serve their own life goals.

In thinking about these issues, I will be making an effort to respond directly to two suggestions you raised for my consideration in your invitation to deliver this speech. One suggestion was to talk about whether regulators can change the culture of financial service providers to persuade them to put the interests of consumers at their center. The other suggestion was to discuss the issue of communication with consumers, including financial literacy, rights, and protections.

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Before turning to those matters, however, it seems important to establish some perspective on the role of regulation at the outset. Certainly part of the job here is to discern risks to consumers and protect them by minimizing those risks. But then we run pretty quickly up against the tendency in any human organization to err on the side of seeking disproportionately to eliminate risk altogether, even at the expense of the objectives that are served by the underlying activity. We see this tendency in the sporting world in teams that play not to lose rather than play to win. We see it in legal calculations that tend to elevate the safety of inaction over even the most minimal perils of action. And we see it in the regulatory world in an overcautious emphasis to maintain the status quo rather than allow for dynamic change that brings new uncertainties but is itself the essence of progress.

This is a natural human tendency, but it would be misguided here. It reflects an instinctive view of regulation as a defensive and negative enterprise, as a pinched and crabbed attempt to smother the underlying vitality of market participants seeking to fulfill their own ends. It can generate an orientation that is anti-market and even, in various ways, anti-consumer. I have noticed a deep but somewhat understandable skepticism about the regulatory mindset – a belief that it is bound to be paternalistic, seeking to prescribe all the decisions that individuals should be at liberty to make for themselves. That mindset would be destructive of human freedom, of human ingenuity and initiative. It would disserve our mission, and it is most emphatically not the view held by the U.S. Consumer Financial Protection Bureau.

Instead, we regard ourselves as pro-market and pro-consumer. We want consumers to thrive. And therefore we want responsible financial providers to be able to thrive also by serving them well. So we begin from the basic premise that there is no reason for anyone – least of all those charged with protecting consumers – to decry the structure of the free-market economy in the abstract. Adam Smith taught us how the invisible hand can lead firms to serve the interests of their customers. These customers, as he also taught us, are those who choose to give their "custom" – meaning their customary business not only now, but for the foreseeable future – to those firms best able to satisfy their particular demands. To adapt a phrase from a populist American politician from the era of our Great Depression – ironic in that he was a vehement critic of capitalism – the smooth operation of the free market can succeed in creating a system in which "Everyone is a king, but no one wears a crown."

If you are initially inclined to doubt this, take a moment and think about what capitalism has meant over the past century for the average person in our so-called "Western" economies. The cost of many products has fallen significantly over time, and the sophistication of machinery and technology now available to each of us would be utterly astonishing to our forebears. For a short list, think of washing machines, clothes dryers, indoor plumbing, heating and cooling systems, stoves and ovens, automobiles, radio and television, personal computers, cellular telephones, tablets, music players, and a list that goes on for quite a while. This is not to say that everything in our economy does operate smoothly – we are too familiar with stubborn poverty and still too close to the global financial crisis to believe that – but in the grand scheme of things, one group that has surely benefited over this lengthy period of history has been the broad consumer public.

By the same token, innovation and progress in the financial realm have had similar effects on the general population. Credit that was virtually non-existent a hundred years ago is widespread today. And credit means opportunity. This is a very important truth to bear in mind here. Credit entails risk, no doubt, and risk can lead to nasty results, but risk also promises reward and hence credit gives us something to work with – something that may allow us to make more of our lives tomorrow than we have yet attained today. It may allow for investments such as the purchase of a home or a car. It may allow for investments in human capital – loans for education or job training, for example. It may give us some limited ability to make purchases to meet our needs today with money we do not expect will come until later. The ability to time-shift the ways and means of our lives creates more convenience and flexibility in our daily affairs, all of which is beneficial for the average person. And as for specific financial products, think of checking accounts, savings accounts, credit cards, debit cards, ATM machines, credit reporting, mortgage loans, car loans, on-line bill pay, direct deposit, money transfers, and on and on. In the financial realm, also, a major beneficiary of all this progress has been the ordinary consumer.

So consumers can exert substantial power, both individually and collectively, within a well-functioning free-market economy. People can be their own best consumer protectors as long as the market operates properly, without undue obstacles to their primary position as individual decision-makers who have what they need to make informed decisions. But we also know that ideal world may not reflect our common experience, and we must strive toward its attainment.

