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A CONVERSATION WITH RICHARD CORDRAY, DIRECTOR OF THE CONSUMER FINANCIAL PROTECTION BUREAU

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P R O C E E D I N G S

MR. EISEN: Good afternoon, everyone. I'm Norman Eisen, and today I have the pleasure of welcoming my friend, Consumer Protection Bureau Director Richard Cordray, to the Governance Studies program here at Brookings. I also want to welcome the many dignitaries and colleagues here in our capacity audience, as well as those of you who are watching on your Brookings Governance Studies live stream on C-SPAN and those following the event on Twitter (#CFPB).

One of the toughest challenges that we research in Governance Studies is setting up a new federal agency. Director Cordray has led his great team in mastering that challenge in the three years since he took the helm of the CFPB as its first director. For those of us who knew him before he took on this monumental task, that success is no surprise because of his previous experience dealing with consumer finance issues in an exceptionally diverse government career. Director Cordray served Ohio as a state representative, a county treasurer, as Ohio's first-ever solicitor general, as state treasurer, and finally as the Ohio attorney general, before becoming enforcement director of the CFPB in January 2011, and then its first head in January 2012.

Myself, having worked in the White House on the administration's proposal for Dodd-Frank, including the CFPB, I can say that the new agency has done all we hoped for and then some. Perhaps that is because the agency is being led by a five-time Jeopardy champion. When they asked Rich how he would use his Jeopardy winnings back in the '80s, he said he would, among other things, pay off his student loans and other obligations. So he has firsthand experience with the consumer finance issues that his agency addresses.

I'm pleased to welcome Director Cordray today for the announcement of a new CFPB initiative concerning perhaps the most important consumer finance issue, home mortgages. As you will hear, the work that he and the CFPB are doing is an example of how government can do more to help the middle class and all Americans.

I give you Director Richard Cordray.

(Applause)

MR. CORDRAY: Thank you, Mr. Ambassador. As Norm said, he's a friend, and I've also had deep admiration for his public service, multi-talented. Not only his innovative diplomatic efforts on behalf of our country, but his previous work with ethics foundational work for this administration, which has been effective and lasting. And before that, as he indicated and noted, he is, himself, an expert in consumer finance.

He also has keen insight. There was a point at which my family visited him at the U.S. Embassy in Prague Czech Republic and after a few days he summed up the visit by telling me that I was now his least favorite Cordray. So it took me a while to reconcile myself to that comment.

So thank you for having me today, and I bring you best wishes for the New Year. I can also offer what I regard as sage counsel from humorist, Ogden Nash, who once advised about the New Year, "Ring out the old, ring in the new, but don't get caught in between."

For myself, every January has marked a significant personal development at the Consumer Financial Protection Bureau. Four years ago, that was when I first joined the Bureau. Three years ago, President Obama named me as the first director by means of a recess appointment. Two years ago, we finalized our first set of important new rules to improve the mortgage market. Last year, after I had been confirmed as director, thanks to the U.S. Senate, those rules went into effect all across the country. And this year, we're continuing that ongoing work by helping consumers gain greater control over the mortgage process.

The American mortgage market, as Norm mentioned, remains the single largest consumer financial market in the world. And as we know all too well, in the run up to the financial crisis, it was our mortgage market that was deeply damaged by reckless lending. The damage caused the broader economy to crash, and while the housing market has been gradually recovering, it has lagged the pace of recovery in many other sectors over the past five to six years.

As directed by Congress, our ability to repay rule that took effect last year was designed to ensure that lenders will offer only mortgages that consumers can actually afford. That rule, also known as the Qualified Mortgage, or QM rule, put in place new protections for consumers to strengthen the housing market by rooting out reckless lending while enabling and protecting responsible lending that is sounder and more sustainable.

Since the time our mortgage rules were implemented almost exactly one year ago today, we have not seen dramatic changes as some feared. I recall seeing some rash predictions, such as that the price of mortgages would double and the volume of mortgages could be halved. But by the time these rules went into effect, lenders had already retreated from the worst sorts of lending that took us into the financial crisis, such as "ninja loans," if you remember those; loans so called because they could be made to people even with no income, no jobs, and no assets.

