

'Not a political issue': Compensation stalls amid CFPB turmoil

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Frank Gargano

At first, it seemed like a mistake or a scam. Garrett Boorajian wasn't sure how else to explain the \$2,600 check from Citibank that landed in his mailbox in mid-January.

The truth, the 36-year-old Winter Garden, Fla., resident learned, was that he — like scores of Armenian Americans — had been denied credit by the New York megabank simply because of the last three letters of his name. The check was his redress.

"I'm grateful for this money, being a stay-at-home dad. This can go toward bills, this can go toward our son's college fund, a mortgage payment, it means a lot to get this," Boorajian told American Banker. "But I wish I didn't have to get something like this under the circumstances of being discriminated against."

Boorjian's payment was part of a \$25.9 million settlement between Citi and the Consumer Financial Protection Bureau in November 2023. Since then, the CFPB has issued 30 other orders against banks and financial services groups totaling at least \$280 million in total consumer redress, according to actions tracked by American Banker.

But, unlike Boorjian, many consumers awaiting compensation from other settlements have had their restitution put on an indefinite hold amid the upheaval at the consumer oversight agency.

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CFPB staffers have stopped signing off on redress plans from banks under consent orders, according to a CFPB examiner who is on administrative leave and asked to remain anonymous for fear of retaliation. Because of this, even banks that want to remunerate customers are unable to do so.

Companies subject to CFPB enforcement actions involving consumer compensation must put together plans for identifying harmed customers, calculating the amounts owed and administering payouts. Before executing these plans, firms need a nonobjection letter from the bureau, a process that can take upwards of a year under normal circumstances.

Such approvals are often put on the back burner during periods of administrative changes. But actions taken by the interim heads of the agency during the past month have raised questions about what activities from the prior administration are being temporarily suspended and what are being ended permanently.

It is also unclear whether the administration's efforts to rein in the CFPB have impacted previously approved redress plans, including the one from Citi. The bank declined to comment for this article, and the agency did not respond to multiple interview requests.

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Some Armenian Americans who believe they were victims of the discriminatory practices uncovered by the CFPB are still waiting on checks.

Melkon Melkonian, partner at the Sherman Oaks, California, firm Keosian Law, is leading a mass tort lawsuit against Citi on behalf of roughly 450 Armenian Americans, primarily from Los Angeles County. His clients claim the bank's discrimination extended beyond the credit card issues flagged by the CFPB to mortgages, home loans and other banking services.

But even among those who believe they should be covered under the CFPB settlement, Melkonian said, some are still waiting for compensation 16 months later.

"Some have been paid and others have not," he said. "It all seems very arbitrary at this point."

Then there are those, like Boorajian, who were unaware that they were harmed in the first place. The longer the redress process lies dormant, the higher the risk that people fall through the cracks.

Lauren Saunders, associate director of the National Consumer Law Center, said this is one of the foundational reasons for the CFPB's existence: to help consumers who would otherwise be unable to help themselves.

"Ordinary people don't know what the law is in a lot of areas; they don't know if the law's been broken and they certainly don't know if a bank has a widespread practice of charging illegal fees or discriminating against people," she said. "There's no way ordinary people could know that."

'This is why the CFPB is there'

In many ways, the Armenian discrimination case is a textbook example of the CFPB's mission to protect consumers against unfair practices at the hands of the nation's largest banks.

Even those who generally disapproved of the agency's approach to enforcement under former Director Rohit Chopra applauded the settlement.

"This is why the CFPB is there, and good on them for what they did here," said Thomas Vartanian, a former attorney for the Office of the Comptroller of the Currency and bank lawyer. "That was clearly something that should have been dealt with by the CFPB, and they did."

The agency's 2023 investigation uncovered a pattern of discrimination by Citi's loan officers. From 2015 to 2021 they routinely denied retail-branded credit card applications from individuals whose last names end in "ian" or "yan" — as do most Armenian surnames — at a higher rate than similarly situated borrowers. These denials were even more prevalent among applicants living in Glendale, California, a hub for the Central Asian ethnic group.

Along with these blanket denials, the CFPB found internal communications in which Citi employees referred to applicants as "Armenian bad guys," "mafia" members and "bust out" risks — implying that they were likely to rack up large debts then leave the country or otherwise not repay them.

Citi did not admit to any wrongdoing in its settlement with the CFPB, but it acknowledged in subsequent statements that certain employees went too far in trying to "thwart a well-documented Armenian fraud ring."

Aram Hamparian, executive director of the Armenian National Committee of America, a Washington-based advocacy group, said the bank was trafficking in stereotypes about the Armenian community. Like other minority groups, he said, the misdeeds of a small number of Armenian Americans are used as a pretext to cast doubt on the entire community.

"It's a thing that so many people across our community distinctly understood, but until now could not prove in a way that was really convincing," Hamparian said. "Hopefully this contributes to rolling back other types of discrimination that exist."

