

Multistate Coalition Sends CFPB Letters Opposing Proposals Shrinking Bureau Authority

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Late last month, California Attorney General Rob Bonta, along with Democrat attorneys general from 18 other states and the District of Columbia, sent multiple letters to the Consumer Protection Financial Bureau opposing advanced notices of proposed rulemakings that would shrink the CFPB's oversight of the automobile finance, consumer reporting, debt collection, and international money transfer services markets. In August, the Bureau issued four ANPRs inviting comments on whether it should reduce the Bureau's "Larger Participant" supervisory authority in these four markets by increasing the transaction threshold that determines when a company becomes subject to CFPB supervision. The attorneys general argue that the proposed reduction in oversight would leave millions of Americans without a federal agency looking after their best interests and would violate the CFPB's obligation to protect consumers under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. The changes to the rules would also "distort the market" playing field "allowing bad actors in the rest of the industry." The AGs further explain that in the face of the significant and rising levels of consumer injury from these industry practices, the CFPB would "flout its statutory obligation to maintain a risk-based supervision program if it significantly reduces the number" of relevant financing businesses under its supervision. The categorization as a small business by the Small Business Administration is not relevant to whether activities present risk to consumers, the AGs assert.

- **Automobile Finance Market Proposal.** According to the letter, the CFPB is considering reducing the number of automobile finance companies under its supervision authority by raising the larger participant threshold by between 30 and 100 times its current size - from 10,000 annual loans to more than 300,000 to 1,050,000. The AGs state that the CFPB acknowledged receiving more than 18,000 complaints regarding automobile financing in 2024, and the FTC has recognized risks of vehicle scams through its attempt to pass the CARS Rule. If the CFPB must modify the larger participant thresholds, the AGs urge it to adopt the lower threshold of 300,000.
- **Consumer Reporting Market Proposal.** As stated in the letter, the CFPB is considering raising the threshold for larger participant status from \$7 million in annual receipts from consumer reporting activities to \$41 million. The CFPB estimates that this would leave approximately six larger participants in the market that would still be subject to CFPB supervision. The AGs write that in 2024, consumers sent more than 2.7 million complaints to the CFPB about consumer reporting issues, accounting for 85% of all CFPB consumer complaints on any topic.
- **Debt Collection Market Proposal.** This letter describes the exponential growth of debt collection related complaints to the CFPB: from 2023 to 2024, the number of complaints rose

from 98,000 complaints in 2023 to 207,800 in 2024. The proposed rule amending the test to define “larger participants” in the consumer debt collection market would greatly reduce the number of entities under CFPB supervision, potentially from around 2,500 to 11 under a proposed \$100 million threshold. The AGs point out that smaller debt collectors with less resources for compliance may be more likely to violate for example Regulation F, and CFPB’s previous enforcement record shows some companies would have fallen outside of supervision under the new higher threshold.

- **International Money Transfer Services Proposal.** As explained in the letter, currently an international money transfer provider is subject to CFPB supervision if it has at least one million aggregate annual international money transfers. The highest threshold contemplated by the proposed rule is 50 million annual international money transfers, which would result in only four entities being subject to CFPB supervision. The AGs say the CFPB itself has found “widespread noncompliance” with federal law including Dodd-Frank and EFTA by international money transfer providers, including undisclosed fees, failure to correct transfer errors, deceptive transfer speed ads, and more.

How will states respond to this potential reduction in federal oversight? These letters from the AGs make clear that certain states will continue to support the CFPB. Where supervisory gaps emerge in the relevant markets, states will likely partner with each other and other federal enforcers in order to protect consumers in these spaces.