With that context in mind, we can return to our two central questions: First, how can regulators change the culture of financial service providers to persuade them to put the interests of consumers at their center? Second, how can regulators (or others) help build financial capability by communicating effectively about financial literacy and protections so consumers can be in the best position to look out for their own interests? What follows is a progress report on how we are treating each of these issues in the work we are doing at the Consumer Bureau. No doubt there are other and better ideas people may have, either now or over time, about how to pursue these objectives. And let me be the first to say that we are all ears, always, to hear people's thoughts about different and more effective approaches. I am not aware of any playbook that sets the rules for how we can optimally perform these tasks. But we have begun to settle into our work, and certain strategies and themes are beginning to emerge from our experiences thus far. So I appreciate your patience as I bend your ear for a bit.

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Changing the culture of financial service providers – or any for-profit business enterprises – is a tall order. In a free-market economy, the culture revolves around making money; and in an economy built around competing firms, the companies operate on behalf of their owners, which are the shareholders who own their corporate stock. The incentives here are strong and compelling. They are governed by a legal regime that creates a duty to maximize shareholder value and they are driven by the innate self-interest that motivates most human behavior.

But free markets are not simply untrammeled hubbubs of chaotic human activity. Despite what we may seem to see on any trading floor, anarchy in the marketplace has never worked and never will work. On the contrary, in more developed economies our markets operate within the broad confines of legal principle backed by legal compulsion. If someone violates a contract, they can be sued to restore or repair the mutual obligations they had agreed upon. If someone seizes the property of another, the law is available to decide whether they have acted wrongfully and, if so, to make them surrender what they have unjustly appropriated for themselves. Even in a bare-bones "night watchman" state posited by a few theorists, free markets rest on the effective regulation of law and order imposed, at a minimum, by the common law and the criminal law.

For about the last century in America, and increasingly in many of the world's more developed market economies, this skeletal outline has been filled in more completely by the additional apparatus of formal government regulation. In the United States, a

number of government agencies – including the new Consumer Financial Protection Bureau – play a role in ensuring that free markets also operate fairly, and that some of the disequilibria generated by no-holds-barred capitalism can be smoothed out to some degree. As we saw with the meltdown in the U.S. mortgage market that played such a large role in the global financial crisis, any significant economic disequilibrium can create destructive externalities in the broader economy – in this case, massive job losses, widespread home foreclosures, and crushing reductions in retirement savings within the American economy and great instability transmitted to the world economy.
As we also have seen, though the economy inevitably seeks to return to some marketclearing equilibrium over time, the period of dislocation can be substantial. We are now at six-and-a-half consecutive years of unprecedented levels of near-zero real interest rates in the U.S. economy, for instance, which is rivaling the length of the Great Depression in its severity. As Lord Keynes once ruefully noted about the classical economists and their tidy equilibrium models, "in the long run, we are all dead." The existence of such real-world flaws undermines the neat graphs of the classical economic models and gives us reason to consider more substantive regulatory interventions that may help safeguard the smooth functioning of economic markets.

In short, not all dynamics of the market economy are driven by what is best for consumers – other influences are at work upon corporate behavior as well. And if we focus most narrowly on what drives profit and innovation for providers, we must recognize that the long-term interest of the consumer public is not always compatible with the behavior we see in the short run. In various market situations, the long-term interests of consumers and the short-run interests of providers can turn out to be oppositional, and much corporate ingenuity is channeled into various schemes to collect rents and exploit superior market positions. It was Adam Smith, after all, who observed that "people of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices." Notably, some economic innovations can harm consumers even as they may seem to benefit providers, at least for a time. Exotic mortgage products of the last decade, for instance, were innovations that visited devastating harm on many borrowers – wiping out their savings, ruining their credit, and driving them into foreclosure and economic instability. Yet these products and the shoddy underwriting that accompanied them were widely pursued and maintained for years, despite the risks that were apparent on their face.

So if our free-market economy is not always marked by happy levels of equilibrium that maximize consumer welfare, what kinds of influences may complicate the scene? In addition to pressure from consumers, providers can be affected by other market actors – including competitors, suppliers, shareholders, and employees. They also can be buffeted by pressures external to a particular market, such as exogenous shocks.
One area that deserves our attention is the effect of the law that regulates economic conduct. That body of law can emanate from many sources – including legislators, judges, and various types of executive officials – and it can oscillate over time, even rather unpredictably. Depending on how these influences play out, there can be many obstacles to economic markets mechanically promoting the best interests of consumers.

