

Latest CFPB Supervisory Highlights Focus on Transparency in Debt Collection Practices

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On July 2, the CFPB released its [Summer 2024 Supervisory Highlights](#), which focused on the servicing and collection of consumer debt. The report shared key findings from recent supervisory examinations of auto and student loan servicing companies and debt collectors. In addition, the report highlighted issues with deposit and prepaid accounts, with a focus on medical credit card practices.

Significant findings include the following:

- Auto loan servicing. The CFPB found that auto loan servicers engaged in unfair acts or practices by failing to auto-debit consumers' final payments via their autopay system without providing adequate notification to borrowers enrolled in autopay that they needed to make those final payment manually. Servicers are advised to revise policies to ensure final payments are debited via autopay or that consumers are clearly informed about the need for manual payment for their last bill.
- Student loan servicing. Examiners found that servicers engaged in unfair and abusive acts or practices by subjecting consumers to excessive wait times when contacting them by phone (e.g., average hold times exceeding 40 minutes). They also found unfair and abusive acts or practices by failing to provide an adequate avenue for consumers to timely resolve their disputes by phone or submit phone payments. Examiners also cited servicers for engaging in deceptive acts or practices by providing inaccurate information regarding which forms consumers should submit in order to qualify for certain loan programs such as forbearance. Finally, Bureau examiners cited a servicer for a Regulation E violation for failing to notify consumers 10 days before an electronic funds transfers that were larger than prior transfers under the same pre-authorization. The guidance urges servicers to update their transaction notification processes, enhance call center staffing, and improve staff training to support a more transparent and reliable communication process with borrowers.
- Debt Collection. The CFPB highlighted debt collection compliance issues, including, among other things, failures to provide debt validation notices, misrepresentation of business identities, and improper communication methods like ignoring consumer requests to cease contact. Examiners uncovered instances of collectors using aggressive or verbally abusive

language, including for consumers unable to pay due to a recent hospitalization, and with debt collectors communicating with consumers at times and places known to be inconvenient or unusual.

- **Credit Card Account Management-Medical Payment Products.** Medical payment products are typically marketed to consumers at healthcare facilities or doctors' offices as a way to pay for medical services. The Bureau's examination of medical credit cards revealed issues with misleading promotions and undue pressure placed on consumers during treatment. For example, the Bureau found that, in the case of "deferred interest" promotions, healthcare providers often misrepresented the specifics of the promotion. The findings emphasized the need for improved oversight of healthcare providers' presentation of these products, ensuring clear communication and no undue pressure.
- **Deposit and Prepaid Accounts.** Examiners found compliance issues and unfair acts or practices in managing deposit and prepaid accounts, notably with respect to account freezes. Institutions often did not inform consumers of account freezes or how to regain access after a freeze was implemented. The Bureau also assessed industry compliance with Section 1034(c) of the CFPB which prohibits large banks and credit unions from creating unreasonable barriers, such as excessive fees, for customers seeking basic account information. The CFPB issued information requests to select entities regarding their deposit and credit card-related services, and the responses indicate some changes in practices. Some institutions have eliminated fees for obtaining account information while others now offer free balance inquiries at third party ATMs.

Putting it into Practice: While the entire edition of Supervisory Highlights is worth a close read, one item that stood out was the Bureau's focus on medical payment products. Medical debt has been a focus of the Chopra administration, and we expect medical payment products to be the next frontier. Expect a more aggressive Bureau in this space over the next couple of years. As it stands, the Bureau has already indicated that it intends to closely monitor the partnership between medical providers and credit issuers, focusing on marketing strategies and consumer incentives to ensure compliance with federal laws and consumer protection.

Celene Gayle contributed to this article

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