Loans with negative amortization often made to borrowers who could not afford even the interest accruing on the mortgage so that they owed more over time, also dried up in the immediate aftermath of the financial crisis. Our rules put further measures in place to make sure that irresponsible lending would never be allowed to reappear.

At the same time, however, we did not anticipate that our rules would affect the broader market in an intense or abrupt fashion. Instead, we included a provision so that loans backed by Fannie Mae and Freddie Mac, as well as the FHA, VA, and the Department of Agriculture, would be protected under the new rules. Another special provision ensure that thousands of small creditors, such as community banks and credit unions, can continue to do the kind of responsible lending they've always done to serve their markets across this country. In these ways, we protected key elements of the current mortgage market, even as we installed new guardrails to prevent irresponsible lending long after memories of the crises may have faded.

The mortgage market continues to heal from the great damage done by the financial crisis, with foreclosure rates and delinquencies continuing gradually to fall. Home values have been improving, and the value of homes that are underwater, with more owed on the mortgage than the home is worth, remain on an encouraging, but gradual, downward trajectory.

There are also growing signs of pent-up demand among first-time homebuyers, which could be a key point. This has been a slow segment of the market for several years, but would give it a definite boost. So a core purpose of the rule was to help restore reliability to the mortgage market. When people take out a loan to buy a home, they deserve to have confidence that they're not being set up to fail. With such confidence, they can be more actively engaged in the process of seeking a good outcome. They can choose the lender and the product with the terms best suited to their budget and to their vision of what they want for themselves and their families. Making these choices effectively will depend on people being actively engaged and weighing their options and understanding how to shop around.

But we know it can be difficult to shop for a mortgage. It's hard to understand how to shop, and the process can be intimidating, to say the least, especially with all the paperwork. That's why we're releasing our "Know before You Owe," initiative called "Owning a Home." It is designed to empower consumers with the information they need to make good decisions and talk to lenders with confidence. Consumers will be able to gain greater control over the outcomes of the mortgage process and maximize the benefits of this major transaction.

The report we're issuing today on the Consumer's Mortgage Shopping Experience is based on results from new data in the National Survey or Mortgage Borrowers, a joint initiative between the Bureau and the Federal Housing Finance Agency. When we say that almost half of consumers who take out a mortgage to buy a home fail to shop before applying for a mortgage, this means they seriously considered only a single lender or broker before making their decision.

By contrast, most consumers put substantial effort into considering their differing housing needs. They routinely weigh the most basic questions about which house to buy, such as where they want to live and how many bedrooms or bathrooms they think they will need. But they do not seem to be as careful or as confident in weighing the economic aspects of the mortgage decisions, such as what down payment they can afford or what mortgage terms fit their unique financial needs.

Given the importance of this major purchase, almost nobody looks only at one house and decides to stop right there. Consumers spend considerable time looking at different neighborhoods and different homes for sale. The same should be true of choosing among possible mortgage loans. When you're spending a lot of money, you are literally betting the house on the choices you're making, and it can be highly beneficial to shop around.

Our study also found that consumers are getting much of their information about mortgages from sources they have a vested interest in the outcome. For example, 70 percent report relying on their lender or broker a lot to get information about mortgages, while only 20 percent rely heavily on websites and only 2 percent rely heavily on housing counselors.

Certainly, lenders and brokers can be valuable resources, and they are, but it is worth recognizing that they also have an important personal stake in selling the mortgage. What is best for them is not always going to be best for the consumer. And because lenders and brokers have different business models, they may make money in different ways to stay competitive. So it's in the consumer's best interest to ask questions and get as much information as possible from several lenders or brokers before making a decision.

People may well, as I said, put more time and effort into shopping for the house and also for things like smaller products, such as appliances and televisions than they do in shopping for the right mortgage. The failure to look around can mean real money lost for consumers. For example, on a conventional mortgage for borrowers with a good credit rating and a 20 percent down payment, the range of potential interest rates can span a half percent or even more. For a borrower taking out a 30-year fixed rate loan for $200,000, getting an interest rate of 4 percent instead of 4.5 percent translates into about $60 in savings per month. Over the first five years, the borrower would save about $35,000 in mortgage payments. In addition, the lower interest rate means the borrower would pay off an additional $1,400 in principal in the first five years, even while making lower payments. By not shopping around, consumers are often throwing good money down the drain.

