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THE CONSUMER FINANCIAL PROTECTION BUREAU'S SEMI-ANNUAL REPORT TO CONGRESS

HEARING

BEFORE THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

ONE HUNDRED THIRTEENTH CONGRESS

SECOND SESSION

ON

THE CONSUMER FINANCIAL PROTECTION BUREAU'S SEMI-ANNUAL REPORT TO CONGRESS, DISCUSSING THE AGENCY'S BUDGET, REGULATORY, SUPERVISORY, AND ENFORCEMENT ACTIVITIES, AND INFORMATION ABOUT CONSUMER COMPLAINTS

JUNE 10, 2014

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THE CONSUMER FINANCIAL PROTECTION BUREAU'S SEMI–ANNUAL REPORT TO CONGRESS

TUESDAY, JUNE 10, 2014

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.

The Committee met at 10:35 a.m., in room SD–538, Dirksen Senate Office Building, Hon. Tim Johnson, Chairman of the Committee, presiding.

OPENING STATEMENT OF CHAIRMAN TIM JOHNSON

Chairman JOHNSON. I call this hearing to order.

Director Cordray, welcome back to the Committee. Today, we continue our regular oversight of the CFPB. In the 3 years since the CFPB opened its doors, it has had a noticeable impact on nearly every aspect of the consumer's experience with the financial system, from student loans to credit cards, mortgages, financial education, debt collection, prepaid cards, and credit reports. The Bureau has conducted extensive outreach to both industry and consumers and has proven itself to be a careful regulator, in many cases over industries that previously had no Federal supervision.

Importantly, the CFPB has also proven itself up to the task Congress set out for it, which is to protect consumers. To date, the Bureau has obtained nearly $900 million of refunds and fielded over 375,000 consumer complaints.

During the crisis, we saw that mortgage lending, from underwriting to servicing, had serious problems. Fittingly, many of the CFPB's most significant actions relate to mortgage lending. For example, the Bureau recently finalized its mortgage disclosure rules to improve closings and provide key loan terms and costs to consumers in clear, understandable forms. While the consumer experience at the mortgage table is an important aspect of mortgage lending, the ability of consumers to access affordable mortgage credit in the first place is critical. The CFPB's rules to strengthen mortgage standards, including the QM and servicing rules, went into effect this past January. Director Cordray, I look forward to hearing how these rules impact mortgage lending, particularly by small lenders or lenders in rural areas such as South Dakota. While I support strong mortgage standards, it is also important to ensure that lenders can continue to lend in all communities.

Since Director Cordray testified last November, the Bureau finalized its rule to supervise nonbank student loan servicers who serv-

ice over 49 million borrower accounts. For the first time, the Nation's second largest consumer debt market will have Federal supervision. I am encouraged by this action, but remain concerned about the high level of student debt, which stands at $1.2 trillion. This issue is particularly important to me, as South Dakota has the highest proportion in the country of residents with student loan debt. I am interested to hear from Director Cordray about actions the Bureau plans to take to address this growing problem.

According to Federal Reserve data released last Friday, consumer credit growth jumped to its fastest pace in 3 years, with credit card debt rising at a pace unseen since 2001. This serves as a reminder that, as memories of the last crisis fade, we need a diligent CFPB that guards against abusive practices and ensures consumers are able to make responsible financial decisions while having fair access to affordable credit. I applaud the CFPB's work so far and look forward to your testimony.

With that, I turn to Ranking Member Crapo.

STATEMENT OF SENATOR MIKE CRAPO

Senator CRAPO. Thank you, Mr. Chairman. Today we welcome back Director Cordray to discuss the most recent semi-annual report of the Consumer Financial Protection Bureau.

In recent months, the CFPB has laid out a broad and ambitious rulemaking agenda that will considerably affect many consumer financial products and services. As the CFPB proceeds with rules targeting short-term and small-dollar credit, overdraft protection, auto financing, mortgage servicing, and settlement and arbitration, it must fully understand how these rules will affect the cost and availability of credit for consumers.

The CFPB must also commit to take a balanced approach and to performing a thorough qualitative and quantitative cost-benefit analysis of each rule.

I am concerned that many of the CFPB's recent proposals and actions will continue to push mainstream financial products into unregulated areas, diminish consumer choice, and make certain products unaffordable. Those outcomes could come at a great cost to the consumer and should be prevented.

As the Director is aware, another initiative that is of great concern to me is CFPB's big data collection. In the past, I have asked simple questions regarding CFPB's data collection, such as how many consumer accounts the CFPB is monitoring, and how it intends to use the personal information it collects. Unfortunately, my calls for transparency have been met with ramped-up efforts by the bureau.

This April, I learned that the Federal Housing Finance Agency and CFPB will expand the jointly run national mortgage database to include a person's religion, Social Security number, major life events, and link other lines of consumer credit together on potentially hundreds of millions of loans. This information is undoubtedly intrusive, unnecessary, and contrary to the CFPB's public statements of not collecting and using personally identifiable information. Adding concern is the admission by FHFA's project manager for the database that the information on it would be easy to reverse engineer.

Moreover, the FHFA and CFPB have already publicly indicated that borrowers do not have the opportunity or right to opt out of the database. Finally, the recent reports about employment discrimination at the CFPB are also deeply troubling. Two CFPB-commissioned independent external reports and testimony from a whistleblower highlight the CFPB's failure of the employment rating and compensation system and unacceptable conduct of certain Bureau managers.

Today we will need to discuss how this occurred, why it took months for CFPB to acknowledge and act upon these independent reports, and what additional steps the CFPB is taking to increase transparency and accountability.

Thank you, Mr. Chairman.

Chairman JOHNSON. Thank you, Senator Crapo.

Are there any other Members who would like to give brief opening statements?

Senator MENENDEZ. Sure.

Chairman JOHNSON. Senator Menendez.

STATEMENT OF SENATOR ROBERT MENENDEZ

Senator MENENDEZ. Thank you, Mr. Chairman, and welcome Director Cordray. The CFPB earlier this year released a report on consumer protection issues involving student loans, and as I look at hard-working middle-class New Jerseyans trying to get ahead, I feel that they fall further behind.

A new class of college graduates is preparing to enter the workforce, but the question is, at what cost to them and their families? And at what cost if something should happen to them before the loan is paid off?

The experience of the family of Christopher Bryski in my State of New Jersey illustrates how challenging these issues can sometimes be. In 2004, Christopher was a student at Rutgers when he suffered a severe traumatic brain injury. It left him in a vegetative state for 2 years before he tragically passed away.

During this time of hardship, Christopher's parents were shocked to learn that his student loan debt continued, that not the injury nor Christopher's death was enough to stop the debt from growing.

While some private lenders make clear that they will discharge recent loans in the event of a borrower's death or disability, others do not clearly communicate to co-signers what their obligations will be, leaving families like Christopher's to find out that they are on the hook for the full cost of the loan, no matter what. We need to take a step back and think about how we approach the student loan process, especially in cases like Christopher's.

This month, new graduates will be starting their careers, and before they collect their first paycheck, they will already be burdened by massive student loan debt. Like Christopher, if something happens to them, the burden in many cases will fall to family members, many of whom are already struggling to make ends meet.

According to the Federal Reserve Bank of New York, the share of 25-year-olds with student loan debt continued to rise last year, and the total outstanding balance now exceeds $1.1 trillion. That is nearly $30,000 for an average student loan borrower in New Jer-

sey. The burdens for families are real, and the need for consumer protection I believe is critical.

That is why today, Mr. Chairman, with Senators Brown and Booker, I am introducing Christopher's law, a simple and commonsense bill that will require student loan providers to clearly communicate to borrowers and their co-signers what their obligations will be in the instance of death or disability. By increasing transparency in this simple and small way, the bill can save families like Christopher's years of potential hardship down the road.

I also plan to introduce separate legislation in the coming weeks to address two other related issues.

First, in the Bryski situation, when the lender ultimately forgave Christopher's student loan debt, after 6 years, his parents were then hit with a large tax bill on what is deemed under the law to be "income." The bill I will be introducing will end that practice which unnecessarily burdens families and the economy.

Second, if something unfortunate happens to the co-signer of a student loan—death, disability, or bankruptcy—some borrowers have gone into default despite never missing a payment or doing anything wrong. That is simply unacceptable.

So I will look forward to discussing this issue with you further today, Director Cordray, and I look forward to being able to make a change so that death and disability is not a continuing challenge to families.

Thank you, Mr. Chairman.

Chairman JOHNSON. Anybody else?

Senator TOOMEY. Mr. Chairman?

Chairman JOHNSON. Senator Toomey.

STATEMENT OF SENATOR PATRICK J. TOOMEY

Senator TOOMEY. Thank you, Mr. Chairman. I just want to say briefly I will not be able to stay until the time when I would be able to ask questions, but I am concerned about a process that is underway by which the CFPB is collecting a vast amount of information about credit card usage, you know, on the order of—well, there is a staggering amount of data about individual usage of credit cards. I have a series of questions. I will submit them for the record and look forward to an opportunity to have a follow-up discussion.

Thank you, Mr. Chairman, and thank you, Mr. Cordray.

Senator BROWN. Mr. Chairman?

Chairman JOHNSON. Senator Brown.

STATEMENT OF SENATOR SHERROD BROWN

Senator BROWN. I will be less than 30 seconds. I wanted to echo the words of Senator Menendez. I am a cosponsor of his legislation. I was on a call the other day speaking with the sister of Andrew Katbi, who is a law student in western Ohio who was killed right before he graduated from law school. His sister, Olivia, spoke of some of the same kinds of behavior that they experienced from their servicer similar to what Senator Menendez talked about. So I am hopeful, Director Cordray, that you can help us address those issues.

Thanks, Mr. Chairman.

Chairman JOHNSON. Anybody else?

[No response.]

Chairman JOHNSON. I would like to remind my colleagues that the record will be open for the next 7 days for additional statements and other materials.

Mr. Richard Cordray is the Director of the Consumer Financial Protection Bureau. Director Cordray, you may begin your testimony.

STATEMENT OF RICHARD CORDRAY, DIRECTOR, CONSUMER FINANCIAL PROTECTION BUREAU

Mr. CORDRAY. Thank you, Chairman Johnson, Ranking Member Crapo, and Members of the Committee, for inviting me to testify again today about the latest Semi-Annual Report of the Consumer Financial Protection Bureau.

The Bureau, as you know, is the Nation's first Federal agency with the sole focus of protecting consumers in the financial marketplace. Financial products like mortgages, credit cards, and student loans involve some of the most important financial transactions in people's lives. In the Dodd-Frank Act, Congress created the Bureau to stand on the side of consumers and ensure they are treated fairly in the consumer financial marketplace. Those consumers are your constituents. Since we opened our doors, we have been focused on making consumer financial markets work better for the American people, the honest businesses that serve them well, and the economy as a whole.

My testimony today focuses on the Bureau's fifth Semi-Annual Report to Congress and the President, which describes the Bureau's efforts to achieve this vital mission. Through fair rules, consistent oversight, appropriate enforcement of the law, and broad-based consumer engagement, the Bureau is helping to restore American families' trust in consumer financial markets, protect American consumers from improper conduct, and ensure access to fair, competitive, and transparent markets.

Through our enforcement actions to date, we have aided in efforts to refund more than $3.8 billion directly to consumers who fell victim to various violations of consumer financial protection laws. We have also fined wrongdoers more than $141 million, all of which has gone into our Civil Penalty Fund and can be used to compensate wronged consumers—victims—and to the extent compensating consumers is not practicable, to support consumer education and financial literacy programs that also will benefit the consumer public.

In the fall of 2013, for the first time, we took action, in conjunction with multiple State Attorneys General, against an online loan servicer for illegally collecting money that consumers did not owe. We took action against a payday lender for overcharging servicemembers in violation of the Military Lending Act and robo-signing court documents. We took action against an auto lender for discriminatory loan pricing. And we partnered with 49 States to bring an action against the Nation's largest nonbank mortgage loan servicer for misconduct at every stage of the mortgage-servicing process.

CFPB supervisory work contributed to a recent enforcement action resulting in a refund of approximately $727 million to 1.9 million consumers for illegal practices related to credit card add-on products. In addition to this public enforcement action, recent nonpublic supervisory actions and self-reported violations—a great new development among many of these financial institutions—have resulted in more than $70 million being remediated to over 775,000 consumers.

In January, as the Chairman noted, mortgage rules that the Bureau issued to implement provisions of the Dodd-Frank Act took effect, establishing new protections for home buyers and homeowners. During the reporting period, we also issued another major mortgage rule mandated by the Dodd-Frank Act: a final rule to consolidate and improve Federal mortgage disclosures under the Truth in Lending Act and the Real Estate Settlement Procedures Act, to simplify this process for individuals and industry alike, which we call our "Know Before You Owe" project. We also issued an Advance Notice of Proposed Rulemaking on debt collection, asking the public in-depth questions about a range of issues relating to the debt collection market, which is the Bureau's most frequent source of consumer complaints.

To promote informed financial decisionmaking, we have continued providing consumers with online resources, including the AskCFPB section of our Web site, which I encourage you to use on behalf of your constituents, where we have answers for over 1,000 frequently asked questions.

A premise at the heart of our mission is that consumers should be treated fairly in the financial marketplace, and they deserve a place that will facilitate the resolution of their complaints when that does not happen. To this end, the Bureau has strengthened its Office of Consumer Response. As of June 1, 2014, we have received nearly 375,000 consumer complaints on credit reporting, debt collection, money transfers, bank accounts and services, credit cards, mortgages, vehicle loans, payday loans, and student loans.

The progress we have made has been possible thanks to the engagement of hundreds of thousands of Americans who have used our consumer education tools, submitted complaints, participated in rulemakings—actually, that should be millions—and told us their stories through our Web site and at numerous public meetings from coast to coast. We have also benefited from an ongoing dialog and constructive engagement with the institutions we supervise, as well as with community banks and credit unions, with whom we regularly meet. Our progress is also thanks to the extraordinary work of the Bureau's own employees—dedicated public servants of the highest caliber who are committed to promoting a healthy and fair consumer financial marketplace. Each day, we work to accomplish the goals of renewing people's trust in the marketplace and ensuring that markets for consumer financial products and services are fair, transparent, and competitive.