Accordingly, there can be opportunities to correct for market failures, imbalances, and distortions that are harmful to consumers.
But just how are we to unpack all of this? And how should we, as regulators, go about trying to change the culture of financial service providers to focus them on the interests

of consumers in face of the numerous pressures that may lead them to do otherwise? Those are hard questions, especially in light of the humbling realization that the regulators are human beings themselves who lack omniscience. But we have one key point as our compass, which is to put the voice of the consumer at the heart of our mission and make it the center of attention for financial providers as well. So let me talk about four things we are doing to accomplish this goal.

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If our work is to be guided by the voice of the consumer, we must first take pains to hear that voice. We do this most squarely through our consumer response function. Congress required this new agency to establish a system for collecting, investigating, and responding to consumer complaints. In carrying out this duty, we have created the opportunity to hear directly from consumers what is on their minds and what challenges and concerns they are facing in their everyday lives as they seek to navigate the consumer financial marketplace.

The project here is powerfully motivated by the economic self-interest of consumers themselves, who hope that by submitting a complaint they can achieve a resolution and perhaps redress of their grievance. Once a consumer submits a complaint to the Bureau, we forward it via a secure web portal to the appropriate company, which reviews the information, communicates with the consumer as needed, and determines what action to take in response. The company reports back to us and to the consumer on strict time frames. We then invite the consumer to review the response and provide feedback. We review the feedback, using this information along with any other information we may have to prioritize complaints for investigation.

Behind each complaint lie the troubles of real people, the people behind the data. They bring to life the true impact that consumer financial markets can have on individual lives and families. To date, the Bureau has fielded over 550,000 complaints about a wide range of products and services, including mortgages, credit cards, student loans, auto loans, bank accounts and services, credit reporting, debt collection, payday loans, money transfers, prepaid cards, and other consumer loans.

Through this process alone, the Bureau has helped consumers secure millions of dollars in monetary relief and further satisfaction in the form of non-monetary relief, such as cleaning up their credit reports or fending off errant or harassing debt collectors, which can have ripple effects on people's financial well-being as well as their peace of mind. Moreover, specific complaints sometimes help us target consumers for timely and focused advice about how they might go about understanding and addressing those issues on their own.

As we analyze and aggregate complaints in different ways, they become more than just an issue for the particular consumer. Evaluating the broader pattern of complaints enables us to identify potentially systemic issues and prioritize problems. For example, hearing from students who cannot afford to repay their private student loans and are working two jobs to make ends meet can teach us more about the kinds of information students need before they take out those loans. Or if older Americans tell us about problems with reverse mortgages, we can devote resources to exploring measures to address the problems they are describing.

We also offer our Consumer Complaint Database, which makes the underlying data available to the public to inform and affect the marketplace. As we are hearing from hundreds of thousands of consumers at an increasing rate, this growing repository of information yields an ever-more-detailed impression of what is happening to consumers in real time in the marketplace. This data can be helpful to industry and consumers alike in figuring out how to approach these issues. We are well aware that not all, or even most, consumer protection comes from government agencies. Market participants themselves are initially responsible for fundamental aspects of consumer protection including, for example, how a business decides to treat its customers and whether people are willing and able to stand up for themselves when they are mistreated. With this in mind, the Bureau has made information about consumer complaints available to the public, with the ability to download the data, aggregate it in various ways, and filter it based on specific search criteria, such as by complaint type, company, zip code, date, or any other combination of available variables.

We believe the disclosure of this information is one of the best tools government agencies can use to improve the operation of the marketplace. People across the spectrum can make their own judgments about it. For financial companies, this data can help them detect and understand problems in the rest of the market and assess their performance against their peers, which is information they cannot access in any other way. In fact, institutions have shown they want to minimize the number of complaints we receive about them and improve their handling of complaints. Data can also help them detect and reduce regulatory, enforcement, and litigation risks. And perhaps they can find things to tout in the data: taking credit, for example, for having low complaint volumes or quick response times.