An important and interesting finding from our survey -- and I want to emphasize this -- was that consumers with more confidence in the knowledge about the mortgage process were more likely to shop. This was especially true for those who said they were very familiar with available interest rates. They were almost twice as likely to shop as those unfamiliar. Clearly, we need to try to instill more confidence in consumers, and by empowering them, we can help them make the most of this process.

At the Consumer Bureau, we're working to reduce the information gap between lenders who understand mortgage pricing inside out, and consumers, to whom the process can often feel like a mystery. It is time to start changing the culture of how people obtain their mortgages. We need to change the process from one of getting a mortgage, as though a passive activity, to one of shopping for a mortgage, a more active activity. Consumers have much more power than they may realize. They can use that power to take control of their financial outcomes.

To help consumers become better and more informed shoppers, we're improving mortgage disclosures. This summer, our "Know before you Owe" forms will become the new reality in the mortgage market, helping consumers understand their options, choosing the best deal they can, and avoiding costly surprises at the closing table. The forms are consumer tested to be more readily accessible and user-friendly, which will ease the process of both apply for and closing on a loan. We will also soon be bringing out a more consumer-friendly addition of the booklet people receive when they apply for a mortgage to buy a home.

Although our new mortgage regulations limit various risky product features, mortgages still can have very different terms and features for consumers to understand. Key components of a loan include the loan term, loan type, and interest rate. Loan terms typically vary between 15 and 30 years. Loan types include conventional loans, as well as those offered by the FHA or VA, among others. Interest rates can be fixed or adjustable, and the upfront cost for mortgages often vary across lenders, even for the same consumer on loans with otherwise identical product features.

Shopping for a mortgage can occur at different points in the process, but consumers are well advised to cast a wide net early on. The consumer may begin by researching different loan options. Once the consumer knows more, she may be ready to meet with lenders and ask questions about the products they offer in the application process. Once the consumer has made an offer on a home, she is ready to apply for a loan from different lenders. Finding the best deal depends on comparing the available offers, which may vary based not only on the interest rates but also on other costs or terms.

Owning a home has great new tools to help consumers throughout the home-buying experience, from the very start of the process all the way to the closing table. These tools can be found on our website at Consumerfinance.gov\owningahome. The set of tools includes a guide to loan options and a closing checklist written in plain language. If consumers need help understanding the difference between a fixed rate and adjustable rate mortgage our tools will be able to assist. If people need help deciding how much they can borrow, our tools will be able to help with the calculations. Or if they need help understanding the new mortgage disclosure forms, "Owning a Home" will be able to explain all that. We're working to add these and other tools over the course of this year to give people a comprehensive and comprehensible picture of the entire home-buying process.

One critical feature contained in "Owning a Home" is the rate checker, a tool currently in beta release that helps consumers understand what interest rates may be available to them. It incorporates information from lenders' internal rate sheets, information that they use to calculate what interest rate is available for a particular consumer. In other words, we're giving consumers direct access to the same type of information that the lenders themselves have.

Borrowers looking to buy a single-family home can use the rate checker to input their own information and find out what interest rates they're likely to be offered from lenders in their area. By plugging in their credit score, their location, and information about the loan they're seeking, they can see the rates lenders are offering to borrowers like them. This is different from other websites that usually quote potential rates based on averages for borrowers with great credit and a large down payment.

Those idealized versions of what you may be offered can be misleading because, of course, not all consumers have high credit scores or can afford a large down payment. The result is that many lenders go to lenders and are quoted surprisingly different rates, which can leave them confused and uncertain about whether the quoted rates make sense. And, of course, many of those websites focus primarily on soliciting prospective customers. Thus, they require people to surrender their personal information, perhaps an email address but often much more, information that may be used for marketing or sales purposes. By contrast, "Owning a Home" has no hidden agendas, and the Bureau does not retain any personal identifying information. Instead, it simply enables consumers to have more of the information they need to be savvy shoppers and get the best deals they can.

Our new set of tools also offers an understanding of how lowered rates translate into dollars saved. It can be hard to understand what an extra quarter or half percent of interest amounts to in actual dollars, so our tool makes it easy to compare different interest rates and see how much they will cost. Consumers will be able to go to our website and plug in information as often as they like to become more familiar with their options. Understanding what rates they can expect to be quoted in the market will help them see the value of shopping and gain more confidence about the crucial decisions they need to make about which mortgage to choose. And it is worth nothing again from our survey findings that as consumers gain more confidence about the process, they become more likely to shop for a mortgage in the first place.