In the years to come, we look forward to continuing to fulfill Congress's vision of an agency dedicated to cultivating a consumer financial marketplace based on these principles.

Thank you for the opportunity to appear before you again today. I appreciate the benefit of your active interest and oversight, and

I look forward to listening closely and responding to your questions today.

Chairman JOHNSON. Thank you for your testimony.

As we begin questions, I will ask the clerk to put 5 minutes on the clock for each Member.

Director Cordray, the CFPB has now been up and running for almost 3 years. What do you consider to be the most significant accomplishment of the Bureau since 2011? And looking forward, what actions can we expect either the Bureau over the next few months?

Mr. CORDRAY. Thank you, Mr. Chairman. That is a broad question, and I would say a number of things.

First of all, the challenge of building a Federal agency from scratch has been significant. We have had some growing pains, and we have been working through those. But at the same time, we have gone from zero employees to now close to 1,400 employees, people who are very dedicated, as I said in my opening statement, to protecting consumers and seeing that they are treated fairly, and they are doing marvelous work to accomplish that.

The mortgage rules that we put in place that Congress set such a high priority on, both mandating that we do so and putting it on a tight deadline, have been very significant. That is the single biggest consumer financial market.

The enforcement activity that we have had to ensure that institutions understand that people need to be treated fairly and that money will go back to people's pockets when they are treated unfairly have been important.

Our attempts to supervise and put in place now a significant supervision program for nonbanks to put them on a level with the banks and allow that we can now supervise and oversee entire markets with an even hand and on an even playing field have been very significant.

And I think increasingly not only our consumer response function, which addresses individual complaints but also reveals the pattern of complaints, but also our efforts to provide public information that all of you can see and share and that calls attention to various practices, some of which were described in legislative proposals noted here today and otherwise, I think do affect the market in meaningful ways.

Chairman JOHNSON. The QM rule has been in effect since January. Would you discuss the rule's impact on the mortgage market and on home buyers?

Mr. CORDRAY. The Qualified Mortgage rule, or ability to repay rule, alternative names, has been one of the most significant protections for the mortgage market to date, and it is an important provision to recognize the need to prevent similar financial crises from growing out of the mortgage market in the future. And I think it has been widely acknowledged that it will help to do so. I think the effort now to potentially put the QRM rule on a level with the QM rule acknowledges that fact. I think it has been a balanced rulemaking, but it is something we are very attentive to and closely monitoring. If we see unexpected consequences for the mortgage market, we want to be ready to act, and we have been close to the National Association of Realtors, mortgage bankers, and oth-

ers who are bringing us regular data to let us see how this may be affecting the market.

In the rural areas, that is an area where we tried to be very sensitive. We had an original proposal that was, I now believe, not calibrated properly in terms of gauging what is rural for purposes of this act. We backed that proposal off for 2 years while we can reconsider that further. We are taking a lot of input on it, receiving a lot of comment, and I think we will have a proposal that will be more satisfactory to people within that 2-year timeframe.

Chairman JOHNSON. Director Cordray, the Bureau recently proposed changes to the QM rule, including a change to the points and fees limit to allow lenders an opportunity to cure a loan that inadvertently exceeded the limit. Can you describe why these changes were necessary and whether you think any additional changes to the points and fees limit or QM generally will be needed?

Mr. CORDRAY. The points and fees provision stems from the Dodd-Frank Act and Congress' action there. We have heard from a number of lenders about it, including the concern that was stated—I think it was mortgage bankers in particular, but a number of people have brought it to us—that although there is a points and fees cap under the rule and people should be able to go right up to the edge of that cap in making mortgages in the market and we expect them to do so, that there was some concern that if they got close to the cap, they would have to stay away and create a gray area because of concern that they might get it wrong. And a right to cure, at least on a certain limited basis, would be a way to ease that concern.

We took that input to heart, and we have proposed a provision to take account of that, which we have now had comment on, and it is overwhelmingly supported by lenders. There are some differences of opinion about what timeframe it should cover and the like. Those are things we will work through. But I think it is a reflection of our willingness to listen to lenders about what is actually happening in the market, how we can ease access to credit without lessening consumer protections, and I think there may be a number of places where we may have opportunities to do that.

Chairman JOHNSON. Senator Crapo.

Senator CRAPO. Thank you, Mr. Chairman and Director Cordray.

I want to start out with regard to the big data collection issue, Director Cordray, and there are so many questions to ask on that, I am just going to get into it briefly.

Mr. CORDRAY. OK.

Senator CRAPO. But I want to remind you that we need to get further answers from the agency with regard to literally the scope of and the content of the big data project that is underway to collect credit card information.

I just want to clarify one fact in these questions, and that is, it is my understanding that the agency's goal is to collect the credit card transaction information on 90 percent of the credit card accounts in the United States. Is that correct?

Mr. CORDRAY. I believe that is correct, although I would not put it quite that way. We are not trying to collect information on individual credit card accounts. We are trying to collect information that would give us the pattern of credit card activity in the market-

place so that we can protect consumers against the kind of abuses that led to the CARD Act and have been reined in considerably under the CARD Act. We are also trying to collect information so that we can accomplish our task that the Congress set for us of reporting to you every year on the effects of the CARD Act, to help you understand how it is affecting the marketplace, do you want to consider further legislation to either go further or to reconsider what was done? We cannot do that analysis if we do not have information. This is——

Senator CRAPO. I understand that, but if my math is correct and understanding is correct, we are talking about approximately 900 million accounts, and you are collecting data on the 900 million accounts. Although I understand the purpose, as you have stated the purpose, for your collection of this data, I have significant concerns about the potential abuse and misuse of that data and the loss of privacy that comes from it.

But I want to move to the more recent development which we learned about in April, which is that the CFPB is joining with the FHFA with regard to the national mortgage database. What we learned then, just last April, is that the two agencies—the FHFA and the CFPB—are going to jointly work to expand the national mortgage database, and the information that came out in the Federal Register with regard to this proposed expansion is extremely alarming. And I am reading from the Federal Register right now: "The records in the new expanded system may include, without limitation, borrower/co-borrower information, name, address, zip code, telephone numbers, date of birth, race, ethnicity, gender, language, religion, Social Security number, education records, military status and records, financial information, account information, including life events of the last few years." And the list goes on and on and on.

The question I have is: Does this mean that the assurances that you have given us recently and, as we have discussed, the big data projects that you will not collect personally identifiable information on Americans is being changed? Is the agency's intent changing in terms of its data collection?

Mr. CORDRAY. No, it is not, and I believe—without being certain, I believe what you are reading from was a SORN, which is a particular statement that is done for bureaucratic reasons under the law as to what could conceivably be the case. The national mortgage database, as it is conceived, will not include personally identifiable information such as name, address, Social Security number.

I also want to make a point to assure you and your colleagues, because the question was raised, there are no plans to include and we will not be including religion in the national mortgage database.

So what I do want to say is the need for this information is acute. Chairman Bernanke, when he testified here and when we spoke personally, said that one of the problems before the financial crisis was they did not know enough about the mortgage market; they did not see coming what happened in the mortgage market. And Chair Yellen has reiterated this since.

We have to know more about the mortgage market to prevent this economy from cratering again on the same grounds it did before.

Senator CRAPO. Well, I understand, and this is a similar rationale to your explanation——

Mr. CORDRAY. It is.

Senator CRAPO.——of the need for information about credit card transactions.

Mr. CORDRAY. Absolutely.

Senator CRAPO. And I understand the rationale. But, again, I have the concern that the Government collecting this phenomenal amount of data about private citizens could be used in an invasive way. And, frankly, my time is running out, but I hope we will have another opportunity for additional rounds, Mr. Chairman. I want to get into the questions about whether we can reverse engineer this information and whether abuses of the information could occur.

Mr. CORDRAY. And I recognize that this operates in 5-minute segments. That is quite short. We are quite happy, as I have said to you before, to have our staff continue with your staff talk back and forth about your concerns about this. I share those concerns. The GAO is conducting the study and report that you asked for. It is extensive. It will get into all of these concerns. We have had back-and-forth with them to considerable length. They are conducting a very responsible and comprehensive inquiry. And any way we can be helpful to you—it is so critical that this Bureau and other agencies have information to be able to oversee these markets and make sure that things are not happening that we do not comprehend, while at the same time recognizing the issues of security and privacy that you are raising. I want to be sensitive to those and recognize that as foundational for this agency as well. So I am happy to spend as much time with you as you like personally myself or through our staff on these issues.

Senator CRAPO. Thank you.

Chairman JOHNSON. Senator Menendez.

Senator MENENDEZ. Thank you, Mr. Chairman.

Director, in your mid-year update on student loan complaints, you highlight a particularly egregious practice where lenders automatically put a loan into default if the loan's co-signer dies, becomes disabled, or declares bankruptcy, even if the borrower has never missed a payment. And that practice to me is unfair to borrowers who have been making their payments on time and whose loans are current and in good standing. And I am in the midst of drafting legislation to fix that problem, but my question is: What are some steps that can be taken under existing law to protect students from this practice, students who might otherwise be able to qualify for their existing loan either on their own or with a new co-signer? And does the Bureau have the authority to remedy this practice through rulemaking, or do you need additional legislative authority?

Mr. CORDRAY. Thank you for raising that issue, Senator. It was shocking to me—and I want to kind of describe the practice so that people understand it, and tremendous work, I will say, done by the student loan ombudsman in the CFPB who has been just an outstanding advocate on behalf of the young people who bear student loan debt burdens across this country in significant measure.

The practice was that—nowadays many, many, the vast majority—I think 90 percent plus—of student loans that people take out have a co-signer on them, often a parent, maybe a grandparent. And what will happen is the student then attends school maybe for multiple years, ultimately graduates and begins to repay student loans. They may well have a spotless payment history, and yet suddenly something happens to the co-signer—at this point the parent or grandparent is aging—and eventually some of them pass away.

At a time when that young person is now affected by the death of their parent or grandparent, we saw student loan servicers calling in the account because the co-signer is no longer available on it. Rather than considering this situation, working with the borrower, working out a payment plan, or recognizing that they have made spotless payments on time, that was the way they heaped trouble on these poor affected people. And it was not right.

I think the issuance of the report itself has sent people scuttling throughout the industry to avoid a repeat of this. We heard from one of the major servicers just the other day——

Senator MENENDEZ. Short of—I do not mean to interrupt you because my time is limited, but short of the report and public shame, is there any regulatory ability to do anything about this, or do you need additional authority?

Mr. CORDRAY. I would like to have our folks talk with your staff about what additional authority we need.

Senator MENENDEZ. All right. They would do that.

Mr. CORDRAY. But I do think that the shaming here is a great example. I think it——

Senator MENENDEZ. I am all for shaming, but I would like to have a guarantee.

Many borrowers are having difficulty releasing co-signers even though this was an option prominently advertised to the borrower upon signing up. What is the feasibility of requiring an automatic co-signer release in a situation where the lender's conditions are met?

Mr. CORDRAY. I think that may be quite possible, and I am not clear in my mind as I sit here now whether we need legislation on that or not. Obviously, when things are written in legislation, they are more lasting and more secure.

Senator MENENDEZ. OK.

Mr. CORDRAY. But we would be happy to work with you on that.

Senator MENENDEZ. Would you make that part of the agenda that we are going to follow up on?

Mr. CORDRAY. OK. Sure.

Senator MENENDEZ. OK.

Mr. CORDRAY. Sure.

Senator MENENDEZ. As you said, we are now at 90 percent—we used to have 67 percent of private student loans were co-signed in 2008. By 2011, that number jumped to 90 percent. So this whole issue of co-signers, the whole issue of a young person passing away or having a disability and then having their parents now facing this debt, the whole issue of even if there is forgiveness at the end of the day, getting a big tax liability, these are issues that, you know, we would like to work with you on, because I have serious concerns about where we are at on those issues.

Mr. CORDRAY. I strongly agree with the issues you have raised and the concern you are sharing about them. At a minimum, even if something gets worked out, after 4 or 5 or 6 years of hassle and frustration and struggle, you know, it is not a good situation for people.

Senator MENENDEZ. Yes. You would think that death in and of itself would have some finality.

Mr. CORDRAY. You would think.

Senator MENENDEZ. Let me ask you one other quick question. On prepaid cards, the last time you were here in November, we discussed your upcoming rulemaking on prepaid cards. This is something I have followed for some time. You can have products that largely remain unregulated. Consumers can fall victim to all types of hidden or abusive fees, being charged for customer service or just to check your balance; or sometimes, if you want to cancel the card because the fees are too high, you get charged more fees to close the account, and we have legislation dealing with that. Can you provide an update on the status of the Bureau's work on prepaid cards? And what is your expected timeline for a proposed rule?

Mr. CORDRAY. I can, and you and I have discussed this a fair amount. This is a market where people do not realize it, but they are subject to no consumer protections currently. There are billions and billions of dollars being loaded onto these cards, and that is a growing market. We had anticipated that we would have a rulemaking proposal out in June, which is this month. It is now taking us a bit longer. It will be into the summer before that can happen. But it is a very high priority for us right now. It does not indicate any particular problems about the rulemaking, just that it is hard to work through some of these issues. We are getting there and we will have something fairly soon.

Senator MENENDEZ. I will look forward to it. Thank you, Mr. Chairman.

Chairman JOHNSON. Senator Johanns.

Senator JOHANNS. Thank you, Mr. Chairman.

Mr. Director, as you know, I am one of those Senators who has taken the position and argued for some time that there should be greater oversight over your budget process.

Mr. CORDRAY. Yes.

Senator JOHANNS. In fact, there is not much limitation under the law. You can request up to 12 percent of the Federal Reserve's operating budget, and the expenses must be reasonably necessary to carry out your functions. So we do not get a lot of oversight here, as you know, and I think that is very problematic.