For consumers, the database can be a valued educational and shopping tool. They can see how companies respond and draw their own conclusions. Finally, anyone who wishes to do so can use the information to rate companies and products by evaluating what has been said about them in the aggregate, with opportunities for companies to respond with their own analysis. These matters can be fought out in the marketplace of ideas, subject ultimately to the verdict rendered by the court of public opinion, which is just how economic marketplaces are designed to work.

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Our second approach to affecting the behavior of financial providers lies in our compulsory work through our supervision and law enforcement tools to ensure compliance with federal consumer protection and fair lending laws. Through examinations, we can look into every pertinent aspect of how a firm interacts with consumers and require specific changes to be made to come into compliance with the law, including avoiding or terminating unlawful practices that are unfair to consumers. Redress to make consumers whole for past violations is also part of this process.

One notable aspect of the supervisory work we are doing is to create parity across competitors in each consumer financial market. Previously, the regulatory structure had been partial and incomplete, with federal oversight limited to chartered institutions such as banks, thrifts, and credit unions for purely historical and accidental reasons. Other financial companies competed against them but were not subject to the same level of scrutiny about their compliance efforts. We are now taking necessary and important steps to level the playing field in these markets, which is essential for a rational regulatory structure to have the chance to succeed.

Where appropriate, we seek such changes through enforcement actions also, which we can pursue in court or through our own administrative proceedings. In such actions, we can obtain injunctive relief as well as financial relief, including restitution or disgorgement for the benefit of consumers; we also impose civil penalties in cases as

warranted by the defendant's misconduct. All of these actions are designed to enforce the consumer financial laws that Congress placed within our authority, including fair lending laws and the statutory prohibition against unfair, deceptive, or abusive acts or practices. Those laws are worth nothing if they cannot be made to stick, so this work is crucial to fulfilling our duty to ensure fair, transparent, and competitive markets.
Through combined supervisory and enforcement actions to date, we have made $5.3 billion in relief available to over 16 million consumers, and we have collected over $200 million in civil penalties.
From this work, we have come to believe that evenhanded oversight is necessary to foster true competition and ensure that all consumers are treated fairly in the marketplace. When honest and innovative businesses can succeed on the merits, it spurs their efforts to drive growth and progress. Appropriate oversight and enforcement empowers consumers by ensuring that markets function transparently. Upstanding businesses benefit the most when we hold accountable those that cheat their customers.
Within those boundaries, businesses can compete aggressively with one another; when they do, consumers reap the benefits through improved products and services.
Restoring both the perception and the reality of law and order also helps to establish trust in the marketplace for household credit and other financial services. Consumers will be willing to offer their "custom" to providers on an ongoing basis when they feel confident and positive about the products and services they use and when they know themselves to be well served over time.

Throughout the process, we are making it a point to place the voice of the consumer at the center of both our supervision and our enforcement work. As we risk-scope examinations, we decide which companies and products to prioritize and we determine what exactly to look for at a given institution. A key data source is our base of consumer complaints, supplemented by the results of our ongoing market monitoring, which draws on a wealth of data and experience.

Consumer complaints also are an invaluable source of information to spur investigations that generate enforcement actions. We are thus able to combine the richness of individual stories with the more authoritative significance that comes when we graduate from anecdote to data. This occurs when we can see not just isolated complaints, but the patterns that are generated by comparing and contrasting hundreds or thousands of such consumer inputs over time. And we likewise look to the same kinds of information generated by other agencies and officials. In one instance – that of our enforcement actions against credit card companies for deceptive marketing of certain add-on products – we took some assurance from finding that similar practices had harmed consumers and led to extensive enforcement activity in other countries as well.
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The third way we are affecting the behavior of financial providers is through substantive regulation, where it is merited. To some extent, our Congress has made some specific determinations about when we should use this tool. Most notably, it expressly directed us to adopt sweeping new rules to root out some of the worst abuses in the mortgage market, either restricting or banning certain exotic products and practices that had harmed consumers and insisting on more robust levels of engagement between providers and consumers to avoid and mitigate such harm. We have also undertaken or are considering substantive policy interventions on remittance transfers, prepaid cards and accounts, debt collection, and small-dollar loans (sometimes known as "payday loans"). Where we can do so effectively, we are also looking to adopt regulations that

improve disclosures around financial products and services. Yet we do not think improved disclosure alone is necessarily an effective substitute for substantive regulation where the latter is justified on the facts as we understand them.
It is important for us to recognize that our power to effect specific change in the business of financial providers is at its zenith when we write new rules. Here we are most clearly exercising quasi-legislative authority as delegated from Congress itself, and we must do so carefully, through deliberate and thoughtful processes. We are obliged to be faithful to the authority actually delegated to us, to make reasonable and well-supported decisions within the range of the discretion conferred upon us, and to work through a public notice-and-comment process to ensure that we seek out and digest a broad range of input before finalizing our regulations.