When consumers active shop for a mortgage, they will be in a better position to make the best decision they can about what is possibly, and in many cases probably, the single largest financial transaction of their lives. The set of tools contained in "Owning a Home," complete with a critical rate checker feature, will help consumers do that more effectively.

Now, let me take a second to debunk a popular myth. You can shop around for a mortgage and it will not hurt your credit score. Within a certain window of time, generally between 14 and 45 days -- it's increasing over time -- multiple credit checks from mortgage lenders or brokers are treated as a single inquiry. This is because other creditors realize that you're only going to buy one home at a time in all likelihood. You can shop around and even submit multiple applications to obtain multiple initial estimates. The effect on your credit will be the same, no matter how many lenders you consult.

For these reasons, it's vital that consumers meet with several lenders early on and ask lots of questions, but wait until they receive official loan offers to make their final selectin. Starting this summer, these official loan offers will be communicated on your "Know before You Owe" loan estimate form, which will summarize the key loan terms, as well as the estimated loan costs and closing costs. By demystifying the jargon, we're making it possible for consumers to have conversations with lenders that are better informed and more productive. In addition, consumers will have a reliable estimate that can change only in limited ways between the application stage and the closing. This will build their confidence, and ultimately empower them to make the right decisions for themselves and their families.

The central purpose of the Consumer Bureau we've said many times is to assure that empowered consumers have access to markets that are fair, transparent, and competitive. That is good for consumers, for the honest businesses that seek to serve them, and for the American economy as a whole. Our important new set of mortgage rules is creating a cleaner mortgage market. Consumers are better protected from the pitfalls and booby-traps that hurt so many people and led to the financial crisis. But when people fail to shop because they're intimidated by the process, they're putting themselves in harm's way.

One of our duties at the Consumer Bureau is to educate and empower them as much as we can. We're seeking to change the culture of how consumers go about obtaining mortgages in this country by making it more possible and more fruitful for them to shop around. People should walk away from the mortgage process feeling secure that they have made a sound and sustainable decision about their future, and they should be right to feel that way.

We've seen all too clearly that when consumer financial products are misunderstood or misused, they can do real damage to people's lives. Consumers need to make the best choices that fit their circumstances. Nobody can do that for them, and they need to be responsible for the choices they make. At the Consumer Bureau, we're seeking and finding ways to help them get exactly where they want to go in improving their financial futures. Please join us in supporting this important and exciting work. Thank you.

MR. EISEN: One of the hottest topics in governance is how government can do more to help the middle class and all consumers. In recent days, leaders of both parties here in D.C. have come out with proposals, dueling proposals in some cases in that regard. You and the CFPB team have been doing that every day since you took the helm three years ago in ways large and small. It seems to me that the "Owning a Home" initiative is a large way that you're doing that. And I thought we'd start by my asking you a couple questions about that and other subjects, and then we'll open things up for questions from the floor.

So tell us how you hope these new online and other tools are going to change the home-buying process for consumers in practice. What does it mean to the real lives of these folks, and what else can the Bureau do -- I can push you a little -- to encourage informed shopping by consumes?

MR. CORDRAY: So, first of all, the mortgage transaction, as I said, is for most people, the most important transaction of their lives. It is the most money they will ever spend. It has to do with achieving what we all consider to be a fundamental part of the American dream, homeownership. And also, studies have shown, even though this crisis and even through the extreme variations in house prices around the country, that sustainable homeownership remains the single-most important and effective way that middle class families can save money and build wealth for their futures. Partly, that's because of the forced savings component of making regular monthly mortgage payments, but it's a very important part of developing and maintaining and improving a future for yourself and those who depend on you. So that's quite important.

And what we found in our report, as I said, was consumers are very intimidated by this process, and when they're intimidated, they start to not engage. And when they fail to engage, they do not get the best outcomes for themselves. And by making tools available that people can use that are fairly straightforward, understandable, and accessible -- and again, a lot of this is very complex and often deliberately so because it makes it difficult for consumers to find their way, we can make it possible for consumers to understand their choices better, weigh those choices more effectively, and come to the best outcomes for themselves. That's what we all should want, and that's part of the work we're doing at the Bureau, not only in the mortgage market but across all consumer finance household markets.