I want to focus on just a small piece of what you have been doing with your spending. This relates to the building that you are in, a leased building. It is a building not even owned by your agency. Renovation costs started at 55; Washington Examiner thinks it is up to 95 now. Now I think your own acknowledgment is that it is probably $145 million.

There are some documents from Skidmore Owings & Merrill. They are the architects, as you know, for this building. Here is some of the money you are—or some of the things you are spending money on. And I am quoting from the document:

> At the western terminus of the skim fountain, a raised water table spills over and down into a sunken garden below. The water cascade creates an atmosphere of white noise as visitors peer over the glass railings down into the sunken garden pools and plantings below.
>
> At the western side of the plaza is a calmer, informal seating area under shady trees. Under the trees, the soft contrast of the stone dust floor further implies a removed space of rest and contemplation. Additional seating is provided along the building edge at a lightly elevated timber-paved porch, which is covered by a dark bronze color trellis, with a light bronze color adorned with vines.
>
> The southern side of the raised water table over a water wall of naturally split granite. At this southern edge, a new water source creates a cascade of water that flows down the wall into the sunken garden, terminating in a raised splash pool. More slabs of granite rest in the bottom of the pool.

Then it talks about a four-story interior glass staircase:

> An all glass and stainless stair placed in the interior vertical light wells connects levels 2 through 6 that allow increased circulation while allowing daylight into the interior.

It is nearly embarrassing, as I read through this stuff, and that is about the oversight we have with you, is to just raise these issues.

Do you think that kind of spending is really reasonably necessary to carry out your functions on a building that is a leased building? Would you make the case to us today that that is reasonably necessary?

Mr. CORDRAY. So, if I may, several things in your discussion I would like to address.

First of all, this has been out there and taken as gospel in the public record for some time. It is a fiction of the Washington Examiner's that this project started out at $55 million and now has ballooned to higher proportions. There was never any expectation that this project could be completed for $55 million. That is just—that is false.

Senator JOHANNS. How much will it cost? How much——

Mr. CORDRAY. What happened was, in the first budget where we put anything in as a partial payment on the ultimate project, $55 million was listed in that year's budget. That was never considered to be the total cost—the notion this has tripled in cost is just a fiction by the Washington Examiner. That is all it is.

In fact, there was a review done of this building prior to the CFPB being created when it was the OTS building, which is what it was, in which they anticipated that even at that point in time, baseline needs of the building, such as the HVAC system, electrical problems, and other things, were going to require at least triple figures' worth of construction work, and that did not include a lot of the contingencies that go along with a project like this.

As to the description you described, I find it embarrassing. It is the kind of flowery statements that someone will make when they are trolling for a bid, trying to get the business and trying to make it sound as wonderful as they can. Much of the flowery words there do not reflect any particular cost. I would say that you could say the same thing about many of the staircases and outer areas around the Capitol here. There is nothing special about this in respect to other Government buildings, and it is not a very special Government building. It is actually a building that needs a great deal of work. I wish it did not. I would rather not spend a single

penny on that. As you say, we do not own the building. So the notion we are trying to create some palace that we do not even own does not even make any sense to me. But we worked out with the OCC——

Senator JOHANNS. We are out of time, and I do not want to impose upon the Chairman's patience here. Would you be willing to give us a thorough accounting of what is being spent and on what in this building?

Mr. CORDRAY. Absolutely. I would be happy to do that, yes.

Senator JOHANNS. Thank you, Mr. Chairman.

Chairman JOHNSON. Senator Brown.

Senator BROWN. Thank you, Mr. Chairman. And welcome back, Director, and thank you for the—I am always—"amused" is probably not the right word, but when I hear a number of colleagues, especially in the House, question the accountability of your work and this Bureau, and I know that you have appeared in front of the House and Senate close to 50 times now, and thanks for being as accountable as you have been.

The Semi-Annual Report states that the CFPB will soon take steps toward providing new protections for consumers in the small-dollar credit markets. I appreciate the Bureau's continued interest in providing oversight to this high-cost market, but I am concerned that tailoring regulations to the traditional payday loan market may still leave some consumers vulnerable to harmful products. As we both saw with Ohio's experience attempting in the legislature and the ballot to prohibit high-cost, small-dollar loans targeting only traditional payday loans allows lenders to move into other products that trap consumers in a cycle of debt. As we have seen in Ohio, lenders reorganized under the thrift lending law and have moved into auto title lending, as you know.

As the Bureau considers new oversight for the high-cost loan market, how do you ensure that new rules will protect consumers through the whole range of products, including obviously traditional payday loans, but online payday loans, auto title loans, installment loans?

Mr. CORDRAY. So the issue you raise is of extreme importance to the Bureau in addressing this market because, as you say, I have seen the experience in Ohio where rules that were meant to address concerns about debt traps and payday lending were circumvented through migrations in the market. And it is happening across the country in a number of States right now.

We also have seen it, frankly, Senator, because the Military Lending Act gave rise to similar problems. The first set of rules that was adopted in the Military Lending Act about 7 or 8 years ago was narrow and allowed those rules to be circumvented by high-cost lenders, who continued to operate right outside of military bases or online with lots of patriotic-looking flags and other things, and they are peddling terrible products to our servicemembers.

We have been working with the Department of Defense for the past year to revise those rules. Congress reopened that, and it is exactly the same type of problem we are going to be dealing with in the small-dollar lending market.

It is taking us somewhat longer as a result to address this, but I think it is well worth a little additional time in order to make sure that what we do will not be made a mockery of by people circumventing it through just transforming their products slightly.

Senator BROWN. Thank you. I want to follow up and expand a little bit on Senator Menendez's interesting questions about student loan servicing. I chaired a Subcommittee hearing a week or so ago about this issue. I am concerned that the problems that we saw in mortgage servicing are being repeated in student loan servicing, including flawed incentives, confusing loan transfers, and nondisclosure of those, violations of servicemembers' rights and inadequate and inconsistent modifications and refinancing options. Three of our four witnesses agreed we need comprehensive, consistent standards for servicers, both Federal and private student loans.

Will you move forward with comprehensive student loan servicer standards? And how can we better align servicers' incentives with borrowers' needs as you move forward on this?

Mr. CORDRAY. I would agree that we see a lot of these same problems that just absolutely bedeviled mortgage servicing—and continues to do so, frankly—arising with student loan servicing as well. There are different markets. There are some different characteristics of the product. But poor customer service, problems with transfers, lack of information, harm to consumers, there is an eerie consistency there.

What we have done is, in this past period, we finalized the rule that was necessary for us to be able to begin supervising student loan servicers, nonbank student loan servicers on the spot, and go in and actually see what they are doing to comply with the law. And that insight is leading us to things like recognizing the auto-default problem, which was not well known before we called attention to it.

Whether that will lead to specific standards—and we do a lot of work with the Department of Education on these issues—I do not know yet, but we now have the ability to go in and actually correct problems on the spot, which we did not have before. And it is going to make a significant difference in this market, I believe. And where it will all lead is hard to say at this point, but happy to keep you posted as we go.

Senator BROWN. Thank you, Director Cordray.

Chairman JOHNSON. Senator Coburn.

Senator COBURN. Thank you. Welcome. I have been watching on television. I wanted to follow up a little bit with the line of questioning that Senator Johanns had.

When you were here last, I asked you about this building, and I believe the quote was the estimated cost to renovate was $95 million at that time. That is your testimony back then. And now the estimated total cost for the CFPB headquarters renovation is $185 million.

So, first thing, how many square feet?

Mr. CORDRAY. I cannot give you exactly what the square footage is, but what I know is that the building is problematic. We are having to actually move out of it so it can be renovated.

Senator COBURN. I understand that, but you do not know how many square feet. So you do not know whether——

Mr. CORDRAY. I do not——

Senator COBURN.——$185 million is a good value for the American taxpayers or not based on a per-square-foot calculation of renovation costs.

Mr. CORDRAY. I know that we have been through these numbers, and it is a—I believe it is an appropriate value. It is something that was taken account of in the lease that we negotiated with the OCC so that our lease payments were less over the 30 years to take account of the fact that we, not the landlord, would be making the improvements on the building.

It is a building that would be a white elephant if this work is not done, and it is a Government asset owned by the Treasury and the OCC. It is also a building that, when we finish with it, will be populated more densely than it had been before, so we need to be efficient about that.

Senator COBURN. I know, and that is a great sell job, Administrator, but the point is we are $17 trillion in debt, and when you hear—regardless of the flowery nature of what Senator Johanns read to you, the fact is that this is going to be opulent.

Mr. CORDRAY. It will not be opulent.

Senator COBURN. Well, if you have any of those waterfalls, any of that stuff, that is the kind of stuff we cannot afford right now in this country, because we are running a $600 billion-a-year deficit, the very thing you are trying to help people with, in terms of fairness, in terms of the consumer being treated fairly. We are going to take back from them in terms of excess costs because we do not run things on a tight ship.

So my point being to you is, you know, the structural renovations, $139 million; the temporary lease is $22 million. The securities, utilities, and other expense at the temporary space for 3 years is $13.6 million. The cost of architectural engineering and design contract was $9.2 million. That does not include the IT, the apparent shuttle service that is going to run back and forth. I mean, so there are a lot of costs in this. And I am not saying what you did was wrong. I am just saying we are buying top-dollar design and construction at a time that we do not have the money to pay for it.

Now, you have an unlimited budget, and as Senator Johanns made the point, we do not get any chance at oversight. I mean, we do not get—and the fact is—who with you has the experience outside of Washington of doing a rehab on a building? Who works for you that actually has private-world experience in rehabbing buildings?

Mr. CORDRAY. So, first of all, I would like to invite you and your staff to come take a tour of that building that we are now going to be out of for——

Senator COBURN. I am not saying that it is not——

Mr. CORDRAY. It is a dump. It is not opulent, and it will not be opulent when it is finished either.

Senator COBURN. I am not saying that it does not need to be done. One of my statements was it probably does need to be done. The question is: Can it be done for less? Can it be done under the

realization that this country is in trouble financially? And are spending money that we have to spend, or could we spend less money? That is my only question.

Mr. CORDRAY. That is fair enough, and I am responsible to you on that, and this is meaningful oversight that you have with me. We also now are briefing the Appropriations Subcommittee on these types of issues, both in the House and the Senate. That is something I agreed to as I was confirmed by the Senate, and I take this seriously.

We also do not have an unlimited budget. We have a budget cap each year, and our spending has to come out of there. We have no capital budget, and so every dollar that we spend on something like this is a dollar taken away from other work that we are doing. And I am feeling that and wanting to spend as little as possible on this.

So I will be happy to continue to keep you and your staff closely apprised. I know you care about these issues. We have talked about them.

Senator COBURN. I just have a few seconds left. Who is the expert on your side, on your staff, that has the knowledge to make the decisions about a construction project like this? And what is their experience outside of doing it for the Government?

Mr. CORDRAY. OK. So we have people in the agency that are working on this that are in charge of facilities, and we also have brought GSA in because they are the expert in the Federal Government on all of these types of projects. That is why we brought them in, so that I could feel comfortable——

Senator COBURN. But you do not have anybody on staff that has outside knowledge and outside experience to run a $180 million construction project?

Mr. CORDRAY. I do not know that I would agree with that, but at the same time, that is part of why we brought GSA in. I have——

Senator COBURN. So will you——

Mr. CORDRAY.——the same concerns that you have.

Senator COBURN.——answer for the record who on your staff and what their experience is in terms of making the decisions about this project?

Mr. CORDRAY. I would be happy to have you or your staff meet with our facilities group and others and also meet with the folks from GSA who are working with us on this. We brought them in specifically because I share your concerns about this, and every dollar spent on this is a dollar away——

Senator COBURN. Well, I——

Mr. CORDRAY.——from other work that we——

Senator COBURN. I would just tell you, I am not real satisfied with the work GSA does on this. We are getting ready to build a 190,000-square-foot VA facility in Muskogee that ultimately we could own for about a third of the cost that we are going to pay through rents, plus we have a 4-percent rider in the lease that we have negotiated—GSA negotiated a 4-percent rider on the lease, plus a $9 million or $8 million design and construction budget for a facility that now is going to be three times the size it was now, and we have a 5-percent increase in veterans expected over the next 20 years in Tulsa.

So the point is GSA is not really great at this either.

Mr. CORDRAY. I do not really know about——

Senator COBURN. I know, but you are relying on experts——

Mr. CORDRAY. But I tell you, if you have other suggestions for us, I am all ears. I do not want to——

Senator COBURN. Well, it is a little late——

Mr. CORDRAY.——spend more money than we need to either.

Senator COBURN.——right now. The deal is done, is it not?

Mr. CORDRAY. If you have further suggestions——

Senator COBURN. Yes, I will give you this suggestion: Go to the outside of Washington, go into the middle of the country, and find people like Manhattan Construction that knows how to do this for a whole lot less money. They can design and build it, that is adequate and built well, and do it in a way that says we do not have an extra penny spend, now how can we get what we need for the least amount of money? And that does not happen at the GSA, and that does not happen in most Government agencies. And you ought to set the example given the position that you are in.

Mr. CORDRAY. OK. Happy to talk with you further about that, and I know it is a concern for you. We have talked about it before.

Senator COBURN. Thank you.

Chairman JOHNSON. Senator Merkley.

Senator MERKLEY. Thank you very much, Mr. Chair, and thank you, Director, for your testimony.

I wanted to start and ask you to say a little bit about the resolution of the Castle & Cooke place issue. I believe this is where steering payments occurred to employees who were steering customers into higher-interest loans and then getting bonuses for it, these steering payments being banned under Dodd-Frank, and now under your supervision, you have taken action against their appearance. Can you just maybe summarize where this action ended up?