We can, of course, always revisit our judgments if we find new information indicating that we may not have struck the right balance on our first try. When we are convinced of the need, we have shown that we will not hesitate to put aside pride of authorship in our quest to "get it right" as best we can. We have already adopted meaningful amendments to our initial regulation on remittance transfers to improve its practicality, for example, and we continue to respond to numerous suggestions by adjusting and modifying our rules governing the mortgage market.
But here too, the voice of the consumer is critical to prompting and shaping our efforts. And we will take up that voice wherever we can find it. Of course, we look to our database of consumer complaints as one very useful indicator of the need for such policy interventions. We also closely scrutinize market and field intelligence, looking for developments that may help shape our strategic approach. Consumers, of course, can speak directly to us, but they also speak more generally by their behavior in the marketplace. And we attend closely to what we learn from financial providers themselves, both in direct discussions and by seeing how markets are changing over time. Our regulatory judgments are further informed by what we glean from supervisory examinations and enforcement investigations about the evolving relationships between financial providers and consumers. Once again, we agree here with Adam Smith, who wrote in The Wealth of Nations that "the interest of the producer ought to be attended to, only so far as it may be necessary for promoting that of the consumer."
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In addition, we have found that we can affect the behavior of financial providers by publishing information about consumer financial markets, including data showing how the markets operate and illuminating certain practices. We frequently quote former Supreme Court Justice Louis Brandeis – one of America's original consumer advocates over a century ago – who famously said that "sunlight is said to be the best of disinfectants; electric light the most efficient policeman." Through a great number of research reports, white papers, "Data Points," bulletins, blogs, guidance documents, webinars, and virtually every form of written or oral communication that we can devise, we try to foster and advance public understanding of these issues that are so central to the well-being of individuals and families.

One of our goals is simply greater awareness of these issues, which may help affect the behavior of producers and consumers alike. Another is to influence and engage other policymakers, who have their own authority to act in light of data thus assembled and analyzed. To date, our reports and publications on reverse mortgages, student loans, mortgage origination, medical debt, credit reporting, credit scoring, and payday lending – to present what is not by any means an exhaustive list – has had visible effects on public policy at both the federal and state levels in our federalist system of government. At times, our publications have called out questionable or disreputable practices, and the mere attention to such matters, once spread before the public and the media, tends to have salutary and desirable effects on market behavior.

At the same time, one of our guiding principles is to develop data that will shed more light on consumer financial markets and, to the extent we can, make it available to the public for others to see what we might have missed. If this leads to insights by consumers themselves, advocates, academics, journalists, industry, and others, then so much the better. Here too, international comparisons may be apt at times, and we draw your attention to our published reports, research, and discussions made available on our website at consumerfinance.gov. We hope you will consider how any of this information might be put to use in new and innovative ways. But then, please, do us the favor of telling us about it as well!

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Finally, we come to the other question you had originally posed: How can regulators (or others) empower consumers by communicating effectively with them about issues like financial literacy, rights, and protections so that they can be in the best position to look out for their own interests? This is a subject of urgent interest across borders and cultures, for wherever there are consumers, they have difficulties managing the ways and means of their lives.

As we saw earlier, in most places we have certainly come a long way as consumers from the state of nature pessimistically described by Thomas Hobbes: "and the life of man, solitary, poor, nasty, brutish, and short." But we all are keenly aware of our lack of comprehensive knowledge about these matters. And more than that, we feel an incapacity at times to act on what we know by doing the right things – that is to say, the prudent or sensible things – that may be most compatible with our own self-interest, properly understood as projected over time. Behavioral economists are developing and testing various theories about why consumers often fail to make sound choices that will be sustainable over the longer trajectory of their future lives. We need to have an active conversation about financial choices and financial management, both to learn the best paths and to find ways to traverse them effectively.

