

# Chapter 1

## Mortgage Financing Frauds in the US: An Analysis of CFPB Complaint Database

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### **ABSTRACT**

*In the US, the Consumer Financial Protection Bureau (CFPB) monitors the financial institutions which sell financial products and services to consumers. CFPB ensures that the consumers of financial products receive transparent and competitive services from financial institutions. The chapter contributes to the literature on state-run consumer protection organizations. The CFPB complaint database is used to analyze the performance of CFPB and to find some real-world behaviors of financial institutions from the perceptions of financial consumers. The weaknesses of CFPB are discussed in light of the current social, political, and economic changes happening in the USA. Results show that predatory behaviour is more dominant in non-banking credit and lending institutions. During COVID-19, the people took benefit of others' misery by engaging in manipulative fraud-for-profit schemes. Overall, despite creating awareness, CFPB was not so successful in getting relief for the customer.*

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## **INTRODUCTION**

In the US, since 2011, the Consumer Financial Protection Bureau (CFPB) has provided services for the consumer to file disputes against financial service providers. CFPB ensures that the consumers of financial products receive transparent and competitive services from financial institutions. CFPB empowers, educates, and protects consumers of financial products. On the other hand, it monitors the financial institutions which sell financial products and services to consumers. If in the interaction between a consumer and a financial institution, the consumers feel that they have been deceived or defrauded, they can complain to CFPB. CFPB publishes its complaints data to educate the masses about the scams, financial frauds and other predatory behaviors affecting consumers' decision-making.

The literature on CFPB is unclear about its performance; thus, no result can be reached if CFPB has succeeded in strengthening financial consumers. This chapter analyses the performance of CFPB over the years based on customer complaints against the financial service and product providers. If CFPB had performed its duty, the complainants would find relief after the company responded to the complaints. If more customers find such relief, CFPB would efficiently fulfil one of its primary goals. Since the CFPB complaint database mostly has qualitative variables, which are nominal and categorical, most of the analysis is done using cross-tabulation, bar charts and pie charts. The narrative part of the complaint is analyzed for fraud and scams using textual analysis of keywords.

The chapter is divided into four sections. The first section explains the role of CFPB in the US ecosystem and identifies the roles and responsibilities of CFPB to the US financial consumer and the US financial markets. The section ends with a discussion of the essential attributes of the Consumer Complaint Database maintained by CFPB. In the second section, the literature review is presented. The third section has an analysis of a component of the database. Mortgage-related complaints were taken to look for patterns and discern the performance of CFPB in a product category that has existed since the inception of CFPB.

## **CFPB AND THE UNITED STATES FINANCIAL ECOSYSTEM**

CFPB has the authority to implement and enforce federal financial consumer law as per the US Consumer Financial Protection Act of 2010. The main functions of the CFPB are (1) taking actions to reduce abusive and predatory behavior of lending companies that violate the law and (2) getting the consumers reimbursed for their damages incurred due to deceptive and unfair practices of the lending companies. CFPB also has a statutory mandate to identify and remove the structural barriers to entry of new financial institutions, strengthen competition, and encourage innovation to reduce market inefficiencies that are harmful to the consumers of these financial services. CFPB achieves this by coordinating with the federal and state governments and partnering with the American Consumer Financial Innovation Network<sup>1</sup>, the Securities and Exchange Commission and the National Association of Attorney Generals.

CFPB also works on increasing financial inclusion and consumers' financial knowledge by disseminating information to help consumers make rational decisions. Thereby, CFPB, through monitoring, ensures that the financial transactions are fair, leading to depth in the market and thus boosting the overall economy. By monitoring, researching, educating, and empowering consumers of the financial practices, tools, and strategies, as well as their rights, CFPB can promptly disseminate information about hot scams to the public. Some common scams include the student loan relief scam, unemployment benefits scams,

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