Mr. CORDRAY. Sure, and, frankly, it is exactly as you just described it. You have had steering going on that we believed was in violation of the law. We were actually surprised that the company did not recognize that what it was doing was in violation of the law, because we thought it was—you know, there are many areas where you could say it is somewhat debatable, but this we thought was absolutely clear-cut. It took awhile for that to sink in. Ultimately the matter was resolved with significant payment and also penalty, and it is indicative of the need to oversee the actual enforcement of rules and laws, and not just to assume that once they are on the books everybody understands them and abides by them, particularly if there may be financial incentives not to do so.

So, you know, it is a great example of why you need an agency to actually bulldog laws and rules and make sure that they are actually occurring in the marketplace as they should.

Senator MERKLEY. I believe about $9 million was returned to approximately 9,000 individual mortgage holders. Did the mortgage holders also get, if you will, a permanent discount on their interest rates since they had been steered into higher-interest loans?

Mr. CORDRAY. I do not recall offhand. I would be happy to fill you in further on that. I know that there was injunctive relief going forward to make sure that what we saw happening was not going to

happen again. I do think also this signals the market, as a public enforcement action does, that if other people happen to continue to be engaging in this and somehow thinking that it is appropriate or thinking that people will not pay attention, that we will. And I think it is quite important as a matter of principle.

Senator MERKLEY. Thank you. You anticipated my next question, really the deterrence effect, because this type of steering in which a mortgage originator poses as a financial counselor and then steers people into high-interest loans when they qualify for low-interest loans is just a huge predatory practice, and I am delighted that you are patrolling against that predatory practice, and I hope and anticipate that there is a substantial deterrent effect from what you have done.

Mr. CORDRAY. Again, what was surprising to me here was there has been so much visibility on this issue and it was so remarked upon and explicitly dealt with by the Congress and by us in the wake of the mortgage market meltdown that I was just very surprised to see a company engaged in these practices and, even upon engaging with them, did not seem to be aware that these practices were illegal. Eventually that got through.

Senator MERKLEY. Well, millions of American homeowners, mortgage holders, will benefit from that action, so thank you.

I want to turn to the issue of medical debt, and thank you for this report you have all put out, "Data Point: Medical Debt and Credit Scores." This is something I have been very concerned about because essentially when you get a bill on health care activity, you normally get these papers that say this is not a bill, and then you get something from the laboratory and then you get something from the X-ray technician, and meanwhile your insurance sends you something and says this is what we think we are going to pay, but you are not sure they are going to pay. And it becomes this whole confusing matrix that often takes quite a while to sort out whether the appropriate payments have been made by the insurance company.

Often in the course of that, medical debt is reported to a credit agency, putting a permanent scar on your credit record that really has nothing to do with your—it is just the fact that this type of debt takes a while to figure out. So I have felt when those medical debts are paid off, they should be cleared from the credit record because of the logic behind the fact that they probably bear a little resemblance to the role of other debts in anticipating whether or not you will make payments. And your report indicates about a 20-point margin, and just in other words, it is the first solid evidence I have seen that this is, in fact, a miscalculation of the ability to pay.

Do you want to comment on this at all?

Mr. CORDRAY. I do. I would like to reinforce what you said. Medical debt is something I think we all can understand and appreciate. We have all been to the doctor's office and then either not been billed or later we are billed and we are not sure whether the insurance company is paying for it or whether we are supposed to double-pay that bill. It is very confusing for people. It is often small amounts. And yet what we find is it gets reported on people's credit reports, and it affects their credit. And it may keep them from get-

ting a mortgage or a car loan, something significant, when it was 20 or 50 bucks and they honestly thought it had been paid by the insurance company.

This is a great example of—as you say, it is the first time we have actually been able to have enough data and information to really dig into this and point out to the credit reporting companies that they are not scoring medical debt in the credit scoring companies appropriately compared to other debt. And, you know, if we did not have that data or information, we could not do that analysis, and we could not show that. And I think we are already beginning to see the credit scoring companies are responding to this and recognizing that they need to up their game and think more—think differently about medical debt from the rest of debt, for all the reasons I think you laid out so well.

Senator MERKLEY. My time is running out, so I will just close by saying I appreciate the letter I received from the CFPB yesterday in regard to payday loan practices and the statement in that letter that if lenders are engaged in unfair, deceptive, or abusive acts or practices, the Bureau will hold these institutions accountable no matter how their products are structured.

This certainly is a big concern to States like Oregon that have tried to comprehensively protect against predatory, triple-digit, 500-percent-interest payday loans, and then lenders using online practices and remotely generated checks are basically pulling—violating the law in a straightforward way, but able to get away with it because they are at a distance and they can pull money out of checking accounts. A lot has to be done on this, and thank you for taking a look at this, and I will continue to work with you on it.

Mr. CORDRAY. Thank you.

Senator MERKLEY. Thank you.

Chairman JOHNSON. Senator Heitkamp.

Senator HEITKAMP. Thank you, Mr. Chairman.

You and I share, Administrator, a common experience, and that is, running our own local consumer protection bureau when we were both Attorneys General. And so when I look at this, I kind of look at the broad scope of possibility for protection of consumers not just laying at your shoulders.

And so one of the concerns that I have is the need to do coordination with what is happening on a State level, understand what is happening on a State level, understand what is happening on a local level, and then broadly understanding what is happening with all of your sister or brother agencies that also have overlapping jurisdiction. And one of the frustrations that I hear is, "Here it comes again, yet another agency to be talking to without any coordination."

So I would just ask, as you look at each one of these issues, that you look at coordinating with the State and understanding better what State agencies are doing. A good example was already today with prepaid cards. You said there is no regulation. There is in the State of North Dakota. I made sure there was regulation of these cards in the State of North Dakota.

And so you cannot say with certainty that there is none when I know that there are a number of activities that are going on in States, and it is important for us to understand those.

With that said, I would also say that we have referred North Dakotans to your consumer complaint Web site and have gotten really very favorable reviews back. And so it is yet another avenue for people to raise concerns.

With that said, I would also say one of the issues that I worked on when I was Attorney General was the issue of bank privacy, and I share Senator Crapo's concern about the amount of data that is being collected, and I understand the need to have enough to do the analysis. But we need to be very, very mindful of the sensitivities of consumers today about their information. And I think there is a growing insecurity, and if they look at the Federal Government, we have not exactly given them reason to believe that we are going to be confidential with it or that we are going to be straightforward. And so, you know, I look forward to the GAO report. I look forward to other enhanced discussions.

I want to just mention something on payday lending. I was probably one of the first foolish people to weigh into that area back in the day, and I will just tell you a quick little story. The payday lending that was going on was just as egregious as it is today. It has just taken different forms. But why I was unsuccessful in getting appropriate regulation is 900 consumers signed a petition telling me to mind my own business. And so we need to be aware that in that lane there is a desperate need that is not being fulfilled for short-term credit that, you know, whether it is to buy cars or diapers or whatever it is. And so we need to be mindful that, as we look at this, we do not close off the avenue for that kind of credit. I listened to those 900 consumers, and, you know, where I think that was done incorrectly, and I have a lot of concern about what is happening with payday lending. Until we have a country that has maybe more economic justice, we are going to need to give people access to that kind of credit.

I want to just talk a little bit about student loans and ask you your opinion. The administration I think recently said that they are going to cap repayment at 10 percent. All that is really going to do for a lot of the consumers in my State, a lot of student borrowers in my State, is extend the time that they are going to have. So they are never going to be out of consumer debt.

Senator Warren and I have a bill, along with a number of us, to restructure consumer debt. How do you see the restructuring of consumer debt actually benefiting long term the creditworthiness of Americans who currently have that level of debt?

Mr. CORDRAY. It is obviously a complicated subject, and it depends a lot on the individual circumstances, the individual borrower. But it is certainly the case that what upsets someone's credit most of all is ending up in default. And if the payment levels are unrealistic, particularly a lot of young people coming out of school today are not finding the jobs that they hoped to find, particularly in the wake of this financial crisis, and so the income-based repayment, as I understand it, was an attempt to maintain some sort of balance there. Whether it is the exact right balance, exactly what it should be, is hard to say, and I am not an expert on it.

Senator HEITKAMP. If we did an analysis of student debt and we said restructuring it the way we have set up the ability to restruc-

ture it, could we be at the 10 percent and shorten the time period of repayment?

Mr. CORDRAY. It may be. Obviously it depends on the level of rates, and I know that is one of the things your legislation would try to address. I would say if you compared a mortgage—and the comparison is not exact, but there are a lot of parallels. It has been loan restructuring—and sensible loan restructuring, not any old loan restructuring, because sometimes you can have loan modifications and end up with higher payments, which was not a formula for success—has been the winning and the most optimal way of addressing some of the mortgage problems that people are still digging out from, and it could be that in the student loans the same type of approach could be very beneficial to people.

Senator HEITKAMP. Just one quick comment. We have obviously a State-owned bank in North Dakota. We are quite proud of the Bank of North Dakota.

Mr. CORDRAY. Yes. You are the only one.

Senator HEITKAMP. Yes. And we have recently announced a program at the bank for restructuring student debts, and in a month there has been over a thousand applications. So it tells you the absolute essential need for assisting people in restructuring this debt.

Thank you, Mr. Chairman.

Chairman JOHNSON. Senator Warren.

Senator WARREN. Thank you, Mr. Chairman, and thank you, Director Cordray, for being with us once again.

When I taught contract law, I covered arbitration clauses near the end of the term, and students usually came in thinking arbitration sounded so friendly and so inexpensive. But after studying the law, they discovered that arbitration stacks the deck against customers in favor of large corporations. Arbitrators often have a financial interest in remaining in the good graces of the corporation that places lots of business with them. Corporations usually hold all the key evidence in the dispute but are under no obligation to turn it over. And an arbitrator's ruling cannot be overturned even if it contains clear legal mistakes or factual errors.

So the bottom line is that when a customer thinks he has been cheated or that a bill is wrong, an arbitration clause in his contract makes it nearly impossible for him to get any real help. So it is no surprise that many big banks and other big corporations force customers to agree to arbitration clauses to get credit cards or open checking accounts, knowing that this means that the customer will have no real remedy if things go wrong.

So, Director Cordray, as you know, Dodd-Frank requires the Bureau to conduct a study on these forced arbitration clauses and authorizes the Bureau to prohibit or limit the use of such clauses based on that study. The Bureau released the preliminary reports last December, and they were damning. Forced arbitration clauses are everywhere, particularly in contracts with the largest banks, and these clauses dramatically restrict the legal options available to consumers.

I know there are additional issues that the Bureau wants to examine in its final study. When do you think the Bureau will have that study?

Mr. CORDRAY. So I would say a number of things. You know, this is an interesting area where if you look at what industry says and then you look at what consumer groups say, sometimes there is some relation between the two. Here there seems to be almost none. And so as I understand it, Congress waded into this area in Dodd-Frank in a way that is more interventionist than Congress has been on arbitration in other areas, particularly in business situations, where the Federal Arbitration Act has been viewed by the courts as having a policy in favor of arbitration.

Here, however, under Dodd-Frank, arbitration clauses have been barred from mortgage contracts flat out by the Congress. In terms of the other consumer finance contracts, as you noted, what the Congress has said very specifically and carefully to us at the Bureau is—you know, there seemed to be very different views of this—we are going to direct you, not suggest but mandate that you perform an appropriate study, a comprehensive study, and make your best judgments about the pros and cons of arbitration clauses, and based on the results of that study, consider what policy interventions may be appropriate.

The Bureau has been trying to carefully adhere to that, and, frankly, if anything, we have erred on the side of a very thorough process. But I think that ultimately that is the right thing to do here. As you noted, we put out essentially an interim progress report where we covered certain subjects. We have more to come. I believe we have indicated that further work on that, it is ongoing. It is very active, and I believe it will be completed this year. And then we will be in a position to make policy judgments based on that. And I understand that some people think we should take forever on this, and other people think we should have finished it yesterday. I have my own views, but we are pushing along, and we are trying to do the work as Congress set it out in that framework, the two-step, just as they said.

Senator WARREN. All right. But you anticipate it is going to be this year?

Mr. CORDRAY. I do anticipate it is going to be this year.

Senator WARREN. Good. I am very glad to hear that.

I have a second question. Now, I am sure you would tell me that you will need to see the final study before deciding whether to issue rules restricting or prohibiting forced arbitration clauses. So let me ask the question this way: What kind of evidence would lead you to believe that the Bureau should issue rules on forced arbitration?

Mr. CORDRAY. You know, this is—it feels very much to me sort of like a case that is under advisement in a court. Clearly I should not prejudge the issue of policy interventions before we have finished the study. We are well along, but we are not yet complete.

Certainly in the end it is going to depend in part on things like: How does arbitration work? Does it provide a meaningful avenue for resolution for consumers? Does it not? Why does it? Why doesn't it? Does it matter how an arbitration proceeding is procedurally set up? You know, there are a variety of things that we are considering. The other is: How does it compare to alternatives in court?

I think we could all look at it and we would come to about the same conclusions about what kind of evidence we think matters,

but I would really like today here, if I can, to stay away from trying to prejudge that.

Senator WARREN. All right. But I do want to be clear that if the evidence supports it, the Bureau is willing to issue rules regarding forced arbitration?

Mr. CORDRAY. I think Congress gave us a very specific task here. They said look at this very carefully, study it, tell us your results, and based on those results, you have an obligation to engage in policymaking that appropriately reflects the conclusions you reach.

Senator WARREN. Excellent. I just want to say I realize that arbitration can play a very important role in our legal system as long as parties choose arbitration freely after the dispute has arisen. But forcing customers into an arbitration system that banks control is just another way to tilt the playing field against consumers. The CFPB can help level the playing field, and I look forward to seeing the final report. Thank you very much.

Thank you, Mr. Chairman.

Chairman JOHNSON. Senator Crapo.

Senator CRAPO. Thank you, Mr. Chairman.

Director Cordray, before we go back to data issues, I had one question on Operation Choke Point. News reports tell us that the Department of Justice and several Federal banking regulators are pressuring banks to end relationships with legally operating payday lenders and with gun stores, retailers, and that this operation is known as Operation Choke Point. Are you familiar with it?