Let me be the first to say that we have not discovered any magic answers here. Among the many challenges are the inconvenient facts that financial issues can be intricate and complex, that they may press on sensitive sore spots, that people often are embarrassed or ashamed to discuss them candidly, and that the busy occupations of life do not lend themselves to setting aside time for concentrated study of such matters, even if we knew where to go for such guidance.

We are committed to undertaking new research to learn more about how to proceed here, including our recent report on the topic of financial well-being, which I invite you to read. But in the meantime, we are not content to wait while we study, and so we are acting on certain instincts in trying to reach consumers with appropriate and helpful information. Let me describe our main projects and some of our thinking about them, in hopes of stimulating further ideas from you and others.

To begin with, we start from the recognition that consumer financial markets are difficult for people to navigate effectively. One crucial task is to find ways to render this landscape more accessible to people if we possibly can. The markets for consumer

credit and household finance hold more potential than ever before, but they are also more complex than ever before. And with complexity comes more risk of getting it wrong and being harmed. When my parents were raising a family fifty years ago, the products and services available to them were more limited but also more straightforward. Basic mortgages, a few in-store credit cards, and some limited consumer loans were about the extent of the offerings. There was not much to be done with them, but it was not possible to get into too much trouble unless you tried pretty hard to do so.
Today, the array of offerings is much broader and the actual mechanics can be harder to grasp. On the front end, credit reporting and scoring have opened more horizons for tapping consumer credit markets, and on the back end the increased tools and resources available to debt collectors, along with computerized recordkeeping, may lengthen the damaging tail of credit failures. Over the years, strenuous efforts to address consumer finance issues through detailed and extensive disclosures have had only partial success. This approach has made it hard to distinguish what is important from what is unimportant. Consumers may fail to understand the description of costs and risks and many simply avoid wading into the increasingly fine print altogether.
Our main strategy for attacking these problems has been what we call our “Know Before You Owe” approach to various consumer financial products and services. Essentially, it is a short-form approach to consumer disclosures, drawing on the concept of executive summaries found today at the front of most lengthy reports in almost any field. By leveraging our expertise and consumer research to pull out the most essential points and help people focus on them, we are making it possible once again to see the forest for the trees. This approach seeks to avoid failed decision-making, with consequent troubles and regrets. After all, two basic premises of a well-functioning market are first, that buyers and sellers understand the terms of the deal, and second, that buyers are able to compare possible alternatives.

We have heard many such regrets from consumers describing decisions they made about their mortgages, home equity loans, student loans, and other credit products. By streamlining disclosures and highlighting the key points about costs and risks, our new agency has joined in the lead set by our Congress to create simplified and more uniform disclosures for mortgages, credit cards, and student loans that also make it easier to compare the pros and cons of competing products. We are also working on the same approach in our proposed regulations for prepaid cards. So one way we are trying to communicate more effectively with consumers is by revising the kind of information they receive when they make decisions about obtaining financial products and services. We believe this will help especially by making it easier for consumers to avoid the pitfalls and confusions of “back-end pricing,” where the apparent terms of the deal as presented up front do not match the ultimate terms when they are revealed, or perhaps as they have migrated, somewhere down the road.

Another way we are trying to communicate more effectively with consumers is by forging partnerships with those who already have developed substantial trust and expertise with certain segments of the public. We are working with them to deliver content to consumers on financial issues as an integrated piece of the work they are already doing to deliver other services. With social service providers, and now with labor unions, community volunteers, and legal services offices, we have been developing a toolkit we call “Your Money, Your Goals,” which provides training to address topics like budgeting daily expenses, managing debt, and avoiding financial tricks and traps. We also are partnering with hundreds of library systems all over the

country to train librarians, deliver content, and encourage sessions that bring in other partners such as credit counseling services. These resources for addressing consumer financial issues are striking a chord with patrons who, we have found, are turning to their local libraries in growing numbers to deal with their personal economic issues.
An important and difficult issue in the United States is how to accomplish what everyone knows needs to be done, which is to communicate more effectively with young people in our schools through greater focus on financial education. In our country, education operates primarily at the state and local level, which means that control over the classroom is not readily susceptible to centralized decision-making that can set the specifics of the curriculum. A growing number of states are taking action to incorporate more financial education into the classroom. But even in the wake of the global financial crisis, where many consumers were hurt badly by their lack of know-how in guarding against potential harm, progress here seems achingly slow. We have published a report summarizing the best thinking in the area of K-12 financial education in the United States, with our recommendations. But we are quite interested in efforts we see being made around the world, and we are aware that we may have much to learn from you and others about how we can better develop our young people into stronger and more capable consumers.

