

# CAPITAL ADJUSTERS REPORTS

## Information on Repossession & Remarketing Issues

July 2012



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### NEW CONSUMER PROTECTION BUREAU – FRIEND OR FOE

Since 2011 I have been regularly seeing articles concerning the Consumer Financial Protection Bureau (CFPB) and its possible effect on the Repossession Industry. Before I started my own research into this new government agency I was pretty well convinced that the the CFPB was a monster that, if it didn't simply devour us all, would certainly make life in the repossession field miserable. And it might yet do just that, but here is where I looked and what I learned.

First off, what is the CFPB? According to their own website [www.consumerfinance.gov](http://www.consumerfinance.gov):

*“In June 2009, President Obama proposed to address failures of consumer protection by establishing a new financial agency to focus directly on consumers, rather than on bank safety and soundness or on monetary policy. ... This agency would protect families from unfair, deceptive, and abusive financial practices.*

*“In July 2010, Congress passed and President Obama signed the Dodd-Frank Wall Street Reform and Consumer Protection Act. The Act created the Consumer Financial Protection Bureau (CFPB). The CFPB consolidates most Federal consumer financial protection authority in one place. The consumer*

*bureau is focused on one goal: watching out for American consumers in the market for consumer financial products and services.”*

So how does this affect the repossession industry? It imposes much stricter compliance regulations on financial institutions to not only manage their own compliance to all federal consumer protection regulations but also to oversee the compliance all of their *Service Providers* (including those providing repossession and collection services). Michael J Dougherty, Managing Partner - Weltman, Weinberg and Reis wrote an excellent article detailing this in *The American Repossessor: [A New Day in the Repossession World](#)*<sup>1</sup>. But why is all this so scary?

Since its formation on July 21<sup>st</sup>, 2011 it already has 750 employees and an annual budget in excess of half a billion dollars! It has virtually unlimited powers to create regulations and enforce them. With TV shows like *Operation Repo* and *Lizard Lick Towing & Recovery* and the occasional sensational news story on a repossession gone bad, it was feared that the CFPB would see the whole repossession process as a threat to the public and regulate self-help repossessions completely out of existence. Well, that hasn't happened and it doesn't look likely to happen, at least not for now. But any time you have an agency with that much power, you do have to be watchful.

However, if you want to get a feel for this agency, go to their website and look around ([www.consumerfinance.gov](http://www.consumerfinance.gov)). One area I found interesting was [Creating the Bureau](#)<sup>2</sup> which gives a little history and the rationale behind the Bureau. Another fascinating area to look at is the [Consumer Complaints Database](#)<sup>3</sup>. Here you can see every credit card complaint filed with the CFPB since June 1, 2012, what area it came from, which financial institution it was against and that institution's response. You can also look at pie charts and graphs which break down the complaints into how many of each type of complaint there are, etc. This area is in beta testing right now but it would be smart to keep an eye on it

as they start to list other complaints besides just on credit cards. This way, any potential future trouble from the CFPB might be headed off by proactively recognizing and handling any problem areas within our industry.

What I realized after my research is that, like most news media, the articles I had been reading on the CFPB were sensationalized and written to cause an emotional response by painting a picture of “how bad everything is.” When I looked into this myself, I found that the CFPB's purposes are actually good and only in one small aspect does it even affect the repossession industry and, really, its focus is on other areas of consumer finance. Now, it is another governmental agency and so by definition will not be efficient and will lead to more hindering governmental regulation, but unless it takes a drastic turn in its focus, I don't see it as a monster that will devour us all.

And, just as I write this article, according to *Subprime Auto Finance News*, in June a Texas bank and two advocacy organizations joined forces to file a lawsuit in U.S. District Court in hopes of proving that the CFPB is unconstitutional. We'll have to wait and see on that one. (See article: [Lawsuit Aims to Prove CFPB is Unconstitutional](#)<sup>4</sup>)

<sup>1</sup> [www.theamericanrepossessor.com](http://www.theamericanrepossessor.com) (Apr. 2012)

<sup>2</sup> [www.consumerfinance.gov/the-bureau/creatingthebureau](http://www.consumerfinance.gov/the-bureau/creatingthebureau)

<sup>3</sup> [www.consumerfinance.gov/complaintdatabase](http://www.consumerfinance.gov/complaintdatabase)

<sup>4</sup> [www.subprimenews.com](http://www.subprimenews.com) (June 25<sup>th</sup> article)

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