Back to Basics, Continued—the Federal Trade Commission regulations that touch every consumer credit transaction

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If I asked you to name each of the Federal Trade Commission (FTC) regulations that impact credit sales and loans every day, could you? I couldn't until I decided to look them up for today's blog and to review my   blog post from last year.

Here are two of the FTC Regulations that creditors must comply with every day:

- Preservation of consumers' claims and defenses—this is the Grandaddy of FTC Consumer Regulations. It established a substantive law requirement that credit sellers and lenders must include in their consumer credit contracts a contractual provision that preserves a debtor's claims and defenses against an assignee of the contract. This 1970's regulation did more to level the playing field between consumers and creditors than any other federal regulation because it eliminated the separation between the duties and responsibilities of an originating creditor from those of an assignee.
- Credit practices—and the credit practices rule continued the FTC's focus on substantive law requirements by establishing certain unfair credit practices (use of confessions of judgment, assignment of wages and nonpossessory security interest in certain household goods) and unfair or deceptive cosigner practices (failure to include a notice to cosigners). This regulation also prohibited pyramiding of late charges.

In addition to these two all encompassing consumer credit regulations, over the years the FTC and its successor CFPB have adopted regulations addressing door-to-door sales, deceptive advertising, mail or telephone ordered merchandise, used motor vehicles and mortgage assistance. In fact, the FTC has approximately 71 Rules and Guides, approximately 21 of which are designed to protect consumers.

The FTC is authorized by Section 5 of the Federal Trade Commission Act to address unfair methods of competition, and unfair or deceptive acts or practices in or affecting commerce. That Act—deriving its Constitutional basis from the Article I, Section 8 Commerce Clause of the US Constitution—then defines unfair or deceptive acts or practices to include commerce that causes or is likely to cause reasonably foreseeable injury.

Then, ten years ago, the Dodd-Frank Wall Street Reform and Consumer Protection Act built on this concept and created the CFPB with a laser focus on consumer financial protection. And, with the standing-up of this bureau, consumer protection regulations have become a principal focus of our industry.

Please note: This is the one hundred eightieth blog in a series of *Back to Basics* blogs, in which relevant and resourceful information can be easily accessed by clicking **Dentons - Consumer Finance Report**.

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