MR. EISEN: So understand, weight, and then engage as consumers. And what about the other part of the question -- what else can the Bureau do along these lines to encourage even more informed shopping by consumers? What else can we look forward to?

MR. CORDRAY: So there is, I would say, numerous things that we're actively engaged in on this front. One of our first set of tools that we put together was called "Paying for College." That's another one of these transactions that comes along for families typically once, maybe twice. Maybe once in a generation, I guess is fair to say. And it has become an expensive proposition for many families. And to be able to be in a better position to understand our choices, to weigh them not just as a matter of liking a school the same way you like a house, but think about the economic side and being able to make good comparisons, both among choices and also to know what those choices mean in the long run -- how much you're going to owe when you come out of school, what your repayment rates may be, whether you're going to be able to manage that; for people to think about that upfront and not fail to think about it and then regret later that they didn't think about it more, as many people have told us they do, is another way in which this occurs.

We also are doing consumer education and engagement in many ways across the spectrum of the Bureau. Ask CFPB is one of the sets of information that we have developed and continue to develop on our website, so the consumers who now have a new situation or something that they don't understand, it may be that a debt collector is pursuing them and they don't know what their rights are. Or it may be that they're trying to understand their credit report and credit score better and they don't know how they can go about improving that. All of that kind of information is available at Consumerfinance.gov. People can get it in real-time when they need it, and we think that that's helping people gain more confidence about making good choices for themselves.

MR. EISEN: One of those web tools, the consumer complaint aspect of CFPB.gov, stirred up a little bit of a flap recently because of the determination to include the so-called consumer narrative in those web forms. Can you reflect for us a little bit about the brouhaha and the outcome?

MR. CORDRAY: God forbid that people should know what other people are actually saying in complaints about these companies. And they, by the way, say those things on many websites having nothing to do with the Consumer Bureau.

But one of the things I want to go back, let me just say, the consumer complaint function -- building a federal agency from scratch has been an enormous challenge. We haven't always gotten everything right and it takes real time and effort to do that as well as do our work. But it's been a great challenge for us and a great opportunity. One of the pieces of that was that Congress said that we had to have a consumer complaint, a consumer response function. We had to build it from scratch, and we built it not having any sense of what the actual volume would be of complaints from the American public. That volume is enormous and it's growing. We have had over half a million complaints thus far across the range of products. We had more than 250,000 last year alone, so the volume is increasing. And every one of those is a voice of the consumer that tells us about a problem that they're seeing in their lives in real-time. Each one of those is an anecdote. Everybody derives anecdotes as not being true statistics and data, but when you have hundreds of thousands of individual instances, it becomes in the aggregate, real meaningful data. And it is something that we look at the patterns of to prioritize our enforcement and supervision work, and we continue to push on industry, and they are beginning to get it, and stepping up to the plate and recognizing they should look at the patterns of what their customers tell them about themselves and respond accordingly. That's changing the culture at these institutions and it's changing life on the ground for whether consumers are being treated fairly. That's very important, and I'm very proud of the people at the Bureau who have been doing that work day in and day out from the beginning.

MR. EISEN: So before we turn to over to the audience for questions, when we announced that we were going to host you, we heard -- I heard personally from many of the folks that I had worked with when we were doing our listening about the CFPB in the White House putting together the Dodd-Frank plan. I heard both from folks I talked to in the business sector and the consumer sector. So I'm just going to ask you a follow-up representing both of those points of view, first on the consumer complaints business as they have on a number of things you've done -- really on everything you've done -- had strong feelings about that. What steps did you take to make sure that the complaint process was also fair to the financial industry and to business?

MR. CORDRAY: So that's very important to me personally. I think it's very important to the Bureau. We are doing some things that create change in the industry. The change was needed. Consumers need to be treated fairly, and it's sometimes difficult to know the exact parameters of what that means. So we have made efforts from the beginning, and I think everybody would credit this, that we have consistently been very accessible and very transparent about people being able to come and speak to us and express their concerns, and we get it from across the spectrum here. And we think hard about that and take that into account in order to formulate any kind of proposal or policy or response to concerns.

