

MCRCC The Voice For Maryland Consumers **MARYLAND CONSUMER RIGHTS COALITION**

August 18, 2016

Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G Street, NW
Washington DC 20552
Re: Docket No. CFPB-2016-0020 or RIN 3170-AA51

The Maryland Consumer Rights Coalition strongly supports the Consumer Financial Protection Bureau (CFPB)'s proposed rule to limit pre-dispute binding mandatory (or forced) arbitration clauses in consumer finance contracts. The CFPB rule will restore consumers' ability to band together in court to pursue claims, is a critical step forward in efforts to curb predatory practices in consumer financial products and services and ensure a fairness and justice in the financial marketplace. Lenders and other financial services companies use forced arbitration to push consumers out of court and into a private arbitration system that is tilted against them. Forced arbitration eliminates the right to a civil jury trial, limits discovery, restricts or prohibits public disclosure of proceedings and outcomes, and makes meaningful appeals virtually impossible. It also often prohibits consumers from banding together in a class action to hold the company responsible.

As the only statewide consumer rights organization in Maryland, we've heard from hundreds of consumers who've been the victims of deceptive auto financing or auto fraud schemes who cannot pursue their claims through the courts due to mandatory arbitration clauses. We have heard from students who attended for-profit schools and seek redress, only to find their abilities limited by arbitration clauses. We have consumer lawyers who are unable to pursue claims on behalf of low-income clients because of these clauses.

Clearly it is in the public interest for individuals with small claims to be able to band together to seek redress from large corporations that may reap millions from the cumulative impact of collecting thousands of individual \$25 hidden fees or charges.

In 2010, Maryland passed the Transparency in Consumer Arbitration Act which requires an arbitration organization that performs 50 or more binding consumer arbitrations during a five-year period to collect, publish, and make publicly available specific information about the parties involved, types of claims handled, and arbitration outcomes. This legislation allows consumers to see the records of arbiters and of arbitration firms.

Although we urge the CFPB to prohibit forced arbitration entirely, we commend the proposed provision to increase reporting requirements as an important first step. These reporting requirements will increase transparency and accountability which will help consumers make more informed decisions.

We do believe that the proposed rule can be strengthened in the following ways:

- Ensure the rule applies to contracts and existing arbitration clauses that are modified, altered, or renewed after the rule takes effect;
- Expand the rule's reporting requirements to encompass all supervised financial providers to submit their arbitration agreements;
- Trigger reporting requirements anytime a company relies on an arbitration clause to file a motion to dismiss;
- Expand coverage to include coverage of credit bureaus as well as companies that furnish information to credit bureaus regarding consumer financial products or services.

We commend the CFPB on its proposed rule and urge the Bureau to restore consumers' right to choose how to resolve disputes in its final rule.

Thank you for your consideration of this comment.

Best,

Marceline White
Executive Director