Mr. CORDRAY. I have certainly read numerous press accounts of it, and, therefore, I would say I am familiar with it.

Senator CRAPO. Is the CFPB participating in Operation Choke Point?

Mr. CORDRAY. I think the CFPB has a job to do as a law enforcement agency to police illegal lending, whether it is online or in person, and much of what we are talking about here is online. There is now—the further issue that has been raised is what about illegal lending that operates by piggybacking on the existing banking payment system. That is not something the banks like. It is not something—not a risk they want to be exposed to. Some of this gets into areas of prudential regulation, safety and soundness, and sort of risk, operational risk, legal risk, reputational risk, that I am not an expert on. So I want to——

Senator CRAPO. But does this mean that you are participating with Operation Choke Point?

Mr. CORDRAY. I am not sure what you mean by "participating." I think that the agencies have all tried to discuss what is the appropriate approach to Know Your Customer. That is really, again, more of a prudential regulator term. But our concern at the Consumer Bureau is we are supposed to be policing nonbank lenders as well as the banks, and many of those nonbank lenders that are riding along the payment system, if they are acting illegally—and this is one of the enforcement actions I described in my opening remarks—need to be addressed.

But what I would say is it is about whether the activity is legal or illegal. It should not be about whether it is disfavored or favored.

Senator CRAPO. The operation, what I understand from, again—and we just get this in the news reports. But from what I understand about it, there is an conscious effort to force legally operating payday lenders and gun store retailers to stop their business.

Mr. CORDRAY. I do not know if that is in the reports, and I do not know if that is accurate or not. I do not know if that is what anybody intends, and I do not know if that is what is, in fact, happening. The Bureau's focus is on ferreting out illegal activity, and it is hard enough to do, frankly——

Senator CRAPO. Understood. But what advice have you given, if any, to the Department of Justice on this project?

Mr. CORDRAY. I have not given advice to the Department of Justice on this.

Senator CRAPO. All right. And, again, because of time, let me switch quickly back to the data issues. And, Mr. Chairman, I have got a lot of questions on this and others that I am going to have to just submit for the record. I would hope that we can do that.

Senator CRAPO. I just want to talk quickly back again about this new project on the national mortgage database that you are engaged with, with the FHFA. When I read to you that long list of personal identifiers that the Federal record says are going to be collected, you indicated that that was just a list that was—I do not know what you called it. A SORN list?

Mr. CORDRAY. It is a term of art that, frankly, is the kind of thing only bureaucrats can love, but, yes, it is called a "SORN"—S–O–R–N. I do not even know what the acronym is, but it is sort of statement of operational risk notice, something like that.

Senator CRAPO. Well, accepted, but it is also a statement in the Federal record, Federal Register that says that this data will be collected.

Mr. CORDRAY. But here is the difference. I believe that in order to access data, we have to secure it from somewhere—procure it, buy it, whatever. And it comes in whatever format it starts out in, and it is already being bought and sold out there by industry in that format.

Senator CRAPO. Understood.

Mr. CORDRAY. For us, in order to create the kind of database that I have pledged to you will meet the kind of criteria I have laid out, which is the identifying, the personally identifiable information, if it comes to us—comes to someone in a different form, then it needs to be de-identified before it can become part of the database. That is a careful process——

Senator CRAPO. So what I understand you to say is that you are actually collecting all this information——

Mr. CORDRAY. I do not know——

Senator CRAPO.——anonymizing it or de-identifying——

Mr. CORDRAY. I do not want to jump to that conclusion. They are collecting information, and I think they are identifying what may be in it, depending on the original data set, which is out there in the marketplace——

Senator CRAPO. Understood.

Mr. CORDRAY.——being freely passed around. And for our purposes, if it contains that kind of information, then that would be de-identified before it comes into our database and cannot——

Senator CRAPO. Well, then what the——

Mr. CORDRAY.——be used by any of my employees.

Senator CRAPO. Then what the FHFA notice says is that it will include that information, and then they in this notice also say that they are going to de-identify it for some purposes. So the question then comes back to: Is this an unnecessary invasion of the privacy of citizens? When you look at that list of identifying information that is contained——

Mr. CORDRAY. That could be.

Senator CRAPO.——it is scary. But here is the question: At a 2013 Urban Institute conference, prior to the issuance of this notice in the Federal Register, the FHFA's own project manager for the database said that the information in it would be "easy to reverse engineer." And I have been told that by many, many other experts whom we have talked to. Is that not correct?

Mr. CORDRAY. I would like to address that. My understanding is that quote that is being quoted is a truncated quote. It is a cutoff quote. There is more to the quote. And I believe that the individual went on to say that is the risk, it is very important that we handle this properly, that we de-identify information, *et cetera, et cetera.* That quote was part of a longer passage, and the full passage needs to be quoted in order to put that in context. Taken out of context, it certainly sounds worse than I believe it actually was.

Senator CRAPO. Well, I think folks can actually watch that quote on YouTube if they would like to, but the fact is——

Mr. CORDRAY. They can, yes.

Senator CRAPO. The fact is, though, I mean, the core question here is: Isn't it possible to reverse engineer—every expert I have talked to about this issue as we have started looking into it has said yes, that you can reverse engineer and obtain the de-identified data.

Mr. CORDRAY. So this is——

Senator CRAPO. Are you telling me that that is not possible?

Mr. CORDRAY. This is a fair question, and particularly in the real estate market with HMDA data that has been on the books for, you know, decades. There is a lot of information available in the real estate market and the mortgage market. I recall, when I taught at law school back in the 1990s, my students coming to me and saying, "Here is the kind of information that is out there"—I was kind of pooh-poohing this at the time, and they said, "Here is the kind of information out there on you." And they had my mortgage, they had my purchase price, they had all kinds of things about me. That is out there. That has nothing to do with whether the CFPB exists or does not exist.

Senator CRAPO. I understand and my time——

Mr. CORDRAY. And it is a robust market, so——

Senator CRAPO. My time is up, and so let me just say I do understand that. In fact, it is quite concerning to me that this information is so broadly available in the private sector as well.

Mr. CORDRAY. Yes.

Senator CRAPO. And I do have grave concerns about that. But the concern I am expressing to you today is the concern that the Government is collecting it.

Mr. CORDRAY. Yes. I understand.

Senator CRAPO. I think that is a different thing. And I think that the rationale for the Government to collect this information does not necessarily justify the level of potential invasion of privacy that is involved here. This is a much longer discussion, and——

Mr. CORDRAY. It is.

Senator CRAPO.——the Chairman has already let me go a few minutes over.

Mr. CORDRAY. And let me just again state my attitude toward this because I think it is important. I know you know it, but I will say it again. This is an area where—it is a classic area where congressional oversight is extremely important. You are very concerned about this. The public should be concerned about this. We are concerned about it. Your work is making us be on our toes to make sure that we are doing things as right as we can. The GAO inquiry has been significant and exhaustive, and it is going to result in a report, and we are working with them, and whatever findings they have or concerns they raise we will take to heart.

I am happy to have our staff spend as much time with you and your staff as you like on this, because it is not just something you are interested in and I am just trying to fend you off. I am interested in it, too. And it is important to this agency to be getting it as right as we can. But we also have to have information in order to do our work other than just throwing darts against a wall, which neither you nor anybody else would like. And information about medical debt or information about the mortgage market or information about the credit card market is very critical for you to engage in good policymaking and for us to engage in good policymaking, and to even know whether we are getting it good or bad. You cannot even criticized us very well unless you have information as to whether what we have done is good or bad.

Senator CRAPO. Well, we will have, I am sure, a lot more discussions about this.

Mr. CORDRAY. OK.

Senator CRAPO. We both look forward to the GAO report, and we will continue to engage on this until we get it right.

Mr. CORDRAY. OK. Good.

Senator CRAPO. Thank you.

Mr. CORDRAY. Thank you.

Chairman JOHNSON. Director Cordray, I thank you for your testimony today and your leadership of this important agency.

This hearing is adjourned.

[Whereupon, at 11:58 a.m., the hearing was adjourned.]

[Prepared statements, responses to written questions, and additional material supplied for the record follow:]

PREPARED STATEMENT OF RICHARD CORDRAY

DIRECTOR, CONSUMER FINANCIAL PROTECTION BUREAU

JUNE 10, 2014

Chairman Johnson, Ranking Member Crapo, and Members of the Committee, thank you for inviting me to testify today about the Semi-Annual Report of the Consumer Financial Protection Bureau.

The Consumer Financial Protection Bureau is the Nation's first Federal agency with the sole focus of protecting consumers in the financial marketplace. Financial products like mortgages, credit cards, and student loans involve some of the most important financial transactions in people's lives. In the Dodd-Frank Act, Congress created the Bureau to stand on the side of consumers and ensure they are treated fairly in the consumer financial marketplace. Since we opened our doors, we have been focused on making consumer financial markets work better for the American people, the honest businesses that serve them, and the economy as a whole.

My testimony today focuses on the Bureau's fifth Semi-Annual Report to Congress and the President, which describes the Bureau's efforts to achieve this vital mission. Through fair rules, consistent oversight, appropriate enforcement of the law, and broad-based consumer engagement, the Bureau is helping to restore American families' trust in consumer financial markets, to protect American consumers from improper conduct, and to ensure access to fair, competitive, and transparent markets.

Through our enforcement actions to date, we have aided in efforts to refund more than $3.8 billion to consumers who fell victim to various violations of consumer financial protection laws. We have also fined wrongdoers more than $141 million, all of which has gone into our Civil Penalty Fund and can be used to compensate wronged consumers and, to the extent compensating consumers is not practicable, to pay for consumer education and financial literacy programs.

In the fall of 2013, for the first time, we took action, in conjunction with multiple State Attorneys General, against an online loan servicer for illegally collecting money that consumers did not owe. We took action against a payday lender for overcharging servicemembers in violation of the Military Lending Act, and robo-signing court documents. We took action against an auto lender for discriminatory loan pricing. And we partnered with 49 States in bringing an action against the Nation's largest nonbank mortgage loan servicer for misconduct at every stage of the mortgage servicing process.

CFPB supervisory work contributed to a recent enforcement action resulting in a refund of approximately $727 million to 1.9 million consumers for illegal practices related to credit card add-on products. In addition to this public enforcement action, recent nonpublic supervisory actions and self-reported violations have resulted in more than $70 million in remediation for over 775,000 consumers.

In January, mortgage rules that the Bureau issued to implement provisions of the Dodd-Frank Act took effect, establishing new protections for home buyers and homeowners. During the reporting period, we also issued another major mortgage rule mandated by the Dodd-Frank Act: a final rule to consolidate and improve Federal mortgage disclosures under the Truth in Lending Act and the Real Estate Settlement Procedures Act, which we have called "Know Before You Owe." We also issued an Advance Notice of Proposed Rulemaking on debt collection, asking the public in-depth questions about a range of issues relating to the debt collection market, which is the Bureau's most frequent source of consumer complaints.

To promote informed financial decisionmaking, we have continued providing consumers with online resources, including the AskCFPB section of our Web site, where we have answers for over 1,000 frequently asked questions.

A premise at the heart of our mission is that consumers should be treated fairly in the financial marketplace, and that they deserve a place that will facilitate the resolution of their complaints when that does not happen. To this end, the Bureau has strengthened its Office of Consumer Response. As of June 1, 2014, we have received nearly 375,000 consumer complaints on credit reporting, debt collection, money transfers, bank accounts and services, credit cards, mortgages, vehicle loans, payday loans, and student loans.

The progress we have made has been possible thanks to the engagement of hundreds of thousands of Americans who have used our consumer education tools, submitted complaints, participated in rulemakings, and told us their stories through our Web site and at numerous public meetings from coast to coast. We have also benefited from an ongoing dialog and constructive engagement with the institutions we supervise, as well as with community banks and credit unions, with whom we regularly meet. Our progress is also thanks to the extraordinary work of the Bureau's employees—dedicated public servants of the highest caliber who are com-

mitted to promoting a healthy and fair consumer financial marketplace. Each day, we work to accomplish the goals of renewing people's trust in the marketplace and ensuring that markets for consumer financial products and services are fair, transparent, and competitive. These goals not only support consumers in all financial circumstances, but also help responsible businesses compete on a level playing field, and reinforce the stability of our economy as a whole.

In the years to come, we look forward to continuing to fulfill Congress's vision of an agency dedicated to cultivating a consumer financial marketplace based on transparency, responsible practices, sound innovation, and excellent customer service.

Thank you for the opportunity to appear before you. I appreciate the benefit of your active interest and oversight. And I look forward to your questions today.

RESPONSE TO WRITTEN QUESTION OF CHAIRMAN JOHNSON FROM RICHARD CORDRAY

Q.1. Many have raised concerns about the mortgage rules' definitions of rural and underserved. Director Cordray, you have stated that you will revisit these definitions over the next 2 years. Can you provide an update on this process, including when you think your review may be complete and what information or existing definitions you may be reviewing or plan to review to determine how to define a rural area?

A.1. As you know, initially, the Consumer Financial Protection Bureau's (Bureau) Ability-to-Repay rule provided a general definition of "rural" using the Department of Agriculture's Urban Influence Codes. Those codes, in turn, are based on definitions developed by the Office of Management and Budget, in particular "metropolitan statistical area" and "micropolitan statistical area."

As we have subsequently discussed, the Bureau amended its rule to provide a 2-year transition period during which small creditors can originate balloon payment qualified mortgages even if they do not operate predominantly in rural or underserved areas. In addition to providing time for small creditors to further develop their capacity to offer adjustable rate mortgages, the Bureau expects to re-examine the definitions of rural or underserved during this time to determine, among other things, whether these definitions accurately identify communities in which there are limitations on access to credit and whether it is feasible to develop definitions that are more accurate or more precise.