On the consumer complaints in particular, there was a lot of concern initially that we said that we were going to have a public database; that it wasn't enough for us to have complaints and work them and resolve them and think about what that means as a pattern in prioritizing our own work, but we thought that the public ought to have access to that information and be able to think about it in terms of what it might mean about choices they would make. And notably, we thought it was important for industry to be able to see not only what they now see, which is what their own customers tell them about their own products, but what kind of problems might exist in the industry at other providers, and that's something they can learn from and avoid problems, or see if they're doing better or worse and respond accordingly. That's important information. They didn't have access to that before.

But I will say there are various sensitivities around changes and changes that can be pressing on people, and we want to be thoughtful and responsive to that. On our mortgage rules, we have several times gone back in and adjusted and revised various things in response to feedback we hear and monitoring the market and seeing what change is occurring. And I believe that's been the hallmark of the Bureau, and it will continue to be over time.

MR. EISEN: Now, turning to the emails that I received from the consumer activities, they request -- and some are here -- but requested that I ask you -- first of all, they're complimentary of the work you're doing. And you mentioned the word "transparency." The CFPB has really been seen as a model agency on its government transparency.

MR. CORDRAY: Not by everyone, but many.

MR. EISEN: Well, I give you -- that's somewhat of a hobby of mine and I give you high marks on it. And I think there's a strong feeling out there in the world of transparency advocates and experts, that you've done a good job on that. No one agrees on everything here. There'd be no need for Brookings if we agreed on everything.

But a question that I did get was under the Dodd-Frank arbitration study provision, it's taken you a while to do the preliminary study. We're waiting on the final study. And folks were curious, to the extent you can talk about it, I know you're in midstream, but folks asked me to inquire about that, the reason for the timetable, and when we can expect the final study and some rules.

MR. CORDRAY: Okay. Sure. I want to be a little careful about what I would say because, as you say, it is midstream. It's notable.

The Dodd-Frank Act had provisions in it about arbitration in various contracts and it's been the law of the land going back to the 1920s, the Federal Arbitration Act, that arbitration has become -- seen as an acceptable alternative form for resolving disputes to our courts. And attitudes on that have evolved over time. In the Dodd-Frank Act it said specifically, Congress legislated, that there would be no arbitration in mortgage contracts. That's in there, and that's the law of the land. It also then went on to say that as for other types of consumer finance contracts, arbitration was put on the plate as a live issue. And it said specifically that the Consumer Bureau should conduct a study and issue a report to Congress on various aspects of arbitration -- what it means, how it works. You know, what the consequences are. And then based on what that report contains, consider policy judgments about what to do or not to do about arbitration clauses in consumer finance contracts. It has taken time for us to do a thorough job of work on that, but it is progressing. And when it is complete, we will then reissue that report to Congress. It will be in the fairly near future. And at that point, we will be in a position to make judgments. I would not want to prejudge any of those steps until the report is complete and issued, and that's something that we've tried to be very careful about. So I'll continue trying to be careful about it today.

MR. EISEN: I think you've succeeded.

All right. With that, I'm going to open the floor to questions. So let's see. I'll start by calling on Dan Berger.

MR. BERGER: Rich, how are you? Good to see you.

MR. CORDRAY: Good to see you, too.

MR. BERGER: Just wondering whether the CFPB has any initiatives concerning abusive mortgage servicing practices, including abusive foreclosures, and whether or not it has any initiatives concerning abusive forced place insurance practices. And then I'd like to ask whether or not you have a view on whether the Federal Government could stimulate refinancing of the millions of mortgages that are underwater by making changes or instituting policy initiatives in that respect, which would produce tremendous benefits to consumers and a tremendous stimulus to the economy.

MR. CORDRAY: Let me try to deal with both pieces of that. The first piece, mortgage servicing. This is an issue that has aggravated me going all the way back to my days as a state and even local official in Ohio. I served as our state treasurer at the time that the foreclosure crisis was just beginning to break across the mid-West. Indiana, Michigan, and Ohio were the leading states at that time and, of course, became a national phenomenon. By the time I was attorney general is when the "robo-signing" scandal broke into view.

