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Breaking: Treasury Secretary Bessent Heads Consumer Financial Protection Bureau, Immediately Orders Freeze of CFPB Activities

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On Saturday, February 1, 2025, it was announced that President Donald Trump had removed Rohit Chopra as director of the Consumer Financial Protection Bureau (CFPB). In a statement from the CFPB on February 3, 2025, recently confirmed Treasury Secretary Scott Bessent is now the acting director for the CFPB.

Following the news of Bessent's role at the CFPB, multiple sources have reported that Bessent has ordered CFPB staff to cease all rulemaking, litigation, enforcement, and communications. The halt of activities includes suspending effective dates for all final rules that have not taken effect and to not approve or issue proposed or final rules or guidance. CFPB lawyers were instructed to request continuations for active litigation matters, and staff are not to commence or settle any enforcement actions. The instructions to CFPB staff do not seem to address supervisory activities, so, presumably, the CFPB will continue exercising its supervision authority; however, without enforcement power, supervisory activities may nonetheless be paused as a result.

What Should Financial Institutions Expect?

While former-director Chopra's exit has long been expected after the reelection of President Trump, tapping the Treasury Secretary to take the role, even if temporarily, and the immediate halt of CFPB activities has created unprecedented uncertainty for the CFPB and the financial services industry. It is unclear how long the halt to the CFPB activities may last or what the future of the CFPB holds.

However, it is important for financial institutions to continue to comply with all applicable laws and regulations and to remember that many requirements enforced by the CFPB may also be enforced by other governmental authorities. For example, the CFPB promulgated Regulation B to enforce the Equal Credit Opportunity Act (ECOA). However, supervised banks and credit unions still have compliance obligations under the ECOA, which will be enforced by their prudential regulator (i.e., the

Office of the Comptroller of Currency, the Federal Reserve Board, the Federal Deposit Insurance Corporation, or the National Credit Union Association). The Federal Trade Commission (FTC) is responsible for ECOA enforcement for most non-bank financial institutions including retailers, finance companies, and other creditors that are not exclusively supervised by another agency. Finally, the Department of Justice (DOJ) may bring suit under the ECOA where there is a pattern or practice of discrimination.

In addition to the ongoing compliance obligations noted above, we expect to see more action from state regulators in the financial services space. In recent years, state regulators have been active in both regulation and enforcement, particularly related to credit products, payments, and data brokers. However, we expect to see even more consumer protection action at the state level following the CFPB's report for Strengthening State-Level Consumer Protections ("the Report"), which was issued just days before the new Trump administration took office. Notably, and in an unprecedented move by the CFPB, the Report contains specific language recommendations for CFPB-type consumer protections that state legislatures are encouraged to incorporate into state statutes.

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