Citi committed to \$1.4 million in direct payments to individuals who applied for a Citi Retail Services Credit Card between 2015 and 2021. It also agreed to pay \$24.5 million into the CFPB's victim relief fund, from which the agency is supposed to administer payments to consumers directly.

But, along with the questions about payouts, recent developments at the CFPB — including moves to slash the agency's budget and lay off large swaths of its workforce — raise concerns about the agency's ability to continue rooting out abusive behaviors and making harmed consumers whole, Hamparian said.

"Anything that would diminish our government's ability to identify and rectify discrimination, we would be troubled by. We'd like to see more efforts — not less — to identify overt acts of discrimination that hurt people financially and defame them morally," Hamparian said. "I don't think a small budget savings is worth leaving people vulnerable to this type of overt discrimination."

'Appalling, disgusting, disgraceful'

As far as Boorajian knew, he'd never crossed paths with Citi. He didn't have an account there, never applied for any of its products and had no business dealings with the bank, even when he worked for his father's Orlando-based investment firm, Wave Capital Partners.

His check was attached to a letter that included a reference number and hotline for inquiries, so he made a call. After a few transfers, a customer service representative pulled up his case and confirmed the payment's authenticity. The

discrimination, the representative told Boorajian, was tied to a "jeweler's reserve card" application while he lived in nearby Winter Park.

"When he said that, the lightbulb went off," Boorajian said.

In the fall of 2019, Boorajian was shopping for a wedding ring for his then-girlfriend. When he found the one he wanted, he was told he either had to pay cash or finance it through the store's banking partner. He applied for the store's credit card and was denied — an outcome that surprised him, given his solid credit history and his ability to secure an auto loan the year before.

Boorogian did not recall if the store disclosed the bank it partnered with for the credit card, but he said the denial was the only one that fit the description and time period. He called the episode "stressful" and a "heartbreak," as it caused him to push off his engagement plans by several weeks.

"That made the difference in not being able to propose to my wife at the time I wanted to. That's the personal side of it and the emotional side of it," he said. "From a legal standpoint, to be discriminated against is appalling, it's disgusting, it's disgraceful."

Waiting on the courts

The CFPB has a statutory obligation to aid in the process of consumer redress. Whether it is meeting those legal expectations is one of numerous pending questions in an ongoing lawsuit between the agency and the union that represents its workers.

The National Treasury Employees Union has argued that orders from CFPB leadership — including an email from acting Director Russell Vought directing them to "stand down" and do no work — are preventing staffers from carrying out key functions. Bureau lawyers say these instructions do not apply to legally required functions.

Meredith Osborn, a partner and trial litigator at Arnold & Porter, and a former CFPB enforcement attorney, said the best bet for getting payments flowing to consumers again would be a court order.

"The courts could get impatient [with the CFPB] and say that they're holding this process up by which the consumers are supposed to get this money," Osborn said.



Garrett Boorajian, who received a payment from Citi in January as part of a settlement with the Consumer Financial Protection Bureau over anti-Armenian lending bias at the bank. *Peter Anthony*

There could also be some daylight ahead as Jonathan McKernan, Trump's nominee to lead the CFPB on a permanent basis, moves through the Senate approval process. A former Federal Deposit Insurance Corp. director, McKernan has pledged to "fully execute the law," if confirmed.

'A right and wrong issue'

Changes are coming to the CFPB, whether they be the sweeping reductions being pursued currently or merely a change in tack similar to what has happened under previous administrations. Either way, policy experts see lessons to be learned from the Citi settlement.

Vartanian, who has argued for structural changes at the CFPB — including recomposing its leadership structure as a panel of experts rather than a single director — said the case is an example of the agency backing up claims of discrimination with cold, hard facts.

Vartanian said he has defended a dozen banks against discriminatory charges, most of which, he said, stemmed from low-income lending programs seeking to serve consumers on the margins of creditworthiness. He said such heavy penalties should be saved for firms, such as Citi, whose abuses are blatant.

"Every bank ... is marketing trust. So, as soon as any sort of discrimination claim is lodged, that is an enormous black mark on the reputation of a bank," he said. "It's fair enough to lodge that complaint when you've got the evidence that the CFPB had in the Citibank case with the Armenians. But you've got to be careful with that."

Melkonian said the CFPB's work was instrumental in unveiling the harm done to his clients, an outcome that he argued should be celebrated across partisan lines.

"It should not be a Republican or a Democratic issue. Certainly, individuals in the Armenian community are both Republicans and Democrats, so this is not a political issue for us, it's a right and wrong issue," Melkonian said. "Agencies such as the CFPB, if they do their job correctly, can hold individuals and corporations accountable, to make sure they are acting ethically, legally and serving their purposes to their consumers."

Kate Berry contributed to this article.

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