It continues to be the case that mortgage servicing, particularly in a challenging environment, is a difficult undertaking, and I have not been satisfied with the performance of mortgage servicers. Although it has been improving in some respect, it is not problem-free. We now have new measures in place. The Consumer Bureau has adopted new mortgage servicing rules that are fairly comprehensive. They build on a lot of work that's been done by other policymakers. They are now understood through the industry. They are uniform. They apply to all mortgage servicers, whether they're banks and chartered institutions or others. That's a very important level playing field. We now back those rules through enforcement and supervisory effort which is very meaningful.

So we have rules in place now that are uniform, and we have real teeth behind those rules. We've had enforcement activity around the new rules. We have supervisory activity that's ongoing. And we will continue to police this market because many people have been badly hurt by some of the problems in that area, and I have seen it in my community and we've seen it in communities across the country.

As for refinancing of underwater mortgages, you're really more into the realm of programs that the Treasury Department has worked on and has been developing, and states have been working on programs and developing them. And to some extent, we can jawbone the private sector to do more refinancing. We've done some of that, both on mortgages, and also on student loans. I mean, you know, the nature of a student loan is you take out the loan at a time in your life when you're trying to get through school and you're more of a risk. And then if you get through school and now you're in a different place, you know, should you have an ability to refinance that loan at that point and build going forward? I think that you should, and there are a lot of people who think you should. And some industry is starting to step up and respond to this. The overhang of student loan debt right now on our society among young people, who also happen to overlap the class of first-time homebuyers -- prospective first-time homebuyers, is significant, and the domino effects on our economy are very large and a very meaningful negative factor that we need to think more about the high cost of higher education and what it means for the student loan burdens and how we handle those burdens and how we service those. Student loan servicing is also a problematic area that we've been focused upon. These are all pieces that matter a lot, I think, to the future of this country and they're important grounds for us to consider how to do better in terms of public policy and execution.

MR. EISEN: Question? Yes, sir.

MR. WAGNER: Hi, Director Cordray. Dan Wagner from Center for Public Integrity.

You've spoken at length about the importance of mortgage choice this morning. Given those issues, those benefits that you see to people being able to shop around, do you have any particular concerns about the one-third to one-half of mortgage borrowers buying manufactured homes who have no choice and are forced to finance with a single lender?

MR. CORDRAY: I've been before Congress, and we've had a lot of discussion around manufactured housing. It led us to put some time and effort into understanding this market better, and we issued a white paper last year as you no doubt will recall that kind of surveyed how the manufactured housing industry has evolved and how the market has evolved, especially over the last decade or two. There are parts of this country where manufactured housing looms very large as a portion of housing stock, particularly rural areas and some of the more difficult terrain. I think of Appalachian segments of southeastern Ohio, for example, but there are many of these around the country. And making sure that people are treated fairly in terms of being able to buy and finance manufactured housing is an important part of this spectrum. So it is something we're going to continue to pay attention to. The white paper represented a pretty serious effort to lay some groundwork for people thinking about policy measures, whether it's us or the Congress or others. And so it will continue to be a focus of intention for us because of the fact that it is such a meaningful alternative for a number of folks, especially on the lower to moderate income end of the housing spectrum.

MR. EISEN: Okay. We have time for one more audience question.

TAYLOR: Thank you very much. My name is Taylor with the New England Council. Thanks for taking the time to speak with us.

I was just hoping you could speak a little bit more about first-time homebuyers, and as the housing market recovers, how confident you are in that aspect of it and whether you think the growth is coming there and whether you're satisfied with that growth. Please; thank you.

MR. CORDRAY: So I would say, again, we have to go back to the backdrop of this. Everybody agrees, although they have different accounts sometimes of some of the causation here, that it was the housing and mortgage market that broke and caused the financial crisis. And when there's an element of the economy that causes such a severe dislocation generally throughout the economy, it is almost inevitable that that area of the economy will be the slowest to recover and repair itself. I mean, the damage goes so deep in the mortgage and housing market that it just takes longer to recovery. That has been our experience since the crisis, going back to 2008-2009. So, you know, we're talking five, six, almost seven years now. The housing market has lagged the recovery in the economy.

