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Young Americans Deserve a Strong Consumer Bureau to Protect them from Unfair Financial Practices

Too many young Americans have paid the price for an outdated regulatory system that has left our financial system vulnerable to collapse and our families without adequate protections. In the summer of 2010, Congress passed and President Obama signed the Wall Street Reform and Consumer Protection Act to rein in excessive risk on Wall Street and preserve economic opportunity on Main Street. This comprehensive financial reform, which put in place the strongest consumer financial protections in history, included the creation of a new, dedicated Consumer Financial Protection Bureau (CFPB).

The CFPB has one mission: to make the market for consumer financial products and services work for American consumers, responsible providers, and the economy as a whole. The Bureau seeks to promote transparency and consumer choice while preventing unfair, deceptive, abusive, and discriminatory practices. It uses a wide range of tools—from rule writing and enforcement to financial education and empowerment—to achieve these goals and protect consumers from the harmful practices that contributed to the financial crisis.

Young Americans Deserve Clear Rules and Strong Enforcement

Debt impacts important decisions that young people make. According to a 2006 USA Today/National Endowment for Financial Education poll of young people aged 22 to 29 years old, survey respondents with debt indicated that having debt had influenced important decisions, including causing them to delay or not pursue education (29 percent), to take a job they would not otherwise have taken (22 percent), or to move in with parents or other relatives (19 percent). [USA Today/National Endowment for Financial Education, Young Adults' Finances Poll (2006)]

Student Loans

- **Growth in tuition and fees has outpaced both inflation and median family income since the early 1990s .** [The College Board, Advocacy and Policy Center, "Trends in College Pricing 2010," *Trends in Higher Education Series* (2010).]
- **Fifty-three percent of households run by people 34 years old or younger have education loans,** up from 43 percent in 2004. [Federal Reserve, "Changes in U.S. Family Finances from 2004 to 2007: Evidence from the Survey of Consumer Finances" (February 2009) ("SCF")]
- **The median debt of students graduating with loans from public, four-year colleges rose from $16,990 in 2003-04 to $17,700 in 2007-08 (2008 dollars)**, an increase of about five percent above inflation. [Patricia Steele and Sandy Baum, "How Much Are College Students Borrowing?" *College Board Policy Brief*, (August 2009)] The median debt of students at private, nonprofit four year colleges increased from $22,700 in 2001 to $26,100 in 2009. ["Trends in Student Aid 2010," The College Board.]

Credit Cards

- **Roughly half (49 percent) of households run by people 34 years old or younger) carry a credit card balance,** with a median balance of approximately $1,800. [SCF]

Mortgages

- **Thirty-seven percent of younger households have mortgages and other debt secured by their homes**, such as home equity lines of credit. The median amount owed is approximately $135,000. [SCF]

How the Consumer Financial Protection Bureau Benefits Young Americans

- **For young people who need to take out private loans to cover the costs of higher education:** The CFPB will be able to supervise private student lenders, fight unfair lending practices, and require lenders to follow fair rules of the road so that students have the information they need to make smart choices.

- **For young people with credit cards:** The CFPB will prevent evasion of the Credit CARD Act of 2009, which bans arbitrary rate hikes on existing balances and other unfair practices, cleans up credit card practices for young people at universities, and provides young people clarity on the interest rates they are charged. The CFPB will also enforce new protections for college students and young adults, including a requirement that card issuers and universities disclose agreements with respect to the marketing or distribution of credit cards to students.
- **For young people caught by unexpected overdraft fees**: The CFPB will prevent evasion of rules that give consumers a real choice as to whether to join expensive debit overdraft programs so that they are not unknowingly charged unnecessary fees.
- **For young people using alternative financial services:** The CFPB will establish robust federal supervision and oversight over payday lenders and larger participants in other financial service markets, such as check cashers. The CFPB will combat abusive practices that harm consumers, helping young people avoid hidden fees and keep more money in their wallets.
- **For young people who want to buy a home:** The CFPB is taking steps to consolidate and simplify with plain language two overlapping and sometimes inconsistent federal mortgage forms. The CFPB will, for the first time, provide ongoing federal oversight of both nonbank companies and banks in the mortgage market and protect borrowers from unfair, deceptive or other illegal mortgage lending practices.
- **Empowering young people to make smart financial choices by promoting financial literacy and financial capability:** The CFPB promotes consumer financial literacy and capability with a dedicated office focused on ensuring that the CFPB's expertise and research are used to help raise awareness, educate and empower consumers to avoid unfair practices, and make the best financial choices for themselves.

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