Although I will not undertake to summarize all of the work we are doing here, one further way we are communicating with consumers is by developing resources to help people find the information they need, at the right time, to manage some of the challenges they are confronting. Certain financial decisions are not everyday matters, but may arise only once or twice in a lifetime. Almost by definition, we lack experience and expertise with such issues, which may nonetheless be some of the most significant and lasting decisions we will ever make.

In the United States, two such major decisions concern paying for college and buying a home. With the U.S. Department of Education we created a "Financial Aid Shopping Sheet" to help students navigate the complex world of student loans; it allows students to compare financial aid packages and to understand the burdens they will face after graduation. We have built around that resource to create a set of tools we call "Paying for College" to help people navigate this decision-making process from beginning to end.

More recently, we launched another set of resources that we call "Owning a Home," which is an interactive, online toolkit designed to help consumers as they shop for a mortgage. These tools are designed to give consumers the information and confidence they need to get the best deal. Right now, we have made public the beta version of this resource, which will be enhanced and improved over the course of the year.
Another, broader resource is "Ask CFPB," an online database that provides carefully considered answers to over a thousand questions we have been frequently asked by consumers. The answers reflect the deep expertise of our colleagues, but are laid out in plain language to make them easy to understand. They also are grouped by issue area, so that if a consumer encounters a new problem with a debt collector, for example, they can learn all about their rights and the issues that may be involved. In this manner, we are seeking to help people engage in consumer self-protection, which is critical to their empowerment. We continue to add more questions and refine the answers in response to suggestions and comments from the public – including, if you are willing, from you as well.

Finally, we are communicating with consumers through specialty offices that home in on unique problems faced by certain categories of consumers. We focus on students, older Americans, servicemembers, and those with low to moderate incomes who are often financially vulnerable. This focus allows us to understand and address particular challenges that impede their financial success. It also enables us to reach out more effectively to provide these populations with the resources that will help them deal with the same kinds of problems that confront consumers more generally.

Those are some of the main examples of how we are seeking to communicate more effectively with consumers. As we work to ensure that financial institutions are not designing or marketing products in ways that hurt consumers, we are also striving to put people in a position to make good choices for themselves, choices that enhance their lives and empower them to succeed. People need better information about the costs and risks of borrowing. They need to be able to comparison shop for a good deal. They deserve the peace of mind that comes from knowing that the deal they were promised is the deal they are actually getting, not just tomorrow, but next month and next year as well. It is not so easy for people to figure out where to go to find such answers from a neutral source. Much of the information they may find on-line today is shaped by financial providers that are trying to sell a product or service, which may skew the advice they are giving. It is quite important for our new agency to continue to build a reputation as a trusted, expert, neutral resource that can look out for consumers and help them look out for themselves.

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I have spoken at length here tonight, and now I am almost done. Obviously the project of affecting the behavior of financial providers and financial consumers poses enormous challenges. We have seen all too clearly that if these products are predatory, or if they are misunderstood or misused, they can do real damage to people's lives. At the Consumer Bureau, we envision a financial marketplace where providers play by the rules and treat consumers fairly. In addition, people need to make choices that fit their circumstances – nobody can do that for them – and take responsibility for the choices they make. They should be able to have the confidence that comes from knowing that dangerous or abusive products and practices are being limited. Through fair rules, consistent oversight, appropriate law enforcement, and broad consumer engagement, we are helping to restore trust in these markets, protect consumers from improper conduct, and ensure access to a fair, competitive, and transparent financial marketplace.

That is a worthy piece of work for anyone, anywhere. As Albert Camus said in the *Myth of Sisyphus*, "The struggle itself . . . is enough to fill one's heart." So let me close by saying that we look forward to working with you and the international community to improve people's financial lives across the globe. Together, we can perpetuate the steadfast spirit of Ruby Hutchison as we seek to fulfill our shared goals. The people we serve are the ones who deserve that the most. Thank you.

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