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Regulatory Rollback And Lingering Limbo: The CFPB In 2025

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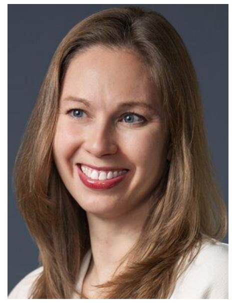
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The Consumer Financial Protection Bureau has seen significant changes since President Donald Trump fired then-Director Rohit Chopra in February. Under acting Director Russell Vought, the CFPB reversed numerous prior bureau initiatives, including dismissing actions with prejudice, withdrawing guidance, terminating ongoing consent order obligations, and rescinding rules.

In addition, in November, the bureau announced that it expects to run out of funding by 2026. We discuss these developments and the uncertain future of the bureau below.

Bureau Rolls Back Prior Actions

In the first few months of Vought's tenure, the CFPB reversed many of the bureau's prior actions, including actions taken under former Director Kathy Kraninger, who was appointed by Trump during his first term.

First, the bureau has rolled back many of its enforcement actions by moving to dismiss several lawsuits with prejudice, which prohibits the bureau from filing the same claims against the defendant in the future.

In addition, the bureau terminated certain finalized administrative consent orders entered during the last administration that were still in effect, waiving any alleged noncompliance with the orders.

Along these lines, the bureau in March also moved to vacate a settlement previously entered by the U.S. District Court for the Northern District of Illinois in the matter of CFPB v. Townstone.[1] Notably, the lawsuit was filed during Trump's first term while the bureau was under the leadership of his appointee, Kraninger. The court denied the motion, citing the public interest in the finality of judgments.[2]

Next, the bureau also engaged in rulemaking to rescind certain effective rules and withdraw certain proposed rules. For example, the bureau in October issued a final rule rescinding the July 2024 rule that created the repeat offender registry.[3]

Similarly, the bureau in May withdrew its proposed data broker rule amending Regulation V because the rule was "not aligned with the Bureau's current interpretation of the [Fair Credit Reporting Act]."[4]

Further, the bureau rescinded numerous guidance documents issued during the Obama, Biden and first Trump administrations. The withdrawn guidance includes bulletins, consumer protection circulars and policy statements.[5]

The bureau reasoned that "in light of President Trump's directives to deregulate and streamline bureaucracy" and the agency's commitment to "reduce compliance burdens," there is "no pressing need for [the] guidance to remain."

The bureau's current leadership was also concerned that the agency previously used such guidance as de facto rulemaking in circumvention of the Administrative Procedure Act. While any obligation imposed by the rescinded guidance is no longer in effect, the underlying laws, in most cases, have not changed.

Staffing and Funding Uncertainty

Earlier this year, the Trump administration attempted to eliminate nearly 90% of the CFPB's employees. Mark Paoletta, the CFPB's chief legal officer, explained that CFPB leadership identified "vast waste" in the agency's size and that the firings were designed to right-size the bureau to better align with the Trump administration's priorities.

These actions are on hold pending litigation brought by the National Treasury Employees Union.

On Nov. 10, the CFPB **filed** a notice to inform the U.S. District Court for the District of Columbia in connection with the National Treasury Employees Union litigation that it "anticipates exhausting its currently available funds in early 2026." The notice attached a memorandum from the Office of Legal Counsel, or OLC, which concluded that the bureau may not lawfully request additional transfers from the Federal Reserve at that time.

Unlike most other federal agencies, the CFPB's budget is not provided through annual congressional appropriations. Instead, under the Dodd-Frank Act, the CFPB is funded through quarterly transfers from the Fed as requested by the CFPB, subject to an annual employment cost-adjusted funding cap.

The Dodd-Frank Act provides that the bureau is authorized to draw its funding from the "combined earnings of the Federal Reserve System." The CFPB and the OLC's position is that this phrase refers to the Fed's profits. Because the Fed has experienced losses since 2022, the CFPB and OLC argue that it is impermissible for the Fed to transfer funds to the CFPB at this time.

The plaintiffs in the National Treasury Employees Union matter argue that "combined earnings" means the total money earned, not profits. Litigation is ongoing.

Nomination of New Director and Recent Enforcement, Rulemaking and Supervisory Activity

While Vought continues to affirm his commitment to close the agency, the bureau has continued certain activity. Among other activity, the Vought-led CFPB has entered into a limited number of consent orders. The orders are largely consistent with an April memo outlining the bureau's 2025 supervisory and enforcement priorities, which emphasized protecting service members.

Complicating matters, many media outlets have reported that the CFPB plans to transfer active matters to the U.S. Department of Justice. The CFPB has not publicly released further information regarding these plans.

In addition, the bureau continues to pursue its ambitious deregulatory agenda, most recently issuing a proposed rule scaling back the interpretation of and regulations under the Equal Credit Opportunity Act.[6]

Further, the CFPB has shown signs of potentially resuming supervisory activity. In November, the bureau announced that CFPB examiners will be required to read a "humility pledge" to each supervised entity before conducting exams.[7]

According to the bureau, examiners will no longer "ask invasive and irrelevant questions," and exam times will be reduced. These changes likely will be welcomed by supervised entities for which the supervision process tends to be incredibly burdensome.

Also in November, Trump nominated Stuart Levenbach to serve as director of the bureau. Levenbach is the associate director for natural resources at the Office of Management and Budget. However, his appointment has been described as a technical maneuver to ensure that Vought can continue to run the bureau for the foreseeable future.

Compliance Considerations and a Look Ahead

These developments raise a number of complex questions, such as whether and how the CFPB will continue to fulfill statutorily mandated functions — such as releasing certain reports and supervising certain entities — if it is unable to request additional funding from the Fed.

It also raises the question of whether the CFPB will be able to implement its deregulatory agenda, which likely would be ambitious even if the bureau had its full funding and a full staff.

Further, while the bureau's future remains uncertain, this is not the time to skimp on compliance with consumer financial laws. The applicable statute of limitations can extend well into the future, and it is possible that a more aggressive, future bureau could bring an action based on an entity's conduct during the current administration.

Further, given the potential for increased state scrutiny, regulated entities should ensure they maintain robust compliance management programs covering both state and federal obligations.[8]

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[1] https://www.cfsreview.com/2025/03/cfpb-seeks-to-vacate-townstone-redlining-settlement/.

[2] https://www.cfsreview.com/2025/06/court-declines-to-allow-cfpb-to-vacate-townstone-settlement/.

[3] https://www.federalregister.gov/documents/2025/10/29/2025-19689/registry-of-nonbank-covered-

persons-subject-to-certain-agency-and-court-orders-rescission.

[4] https://www.federalregister.gov/documents/2025/05/15/2025-08644/protecting-americans-from-harmful-data-broker-practices-regulation-v-withdrawal-of-proposed-rule.

[5] https://www.federalregister.gov/documents/2025/05/12/2025-08286/interpretive-rules-policy-statements-and-advisory-opinions-withdrawal.

[6] https://www.mayerbrown.com/en/insights/publications/2025/11/cfpb-proposes-narrowing-ecoa-regulations.

[7] https://www.consumerfinance.gov/about-us/newsroom/cfpb-supervision-division-releases-new-humility-pledge/.

[8] https://www.mayerbrown.com/en/insights/publications/2025/08/potential-for-increased-state-consumer-finance-enforcement.