The Bureau is in the process of research and analysis to deepen our understanding of small creditors' origination of both balloon and adjustable rate mortgages and the implications of the Dodd-Frank Wall Street Reform and Consumer Protection Act provisions on access to credit. The Bureau is taking a holistic approach to better understand the issues regarding consumer protection, State regulation, technical systems, compliance processes, credit risk management, and other considerations that prompt small creditors to offer balloon loan products, and the potential transition issues in converting to other loan offerings. These efforts are being undertaken for the purpose of ensuring access to markets for consumer financial products and services for all consumers, while seeking to minimize burdens on financial institutions. We will complete this process in time for providers to have the benefit of our work before the 2-year transition period expires.

RESPONSE TO WRITTEN QUESTIONS OF SENATOR CRAPO FROM RICHARD CORDRAY

Q.1. As I have raised on several occasions, many basic questions concerning the CFPB's data collection activities remain unan-

swered. Using its supervisory authority, how many credit card accounts does the Bureau collect data about on a monthly basis?

A.1. The Dodd-Frank Wall Street Reform and Consumer Protection Act authorized the Consumer Financial Protection Bureau (Bureau) to gather information from a variety of sources in order to monitor for risks to consumers in the offering or provision of consumer financial products or services, including developments in markets for such products or services. In the exercise of its supervisory authority, the Bureau obtains data stripped of direct personal identifiers with respect to all credit card accounts maintained by a number of large card issuers. Through a Memorandum of Understanding, the Bureau is also able to access data that is collected by the Office of the Comptroller of the Currency from an additional set of credit card issuers. The combined data represent approximately 85–90 percent of the outstanding card balances. The precise number of accounts varies on a monthly basis.

Q.2. In 2013, the U.S. Department of Justice (DOJ) announced a consumer protection initiative called "Operation Choke Point". Its stated mission is to stop fraudulently operating merchants from accessing the payments and banking system. DOJ is using the Financial Institutions, Reform, Recovery and Enforcement Act of 1989 (FIRREA) as its principle tool to stop fraudulent activity. News reports suggest Federal banking regulators are making referrals to DOJ when a bank is believed to have violated FIRREA. Has the Bureau made any referrals to DOJ to enforce FIRREA? If so, how many referrals have been made?

A.2. The Consumer Financial Protection Bureau has not made any referrals to the Department of Justice to enforce the Financial Institutions Reform, Recovery and Enforcement Act of 1989.

Q.3. The CFPB has noted in several publications that it uses its Consumer Complaint Database to help identify concerning consumer financial products and services, which should be addressed through rulemaking. Rulemaking for payday loans is a high priority for the Bureau, but only accounts for 1 percent of total consumer complaints. Please explain how the CFPB reconciles low consumer complaints and high consumer demand for this product with the Bureau's goal of taking regulatory action in this market.

A.3. The Consumer Financial Protection Bureau (Bureau) began accepting complaints for payday loans on November 6, 2013. As of June 1, 2014, the Bureau has received approximately 3,400 payday lending and deposit advance complaints. The Bureau used a phased approach to accepting complaints to ensure that our systems, processes, and people are prepared to handle this important role. This phased approach means we have been accepting complaints about other products for longer periods of time and partially explains why payday complaints represent a smaller percentage of cumulative complaints.

Consumers also submit debt collection complaints related to payday loans and deposit advances. In addition to the 3,400 payday complaints handled since November 6, 2013, the Bureau has also handled 9,700 debt collection complaints related to payday loans or deposit advances. These payday-related debt collection complaints

account for nearly 12 percent of all debt collection complaints handled by the Bureau.

The most common type of payday loan or deposit advance complaint is about being charged unexpected fees or interest. Consumers also report a number of other issues including not receiving the money after applying for the loan, problems contacting the lender, and receiving loans for which they did not apply. As well, consumers report issues with payments, including confusion about loan repayment using automatic withdrawal features on a bank card or prepaid card, and issues disputing the lender when the consumer believes the loan has been repaid in full. Consumers raise concerns about the high cost of the loans, difficulty repaying the loan and having enough money to pay for basic household expenses, and the aggressive debt collection practices in the case of delinquency or default.

In addition to the knowledge gained through consumer complaints received, the Bureau also continues to independently research and monitor the short-term lending market as we develop an appropriate regulatory response to address practices that may cause harm to consumers. We plan to seek feedback from a Small Business Advocacy Review panel as part of our rulemaking activities. We welcome stakeholders' input and communication about how to most effectively protect consumers in this market.

Q.4. The CFPB uses the concept of "behavioral economics" to guide its market monitoring and rulemaking activities. At its core, this philosophy says policymakers should make certain choices for consumers because they can't be expected to make rational decisions. That is concerning because it places decisionmaking in the hands of the Government and not every day citizens. Under behavioral economics theory, please explain how the CFPB balances its view that a consumer financial product or service is harmful to consumers with a product or service that has high consumer demand and low consumer complaints.

A.4. Behavioral economics involves studying how various factors affect economic decisionmaking. Understanding consumers' decisionmaking process in the financial marketplace helps the Bureau assess the market and the possible impacts of market changes. As noted by the Government Accountability Office (GAO) in its June 2011 report on financial literacy, behavioral economics and other interdisciplinary insights may also be useful in developing financial education strategies "to assist consumers in reaching goals without compromising their ability to choose approaches or products." The Bureau's focus is on ensuring that consumers have access to fair, competitive, and transparent markets and on helping consumers to achieve their own financial goals and improve their financial lives, not on placing decisionmaking in the hands of the Government.

Q.5. At a 2013 Urban Institute conference, the Federal Housing Finance Agency's project manager for the National Mortgage Database, Bob Avery, stated the information contained in the Database would be "easy to reverse engineer".[1 2] Does the CFPB share the

[1] *https://www.youtube.com/watch?v=xeHuSwb7bG8.*
[2] *http://www.urban.org/events/Lunchtime-Data-Talk-National-Mortgage-Database.cfm.*

assessment of the FHFA? Additionally, what steps is the CFPB taking to assist the FHFA in preventing the reverse engineering of information in the National Mortgage Database?

A.5. The Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) established the Consumer Financial Protection Bureau (Bureau) in response to the most severe financial crisis since the Great Depression. Widespread failures in consumer protection and rapid growth in irresponsible lending practices in the mortgage market were at the epicenter of the collapse, which cost our economy and American families trillions of dollars. Congress created the Bureau to protect consumers; ensure access to fair, competitive, and transparent consumer financial markets; and to help prevent future financial crises.

The Bureau plans to use the National Mortgage Database (NMDB) in support of the market monitoring called for in the Dodd-Frank Act, which includes understanding how mortgage debt affects consumers and assessing risks to consumers and mortgage markets. This type of market monitoring is critical to staying ahead of trends like those that caused the financial crisis. The NMDB will also help the Bureau to fulfill various statutory mandates for reporting on these markets to Congress. When gathering information necessary to perform our regulatory functions, the Bureau seeks to limit to the greatest extent possible any burdens on market participants and take all necessary precautions to protect individuals' privacy.

The NMDB is currently in development and only limited staff within the Federal Housing Finance Agency (FHFA) and only two staff members at the Bureau have access to the data on a secure server. Before being granted access to the data, users must sign an agreement that prohibits them from attempting to identify any of the consumers in the sample. FHFA also prevents users from downloading any individual-level data from the server or from uploading any data containing direct identifiers that might be used to re-identify consumers. Access to the data is controlled by the FHFA, which can provide additional details regarding that process.

With ever advancing technology, it is not possible to categorically determine that re-identification of certain information is impossible, which is why the Bureau is committed to strong controls as this project develops. The Bureau understands that with most mortgage datasets including commercially available sources of de-identified data on mortgage performance, having strong security measures and technical, physical, and administrative controls in place helps to reduce the risk that records could be re-identified. The Bureau is acutely aware of the importance of reducing this risk to the greatest extent possible in constructing the NMDB. We will continue to be sensitive to privacy concerns and committed to the security of these data, as the Bureau works with FHFA to construct this important market monitoring tool. Finally, the quote from Mr. Avery was truncated and does not reflect his fuller discussion of these same points.

Q.6. The April 2014 FHFA System of Records Notice (SORN) states the information in the National Mortgage Database may be sourced from "other Federal Government systems of records". Will the

CFPB populate the database with any information it obtained through its supervisory and/or examination authorities?

A.6. The Consumer Financial Protection Bureau does not plan to use data obtained through the Bureau's supervisory or examination authorities to construct the National Mortgage Database.

Q.7. In March, the Federal Reserve/CFPB Inspector General issued a report concerning the effectiveness and efficiency of the CFPB's supervision programs. Specifically, the report found the CFPB needs to improve its reporting timeliness and reduce the number of backlogged, open exams. The Inspector General made 12 recommendations to improve supervision. Please describe the progress the Bureau has made in implementing these recommendations and an estimated timeframe for full implementation of all 12 recommendations. Additionally, please include a current assessment of the average number of days to complete a CFPB examination.

A.7. On March 27, 2014, the Office of the Inspector General (OIG) issued a report[3] after conducting an initial evaluation of the Consumer Financial Protection Bureau's (Bureau) Supervision program. Of note, the report relies on data as of July 31, 2013, and fieldwork the OIG completed in October 2013. Thus, the report did not reflect many of the Bureau's efforts since those dates to enhance the Supervision program. The Bureau indicated this to the OIG, and the OIG noted in the report that assessing these efforts will be part of its follow-up activities.

The OIG's findings begin by acknowledging in the Executive Summary the Bureau's "considerable efforts" and its "significant progress toward developing and implementing a comprehensive supervision program for depository and nondepository institutions." In this regard, the Bureau has recruited hundreds of employees, launched examinations and investigations, and settled a number of actions that have brought significant monetary and other relief to millions of Americans. As well, the Bureau has continued to expand our nonbank supervision program, adding to the initial larger participant rules for the consumer reporting and debt collection markets with a rule in the student loan servicing market and a proposed rule in the remittances market. The Bureau has also continued to implement a risk-based prioritization framework that ensures we allocate our examination resources across charters and markets, focusing our resources on those business lines that pose the greatest risk to consumers.

Since July 2013, the Bureau has substantially enhanced its existing processes and systems for tracking examiner time spent on specific examinations. We continue to develop and refine an associated policy, and we will evaluate the current processes for coordinating examination staff scheduling across regions, as recommended by the OIG. More generally, we have undertaken a large effort to build a custom electronic Supervision and Examination System (SES) tailored to the Bureau's operations and information needs. As recommended by the OIG, we are in the process of revising the

[3] Office of Inspector General, Board of Governors of the Federal Reserve System, Consumer Financial Protection Bureau, CFPB Report: 2014–AE–C–005, "The CFPB Can Improve the Efficiency and Effectiveness of its Supervisory Activities," March 27, 2014 *available at: http://www.federalreserve.gov/oig/files/CFPB-Supervisory-Activities-Mar2014.pdf.*

June 2012, *CFPB Process for Reviewing Supervisory Letters, Examination Reports, and Supervisory Actions,* as necessary to reflect the earlier reorganization of the Bureau's supervision offices as well as relevant changes underway to the Bureau's internal processes for examination report review.

The Bureau's efforts to enhance the supervision program have resulted in steady progress on our supervisory goals, including the timeframe in which we issue exam reports. At the outset, the Bureau made a purposeful decision to have a strong quality control function to ensure consistency in our examinations findings across the country, and across banks and nonbanks. This is particularly important and challenging at the Bureau where, as the OIG recognized in its report, we must address a multitude of novel issues in our exams. We are integrating a work force drawn from a wide variety of backgrounds who are conducting examinations at many entities that have never before been subject to compliance supervision. Initially, we sacrificed some timeliness for the sake of careful deliberation and consistency.

We have been focused for some time on the timeliness of our reports. This effort includes weekly meetings among Supervision management to identify and address potential sources of delay. We have conducted internal process reviews and retained a third party to support a longer-term project to comprehensively address the report review process. It is important to note that the Bureau does a wide range of examinations—from targeted reviews of a particular product line to larger reviews of multiple product lines. As a result, we have focused particular attention on ensuring that we draft and issue our reports as expeditiously as possible after completing our analysis of the information gathered by the examination teams. The median number of days onsite is 53. Half of our exams take between 44 and 81 days, and we have outliers on either side of that range.

The Bureau has made several advancements in our examiner training. The Bureau is introducing a robust and unique examiner commissioning program, which will consist of on-the-job and classroom training, and ultimately a capstone course, so that within 5 years of working at the Bureau, an examiner can be prepared to lead reviews of the complex entities we oversee. The comprehensive examination that will be required to become a commissioned examiner is undergoing multiple rounds of content validation and is scheduled to be finalized during the fall of 2014. The Bureau is also developing training that focuses on specific product areas so our examiners are well-prepared to conduct work in both banks and nonbanks. Also, as the OIG report notes, the Bureau has implemented an interim commissioning program.

Our ongoing enhancement of the Supervision and Examination System (SES) used to track exams will increase the effectiveness of our supervisory work. Improved guidelines for its use will address two of the OIG's findings. These efforts will establish standards for recording exam milestones, and ensure accurate documentation of communications with the prudential regulators, which have occurred as required.

The Bureau shares the OIG's conviction that full and timely exchange of information between Federal banking regulators im-

proves the effectiveness of supervisory activity for all of the agencies, enhances protections for American consumers, and is consistent with the cooperative relationship between the agencies envisioned in the Dodd-Frank Wall Street Reform and Consumer Protection Act. As noted in the report, the Bureau has acted in this spirit of cooperation and complied with all of the requirements and arrangements outlined in the Interagency MOU on Supervisory Coordination dated May 16, 2012 (Interagency MOU)—an agreement that resulted from a multi-agency decisionmaking process including the Bureau, the Federal Reserve Board of Governors, the Federal Deposit Insurance Corporation, the National Credit Union Administration, and the Office of the Comptroller of the Currency. The Bureau has already begun discussions with the other agencies that are party to the Interagency MOU in order to explore potential opportunities to enhance information-sharing, and will pursue the specific discussions suggested in the report. We have also complemented the Federal coordination with a State Supervisory Framework to coordinate our efforts with State regulators. In short, the timeframe addressed in the report does not reflect the current realities of the Bureau's supervision program.

