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Expect good times to roll once Cordray departs — panel

Panelists at iGlobal Forum's Specialty Finance Conference in New York predicted looser regulation and less oversight by the Consumer Finance Protection Bureau (CFPB) once the term of director Richard Cordray comes to an end.

By Sasha Padbidri *14 Sep 2017*

With Cordray set to possibly resign in the next few weeks to run for Ohio governor or leave next summer, talk of the direction of the bureau under a candidate appointed by President Donald Trump was at the forefront of the panel discussion on Thursday. Given the the Trump administration's pro business stance, panelists were confident of an incoming period of deregulation and relaxed oversight, with the new director potentially sharing a similar mindset.

"I think it is extremely likely that the new director has a laissez-faire and deregulatory mindset," said David Barrosse, founder of regulatory and policy analysis firm Capstone, noting that the efforts of the bureau's enforcement division could potentially grind to a halt.

"The pace of examinations won't disappear but slow. Rules that are proposed may not be finalized," Barrosse added.

The shift of regulatory burden from federal to state government is also contributing to the changing atmosphere at the CFPB, said Edward Wu, director of loan originations at Revere Capital.

"There's clearly five years of good times coming from the CFPB…but that's because there's probably been more regulations shifting to state as opposed to federal government," he said.

But Wu also noted that the recent Equifax breach, which exposed the social security information of 140 million people , may slow down the push for deregulation. The recent hack could potentially kill a bill to eliminate class action lawsuits, which was introduced by Representative Bob Goodlatte (R-Virginia) in February.

"There was a recent proposal to eliminate class action lawsuits. I think up until a couple days ago there was a view that this might actually pass, but there's just been a breach at Equifax, and Equifax tried to stick in a class action waiver in their website. I think that put a little bit of a chill on deregulation but that remains to be seen," he said.

Regardless of the direction the CFPB takes, the panelists advised lenders to emphasize transparency, which Barosse pointed out was the bureau's key area of supervision.

"The CFPB's focus is not on high taxing rates or low loss ratios, their focus is instead on transparency and mis-selling," he said. "If what the product does is transparent and the company has a very sophisticated client system that ensures that folks at the point of sale aren't saying the wrong thing, then there should be no trouble."

On the topic of subprime lending, Wu pointed to payroll deduction loans as an "interesting" product, as payday lenders look to branch into longer duration loans.

"Because of the risk mitigant of the principal being deducted from the paycheck itself, it can help make the APR lower, and at the same time help subprime borrowers get access to liquidity," he said.