The CFPB's Work to Support Small Financial Institutions and Increase Competition

To fulfill its Congressional mandate to ensure that consumer financial markets remain competitive, fair, and transparent, the CFPB has taken action to reduce barriers for small firms, including by tailoring its rules and other actions to help small financial institutions enter and stay in the marketplace. Personalizing the rules spurs competition, allows small financial institutions to compete against large entities, and benefits consumers. These actions include:

- Finalizing a rule that would accelerate a shift toward open banking, where consumers would have control over data about their financial lives along with protections against misuse of this data by companies that consumers authorize to access this data. It would require companies to share consumer data with companies offering better products and services, allowing consumers to switch to providers more easily with superior rates and services. By fueling competition and consumer choice, the rule will help lower prices on loans and improve customer service across payments, credit, and banking markets. The rule, which takes a phased compliance approach, will give smaller institutions more time to adhere and exempts many community banks and credit unions.

- Extending compliance deadlines for the small business lending rule, also known as Section 1071. The final rule takes a phased approach to compliance, with different timelines for high-volume, moderate, and low-volume lenders.

- Finalizing a credit card late fees rule that applies only to the largest credit card issuers—those with more than 1 million open accounts. These companies account for more than 95 percent of total outstanding credit card balances. CFPB data show that smaller issuers tend to charge lower rates and fees to their borrowers, while the vast majority of the largest issuers charge close to the maximum allowable late fee amount.

- Finalizing a rule authorizing the CFPB to supervise large nonbank companies offering digital funds transfer and payment wallet apps. In the final rule, the CFPB made several significant changes from its initial proposal. The transaction threshold determining which companies the CFPB may supervise is now substantially higher, at 50 million annual transactions.

- Proposing a rule to rein in excessive overdraft fees charged by the nation's biggest financial institutions. The proposal would close an outdated loophole that exempts overdraft lending services from longstanding provisions of the Truth in Lending Act and other consumer financial protection laws. This rule, if finalized, is expected to save at least $3.5 billion in fees every year. Small financial institutions with fewer than $10 billion in assets would not be subject to the rule.

- Under Director Chopra's tenure, the CFPB also opened a new Office of Competition and Innovation to help spur technological advancement in financial services by promoting competition and identifying stumbling blocks for new market entrants. The office replaced the Office of Innovation that focused on an application-based process to confer special regulatory treatment on individual companies. The new office supports a broader initiative by the CFPB to analyze obstacles to open markets, better understand how big players are squeezing out smaller players, host incubation events, and, in general, make it easier for people to switch financial providers.