Q.8. Last year, the National Automobile Dealers Association (NADA) developed a comprehensive fair credit compliance program for its members. The NADA Program is based on a fair credit compliance program that the Department of Justice (DOJ) developed to resolve disparate impact allegations against two dealers in 2007. More recently, DOJ has described the approach taken in the program as an effective way to manage the risk of a fair credit violation. Do you see the release of the NADA program as a positive development?

A.8. The Consumer Financial Protection Bureau (Bureau) welcomes proactive proposals that demonstrate a commitment to fair lending. However, lenders should be careful about assuming that individual dealer-level actions will fully address their own fair lending risks. As you note, in general, the National Automobile Dealer's Association's (NADA) Fair Credit Compliance Policy and Program is based on two Department of Justice cases from 2007, where that model was negotiated in settlements involving dealers, whereas the Bureau's focus is on indirect auto lenders. We remain concerned about indirect lending programs built around discretion and financial incentives that create fair lending risks. Our March 2013 bulletin, *Indirect Auto Lending and Compliance with the Equal Credit Opportunity Act,* was issued to provide clarity and guidance for institutions regarding the application of Equal Credit Opportunity Act and Regulation B, and our attendant supervisory and enforcement approach in this area. It provided examples of internal controls, program features, and compliance management systems that institutions might use to mitigate legal risk. It also indicated that lenders may choose to adopt nondiscretionary pricing policies as an alternative method of mitigating fair lending risks.

Q.9. In February, the CFPB sent a letter to 18 card issuing banks "strongly encouraging" them to adopt the practice of offering their consumer's free credit scores with each statement. Unfortunately,

the CFPB did not solicit public input before the letter was sent. It did not perform any cost-benefit analysis. Finally, it did not provide guidance on how a company may legally adopt this practice. During examinations of these 18 card issuing banks, will the CFPB examine for adoption of this "best practice"?

A.9. In addition to ensuring that financial service providers comply with consumer protection law, Congress gave the Consumer Financial Protection Bureau (Bureau) the mandate of fostering greater financial literacy and capability among consumers. We believe the initiative taken by a few issuers to share the scores they purchase with their cardholders has provided those cardholders with a significant benefit that will improve their awareness of their credit scores and the impact their credit histories might have on the cost and availability of credit to them. My February letter to the other issuers encouraging them to disclose the consumer scores they already purchase was intended to foster greater financial literacy and to enlist the issuers as stakeholders in our financial literacy efforts, which is likely to benefit the issuers as well by strengthening the creditworthiness of their customers and reducing defaults. Today, only one-fifth of consumers view their credit scores in a given year through a combination of purchases through *AnnualCreditReport.com,* paid credit monitoring subscriptions, or adverse action notices.

Absent any rulemaking that would declare such regular score disclosures a requirement of issuers (something that is not under consideration), the Bureau views making these disclosures as voluntary. While the letter strongly encouraged the practice, the Bureau will not be examining issuers to determine whether or how they have adopted it.

RESPONSE TO WRITTEN QUESTION OF SENATOR REED FROM RICHARD CORDRAY

Q.1. Could you explain why it is so important for the Department of Defense to finalize its update of the Military Lending Act rules and how these updated rules would protect our servicemembers and their families?

A.1. Military families make enormous sacrifices for our Nation and deserve to be protected from those who would take advantage of them. Congress passed the Military Lending Act (MLA) to protect servicemembers from predatory lending. The MLA prohibits interest rates above 36 percent on consumer credit offered to active-duty servicemembers and their dependents. In its initial implementing regulations, the Department of Defense defined "consumer credit" to include three specific types of closed-end credit including: certain payday loans, certain vehicle title loans, and tax refund anticipation loans.

However, the implementing regulations did not cover high-cost loans structured as open-end lines of credit, loans with longer durations (more than 91 days for payday loans or more than 181 days for vehicle title loans), or loans with larger balances (more than $2,000 for payday loans). Military advisors such as Judge Advocates General and Personal Financial Managers have shared with us examples that indicate that servicemembers are taking out loan

products which fall outside the current parameters of "consumer credit" as defined in the MLA implementing regulations. For example, some creditors have offered open-end lines of credit with triple-digit interest rates to active duty servicemembers. Other creditors have extended triple-digit interest rate loans to servicemembers with durations longer than 91 or 181 days for unsecured credit. Moreover, in the MLA, Congress attempted to limit the extent to which creditors could use expensive ancillary credit products to impose costs exceeding 36 percent per annum on servicemembers.[1]

The Department of Defense recently submitted a proposal to the Office of Management and Budget to revise the MLA regulations. The MLA requires the Department of Defense to consult with the Consumer Financial Protection Bureau (Bureau) and other specified Federal agencies on implementation of the law and such consultation is underway. The Bureau will continue to use its supervision and enforcement, consumer education and engagement, and interagency consultation tools to provide servicemembers the protections Congress intended. Servicemembers deserve the full benefit of general consumer protections as well as the military-specific consumer protections provided to them by the law. The Bureau is fully committed to ensuring that servicemembers benefit from the protections of the MLA and all Federal consumer financial laws.

RESPONSE TO WRITTEN QUESTIONS OF SENATOR MENENDEZ FROM RICHARD CORDRAY

Improving access for unbanked and underbanked households:

Q.1. According to a 2011 report from the FDIC, about 1 in 12 American households is "unbanked," meaning they do not have a checking or savings account at an insured depository institution. One in 5 American households is considered "underbanked," meaning they have access to a deposit account, but also rely on alternative financial services such as nonbank check cashing or lending. Together, these groups account for about 34 million households.

I raised concerns at a hearing a few weeks ago on short-term consumer lending about the need for real, meaningful efforts to help these households who lack access to traditional banking services access credit when they need it and build credit histories.

Can you please provide an update on what the CFPB plans to propose in terms of new regulations for short-term lending?

A.1. The Consumer Financial Protection Bureau (Bureau) has been studying the market for short-term lending and is now in the process of developing an appropriate regulatory response to address practices that may cause harm to consumers. In particular, we are concerned about products and practices that turn a demand for short-term credit into a long-term debt. We also want to ensure that consumers can access the credit they require without jeopardizing or undermining their finances. We welcome continued input and communication about how to most effectively protect consumers in this market. As we proceed with our pre-rule activities, the Bureau will seek feedback from a Small Business Advocacy Re-

[1] 10 USC § 987(b), (i)(3)(b).

view panel. We also are proceeding toward a rulemaking on general purpose, reloadable prepaid cards.

Q.2. When families with lower incomes have credit needs, what are some of the solutions available to them that are most effective? What should we be looking to as successful models?

A.2. The Consumer Financial Protection Bureau's Office of Financial Empowerment (OFE) focuses on the needs of traditionally underserved consumers, which includes those with limited or no access to credit. The OFE leads several initiatives designed to help lower income consumers know how to build their credit. For example, *Your Money, Your Goals,* is a toolkit for frontline caseworkers who work with consumers that have limited access to credit. The OFE is also planning to study a credit builder loan product designed for lower-income consumers. As well, the OFE is working to ensure that lower income consumers know how to access and understand their credit reports and scores, and learn strategies for managing money to build credit.

Q.3. In looking to develop credit products for lower-income consumers, can mission-driven lenders alone achieve sufficient scale to fully serve the market? Or do we also need profit-seeking capital for the market to be self-sustaining—and if so, how do we achieve that goal in a way that meets consumer demand with effective loan structures and consumer protections?

A.3. The Consumer Financial Protection Bureau recognizes the demand for credit by low-income and credit impaired consumers. In order to achieve scale to fully serve the market, many types of institutions, including those in the for-profit sector, are likely needed to develop appropriate products to meet the credit demand of lower-income and credit-impaired consumers with products that offer effective loan structures and consumer protections. Particular attention would need to be paid to consumers who, as a result of having little to no existing credit files or poor credit, are prevented from accessing lower cost credit options. The amount of capital available for lending to consumers from the for-profit sector is far greater than that available to nonprofit organizations, so safe lending products that are widely available to lower-income consumers will likely include involvement from banks or other for-profit businesses. While new technology and innovative credit products may help reach these goals, we recognize this is a complex area that we are continuing to research.

RESPONSE TO WRITTEN QUESTIONS OF SENATOR BROWN FROM RICHARD CORDRAY

Q.1. In January, the Consumer Financial Protection Bureau (CFPB) implemented new high-cost mortgage loan provisions of the Home Ownership and Equity Protection Act (HOEPA) that expand the types of loans covered by HOEPA and further defined the interest rate and "points and fees" triggers for HOEPA's protections.

I have heard concerns that this is having a particularly detrimental effect on the manufactured housing industry, where home prices are lower and fixed fees make up a larger percentage of the overall loan amount.

What steps has CFPB taken to monitor the effects of new high-cost mortgage loan provisions on the manufactured housing market?

A.1. The Consumer Financial Protection Bureau (Bureau) analyzed various datasets (Home Mortgage Disclosure Act, and population surveys such as the Survey of Consumer Finances) to deepen our understanding of the manufactured housing market. The Bureau also conducted phone calls and in-person conversations with creditors, manufacturers, dealers, consumer advocates, and other government entities operating in this space, including attending a manufactured housing industry conference. The Bureau will also publish a white paper on the manufactured housing market later this year.

Q.2. Have these new provisions restricted access to credit and, if so, what steps with the CFPB take to protect consumer access to affordable mortgage loans, including manufactured home loans?

A.2. The Consumer Financial Protection Bureau has not encountered evidence of systematic access to credit concerns, though we welcome input from all sources on market trends, will continue to carefully examine potential concerns, and will publish a white paper on the manufactured housing market later this year.

RESPONSE TO WRITTEN QUESTIONS OF SENATOR TOOMEY FROM RICHARD CORDRAY

Q.1. According to the RFP put out by the CFPB, the 9 issuers you intend to collect data from are different from the 9 issuers the OCC is collecting data from. My understanding is that gathering data from 10 issuers would trigger an OMB review and a period for public comment. With a data mining exercise of this size and scope, shouldn't it be reviewed and shouldn't the public have the opportunity to express their opinions on what is happening with their data?

A.1. The Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) authorized the Consumer Financial Protection Bureau (Bureau) to gather information from a variety of sources in order to monitor for risks to consumers in the offering or provision of consumer financial products or services, including developments in markets for such products or services. In the exercise of its supervisory authority, the Bureau obtains data on credit card accounts maintained by a number of credit card issuers. The data is stripped of direct personal identifiers and does not include information about individuals' purchases.

The Office of Management and Budget review and public comment period to which you refer is a requirement of the Paperwork Reduction Act (PRA). This requirement is triggered by:

> Identical questions posed to, or identical reporting, recordkeeping, or disclosure requirements imposed on, ten or more persons . . . where 'ten or more persons' refers to the persons to whom a collection of information is addressed by the agency within any 12-month period.[1]

[1] 5 CFR 1320.3 (c).

The Office of the Comptroller of the Currency (OCC) initially requested information from nine credit card issuers in 2009. The Bureau sent similar information requests to nine different credit card issuers beginning in September 2012. The Bureau made the determination that the PRA does not apply to the Bureau's credit card collections.

Q.2. Why does the Bureau think that it needs access to data on over 900 million credit card accounts?

a. If your goal is to study trends and usage behavior, why not just sample anonymously rather than collect information on every account?
b. Will the CFPB commit to dumping or deleting data that it doesn't need to conduct a meaningful analysis?

A.2. The Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) authorized the Consumer Financial Protection Bureau (Bureau) to gather information from a variety of sources in order to monitor for risks to consumers in the offering or provision of consumer financial products or services, including developments in markets for such products or services.

In our monitoring activity of the credit card market, a number of large credit card issuers provide a full list of accounts to the Bureau's contractor. Credit card issuers provide a full list rather than a random sample because this is the same format in which issuers provide data to the same contractor for benchmarking services that they purchase from the contractor pursuant to private agreements. This reduces costs and burden for the issuers supplying the data as it avoids the need to draw a random sample, to provide data with respect to those accounts on an ongoing basis, and to add to the sample each time the data is provided to ensure that the sample remains representative of all accounts, including newly originated accounts.

The Bureau will maintain and ultimately destroy records in accordance with the Federal Records Act and Bureau record schedules once they are approved by the National Archives and Records Administration ("NARA"). The Bureau is in the process of drafting a records schedule for this data that will be submitted to NARA for approval.

Q.3. Given the number of fields this database will have, what's to stop a contractor or the Government itself from matching up supposedly "anonymized accounts" with individual consumers?

A.3. As previously stated, in the exercise of its supervisory authority, the Bureau obtains data on credit card accounts maintained by a number of credit card issuers. The data is stripped of direct personal identifiers. The data does not contain information that directly identifies individual consumers such as names, street addresses, social security numbers or account numbers. The Bureau also implements strong controls to protect the data security including requiring its vendors to use data only for proper Bureau purposes, prohibiting attempts at re-identification, restricting access to those whose work requires it, and providing privacy and security training to Bureau personnel on how to handle and protect data appropriately.

Q.4. In an answer to one of my questions at your last appearance before this Committee, you stated that it was your understanding that "bulletins" are merely restatement of existing law. If you recall, we respectfully disagreed. In hearing from regulated entities, many do not believe they have sufficient clarity in knowing who these bulletins apply to, and what they must do to avoid an enforcement action.

a. Do you still maintain that these are not substantive in nature?
b. Have you received requests from regulated entities asking for additional clarity with regards to the application and substance of previously published bulletins?

A.4. The Administrative Procedure Act (APA) sets out the principles by which Federal agencies engage in regulatory activity and in applicable cases calls for comments from affected parties and the general public concerning an agency's activity. The APA does not impose a notice and comment requirement for a general statement of policy, a nonbinding informational guideline, or interpretive memoranda. The bulletins to which you refer would fall into one of these categories. From time to time the Bureau does receive and respond to requests for clarification on various topics, including the rules we administer and guidance we publish in the form of bulletins.