Now, that also means that over time we may have pent up demand, and we're seeing signs of that, especially among first-time homeowners. But what we don't know -- and the Federal Reserve had a great, very succinct summary of the eight or 10 different things weighing on and bearing on the housing market, that as they change, we're going to be able to see how the housing market may change when they talk about this in their open market committee minutes from June of last year. With first-time homebuyers, what we don't know is whether there's been a temporary lull that will now lead to increased demand, or whether there's some sort of more permanent change going on here. The student loan overhang, if it is not alleviated, could be a somewhat more permanent change, or at least temporary over a longer period of time. If attitudes towards credit and borrowing and home buying have changed among young people because they now view it as a riskier market, that could be a dynamic that could extend for some time, and people are speculating about this now. We don't yet know.

I personally think that would be a mistake because, as I said earlier, homeownership continues for the middle class in this country to be the single greatest engine of building wealth. Most of their wealth is tied up in their homes and over time they tend to build wealth most effectively by being a homeowner. So the notion that you have a significant segment of our young people who would miss that opportunity and miss the savings that can come with that and would be, you know, I think a negative for the economy and a negative for our society. So I'm concerned about that, and I think people need to make good judgments about the possibility of homeownership and not shy away from it simply because they tend to be most focused on the most immediate results that they saw in the recent past. So it's a market that is recovering, and I believe that first-time homeowners will begin to recover at a greater pace but we don't know that for sure and we'll all be interested to see how it develops.

MR. EISEN: Okay. I had hoped to do more from the audience but I promised your staff --

MR. CORDRAY: My answers were too long?

MR. EISEN: Well, I think the questions were too hard.

I promised your staff that I will get you out of here timely. I had one more question that I wanted to pose to you -- I'll ask you to answer for us. You gave your maiden speech as CFPB director here at Brookings. I think it was on your first day, or thereabouts, in 2012. We sit here now three years later.

Can you quickly tell us what -- looking back now over that three-year period, what the biggest surprise has been, both pleasant and otherwise, of those three years as you thought it might have unfolded when you sat here three years ago?

MR. CORDRAY: Well, there was a pleasant surprise that I always hoped would occur but wasn't entirely sure when I was confirmed by the Senate by a pretty resounding vote in July of 2013. So that was meaningful.

What I would say about sort of the processes I've encountered at the Bureau, there's two things that I didn't quite appreciate before I came. Number one is that we operate in a space that's fairly crowded with other policymakers as well. Obviously, Congress always is the primary policymaker in our country and that's appropriate, but there are a number of agencies who have different roles. We overlap to some degree.

We have to work together effectively if we're going to do our jobs appropriately, and that takes some real time and effort we all have to put in together. We've been in a landscape where we have received that time and effort from our colleagues and I think they perceived it from us. But whether that's always and inevitably the case, it's not a given.

The second thing I would say is I came to this job from the attorney general position in Ohio, which is an enforcement position. I was not that familiar with the regulatory side of things. It takes longer than I would have wanted or expected to work through the thorough processes of, you know, these are complicated issues. I mean, you said there were some tough questions today. These are the kind of questions we're dealing with all day long, every day. And how to gradate policy, how to do enough but not too much, how to balance competing principles that are basic fundamentals, like consumer protection on the one hand, access to credit on the other.

These are things that take a lot of time and effort. They require a lot of analysis of data and the like. And so things move more slowly than I would like, but hopefully, they come out better at the other end.

MR. EISEN: Well, as you noted, it's very, very tough to set up a new agency. Not every new agency that has been set up has as happy a story to tell as the extremely successful three years that you've enjoyed. And we're very pleased to have you here today. I can tell from the many hands that were raised that we easily could have gone longer. So I'd like to invite you back to come and talk to us again and share your reflections.

MR. CORDRAY: And let me just go back. I want to thank you again, and all those who worked on Dodd-Frank, and continue to work on it and think about it. The fact that an agency like this was created and established to look after the middle class in this country, the average consumer, and to recognize that they make choices every day that affect their lives. Some of them are difficult choices that they don't fully understand.

Some of them are choices that they make all the time. To the extent we can help them be in a position to do that better and improve their lives financially, that's significant across this whole country. And we recognize that as our mission and it's what motivates us, and it makes it a pleasure to go to work every day.

MR. EISEN: Thank you. Thank you for the work that you and all your colleagues do.

(Applause)

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