Q.5. When the Bureau decides to publish a Bulletin, does it follow an established process?

a. What process (either established, or ad-hoc) does the CFPB go through when putting out a bulletin?
b. Does the CFPB solicit or otherwise receive input from stakeholders prior to publishing them?

A.5. As noted in our immediately preceding response, the Administrative Procedure Act (APA) sets out the principles by which Federal agencies engage in regulatory activity and in applicable cases calls for comments from affected parties and the general public concerning an agency's activity. The APA does not impose a notice and comment requirement for a general statement of policy, a nonbinding informational guideline, or interpretive memoranda. We value public input in our formulation of policy, and the Bureau engages stakeholders using a variety of mechanisms, ranging from informal consultations between industry and market specialists in the Bureau to published notice with a specified comment period.

Q.6. A recent report issued by the Philadelphia Federal Reserve Bank under its "Working Paper Series" found that tighter regulation of third-party collectors is associated with creditors extending less credit to consumers and at higher interest rates. The report concluded that "financial regulation that institutes strong consumer protection must be balanced with creditor rights in order for the latter to extend consumer credit in the first place."

a. Given the research on the economic implications, why shouldn't the CFPB consider addressing specific concerns rather than an expansive rule that may ultimately hamper a consumer's access to credit?

b. As the Bureau engages in its debt collection rulemaking, how will you ensure that there is balance between strong consumer protection and creditor rights?

A.6. The Consumer Financial Protection Bureau (Bureau) is considering additional requirements to protect consumers with respect to debt collection. At the same time, we recognize that the process of debt collection may benefit consumers through keeping down the cost of credit. As a result, we are considering the burdens that additional requirements may place on collectors, and our goal is to develop rules that protect consumers without imposing undue burdens on the collection industry.

Specifically, in November 2013, the Bureau took the first step toward considering consumer protection rules for the debt collection market with the publication of an Advanced Notice of Proposed Rulemaking (ANPR). To identify subjects that proposed rules may address, the Bureau is reviewing the more than 23,000 public comments received in response to the ANPR to evaluate the nature and extent of consumer protection problems as well as the advantages and disadvantages of various solutions to those problems. In addition to these comments, Cornell University also submitted a report based on nearly 1,000 responses received on *RegulationRoom.org,* its Web site that provides the public with an interactive and intuitive way to participate in discussions about rulemaking proposals. As needed, the Bureau may meet with commenters to clarify the information and views expressed in their comments as well as to understand differences in information and views in comments.

In addition to considering existing research and data on debt collection, the Bureau plans to conduct its own research as part of the rulemaking process. Drawing from a nationally representative sample of consumer credit records from one of the three nationwide credit reporting agencies, the Bureau plans to conduct a mail survey to learn about consumer experiences with debt and debt collection. The Bureau also is considering conducting consumer testing of any model disclosures it may develop.

Also, pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, Section 1022(b)(2) and in deference to Section 814(b) of the Fair Debt Collection Practices Act, the Bureau expects to consult with relevant Federal agencies regarding any proposed regulations it may issue, including the Federal Trade Commission, prudential regulators (Office of the Comptroller of the Currency, Federal Reserve Board, Federal Deposit Insurance Corporation, National Credit Union Association) and Federal Communications Commission. The Bureau also expects to consult with relevant State law enforcement and regulatory agencies. Additionally, prior to issuing any notice of proposed rule, the Bureau may convene a panel pursuant to the Small Business Regulatory Enforcement Fairness Act composed of the Bureau, Small Business Administration, and the Office of Management and Budget to get input from small businesses in the debt collection industry on the possible effects on them of any debt collection rule under consideration, and ideas for possible lower-cost alternatives that accomplish the objectives of applicable statutes.

Throughout this process, the Bureau will carefully consider its approach to rulemaking. The volume of comments in response to

the ANPR speaks to a high level of interest in regulations from consumers, industry, and other interested parties. We will continue to consider the appropriate approach to take in a rulemaking as we move through the steps in our process. We seek to develop rules that protect consumers without imposing undue burdens on the collection industry.

Q.7. In its report to Congress, the CFPB purports that it is using debt collection complaint data to shape its public policy direction. At the same time, the CFPB clearly states that complaints received are not reviewed or investigated to determine whether actual wrongdoing or illegal activity has occurred. If that's the case, how is it that this inherently subjective data you are collecting can be credibly used to shape meaningful public policy decisions?

A.7. Collecting, investigating, and responding to consumer complaints are integral parts of the Consumer Financial Protection Bureau's (Bureau) work, as Congress set forth in the Dodd-Frank Wall Street Reform and Consumer Protection Act.[1] The report you reference states that the Bureau screens all complaints submitted by consumers and, when appropriate, forwards complaints via a secure web portal to companies for response. Once the company responds to the consumer and the Bureau, including verifying a commercial relationship with the consumer, the Bureau invites the consumer to provide feedback about the response. The Bureau reviews the complaint, including the feedback consumers provide, to help prioritize complaints for investigation into regulatory compliance. Some complaints are investigated, the results of which provide more information as to the nature of the complaints, as well as to suggest whether possible violations of law or regulation may have occurred.

The report indicates that since the Bureau began handling debt collection complaints on July 10, 2013, we have received 55,200 debt collection complaints from consumers. The report also references that debt collection issues generate more complaints to the Federal Government each year than any other financial services market. In terms of the Bureau's direction with respect to the debt collection market, the report indicates that the Bureau issued an Advanced Noticed of Proposed Rulemaking in November 2013, to seek a wide array of feedback and guide next steps with respect to proposed rules.

Q.8. How would a provider of a consumer financial product or service go about determining whether a new product or the business process they use complies with Federal consumer financial law? Does the Bureau have a procedure to receive questions from regulated institutions and provide participants in the market with some certainty that they're following the law?

A.8. The Consumer Financial Protection Bureau (Bureau) provides a variety of helpful resources and compliance aids to assist regulated entities with understanding and complying with consumer financial laws and regulations. For example, for the rules recently issued under Title XIV of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Bureau developed implementation

[1] *See* Dodd-Frank Act, Pub. L. No. 111–203, Sec. 1021(c)(2).

aids such as compliance guides, guidance bulletins, reference charts, Webinar presentations and videos, and other materials. The Bureau also took feedback and questions regarding its rules from regulated entities by email and telephone as well as at in-person meetings, conferences, and other events.

RESPONSE TO WRITTEN QUESTIONS OF SENATOR MORAN FROM RICHARD CORDRAY

Q.1. The National Automobile Dealers Association (NADA) recently brought to my attention a comprehensive fair credit compliance program it developed for its members. The NADA Program is based on a fair credit compliance program that the Department of Justice (DOJ) developed to resolve disparate impact allegations against two auto dealers in 2007. It is my understanding that the DOJ has been complimentary of the program as an effective way to manage the risk of a fair credit violation. Do you see the release of the NADA program as a positive development?

A.1. The Consumer Financial Protection Bureau (Bureau) welcomes proactive proposals that demonstrate a commitment to fair lending. However, lenders should be careful about assuming that individual dealer-level actions will fully address their own fair lending risks. As you note, in general, the National Automobile Dealers Association's (NADA) Fair Credit Compliance Policy and Program is based on two Department of Justice cases from 2007, where that model was negotiated in settlements involving dealers, whereas the Bureau's focus is on indirect auto lenders. We remain concerned about indirect lending programs built around discretion and financial incentives that create fair lending risks. Our March 2013 bulletin, *Indirect Auto Lending and Compliance with the Equal Credit Opportunity Act,* was issued to provide clarity and guidance for institutions regarding the application of Equal Credit Opportunity Act and Regulation B, and our attendant supervisory and enforcement approach in this area. It provided examples of internal controls, program features, and compliance management systems that institutions might use to mitigate legal risk. It also indicated that lenders may choose to adopt nondiscretionary pricing policies as an alternative method of mitigating fair lending risks.

Q.2. As I understand the issue, retailers typically set their retail margin based on cost and competition considerations in their local market. Retailers also serve different demographic populations. This means that the portfolio of an auto lender that buys credit contracts from dealers around the country could reflect a pricing difference between various groups of consumers for no other reason than the fact that different dealers set different retail margins and they each serve different groups of consumers. If dealers broadly and faithfully adopt an approach to managing the risk of fair credit violations at the retail level, what is the policy justification for holding lenders accountable for any pricing imbalances that exist solely at the portfolio level?

A.2. As explained in the Consumer Financial Protection Bureau's (Bureau) *Indirect Auto Lending and Compliance with Equal Credit*

Opportunity Act, which cites existing provisions of the Equal Credit Opportunity Act (ECOA), Regulation B, and the Official Staff Commentary to Regulation B, the standard practices of indirect auto lenders likely make them "creditors" under ECOA, which fall within the Bureau's jurisdiction. When an auto lender's policies for dealer compensation and pricing result in disparities within the lender's portfolio on a prohibited basis, such as race, national origin, or sex, a lender may be liable under ECOA if those policies are not supported by a legitimate business need that cannot reasonably be achieved as well by means that are less disparate in their impact. However, when lenders share the nature and results of their own analyses, in connection with a particular supervisory review or enforcement investigation, the Bureau is open to hearing specific explanations of the decisions the lender has made to include particular analytical controls or relevant factors that reflect a legitimate business need. As part of the Bureau's overall analysis of auto lender pricing, we carefully consider the specifics of each individual case, including factors such as individual dealer retail margin and regional pricing differences, in addition to a number of other factors, such as consumers' credit scores and debt to income ratios; characteristics of the collateral; and terms of the deal, such as the amount financed, down payments, the existence of a manufacturer discounted rate, and loan term.

Q.3. In previous responses to my questions on indirect auto lending, you have repeatedly mentioned that auto lenders may eliminate their fair credit risk by compensating dealers for originating the credit contract with a flat fee or a fee based on some other "nondiscretionary" pricing formula. Even if every lender were to adopt such a compensation approach, is it the CFPB's conclusion that this would "eliminate" dealer pricing discretion when multiple auto lenders would continue to compete for the dealer's business by offering different payment amounts and the dealer would still select the lender to which it would sell the credit contract? And if getting auto lenders to adopt fixed payment formulas fails to eliminate the dealer's pricing discretion, then how would the CFPB's flat fee solution offer consumers any more protection from a fair credit violation than the present system of compensation for dealers?

A.3. The Consumer Financial Protection Bureau (Bureau) is not mandating that indirect auto lenders compensate dealers through any specific compensation structure. Historically, the failure to properly or consistently monitor discretionary policies and practices for compliance with anti-discrimination laws has been a contributing factor in discrimination in auto lending and in other product markets, like mortgages. This historical experience has been documented by scholars,[1] and is reflected in relevant case law[2] and De-

[1] For example, *see* Cohen, Mark A. (2012). "Imperfect Competition in Auto Lending: Subjective Markups, Racial Disparity, and Class Action Litigation." Review of Law and Economics vol. 8, no. I (21–58). Working Paper *available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=951827.*

[2] *See, Coleman v. Gen. Motors Acceptance Corp.,* 196 F.R.D. 315 (M.D. Tenn. 2000), *vacated and remanded on unrelated grounds,* 296 F.3d 443 (6th Cir. 2002); *Jones v. Ford Motor Credit Co.,* 2002 WL 88431 (S.D.N.Y. Jan. 22, 2002); *Smith v. Chrysler Fin. Co.,* 2003 WL 3287 I 9 (D.N.J. Jan. 15, 2003); *Osborne v. Bank of America Nat' I Ass'n,* 234 F.Supp.2d 804 (M.D. Tenn. 2002); *Wise v. Union Acceptance Corp.,* 2002 WL 31730920 (S.D. Ind. Nov. 19, 2002).

partment of Justice and Bureau enforcement actions;[3] we remain concerned about indirect lending programs built around discretion and financial incentives that create fair lending risks. Our March 2013 bulletin, *Indirect Auto Lending and Compliance with the Equal Credit Opportunity Act,* was issued to provide clarity and guidance for institutions regarding the application of the Equal Credit Opportunity Act and Regulation B, and our attendant supervisory and enforcement approach in this area. It provided examples of internal controls, program features, and compliance management systems that institutions might use to mitigate legal risk. It also indicated that lenders may choose to adopt nondiscretionary pricing policies as an alternative method of mitigating fair lending risks.

Lenders should determine the type of dealer compensation that will best suit their business needs and meet their legal obligations. Moreover, the use of nondiscretionary compensation structures significantly reduces, but does not eliminate, fair lending risk. It is also not possible to predict with certainty how market-wide adoption of a single nondiscretionary compensation program or multiple such programs would affect the market, nor is it possible to anticipate all the potential actions lenders may take to eliminate discrimination from their indirect auto lending programs. The specifics of any particular structure will be taken into account when we consider such proposals in light of lender-specific data and implementation.

Q.4. Auto lenders and dealers have been asking for additional information and clarification from the CFPB's guidance issued last year. As you well know, I have been seeking additional information regarding the statistical accuracy of the data the CFPB used to arrive at the conclusion that this guidance was necessary. Do you intend to provide clarifications so that lenders (1) more clearly understand what is expected of them and (2) can more effectively comply?

A.4. The Consumer Financial Protection Bureau (Bureau) has provided detailed explanations to Congress on topics such as the Bureau's proxy methodology, the methods we use to identify statistically significant disparities in lending outcomes, and how the Bureau analyzes neutral factors, such as credit scores and debt-to-income ratios. We have explained how, consistent with the approach of other regulators, the Bureau employs a case-specific analysis that considers appropriate controls based upon the particular lender's policies, practices, and legitimate business needs. In an effort to be responsive to congressional requests, we have provided thorough responses to questions from Members of Congress while being mindful of the need to protect the confidential business information of third parties as well as confidential supervisory and investigative information. In addition, as I noted during my testimony, the Bureau is working on a white paper on the proxy methodology the

[3] *See, e.g., United States v. Springfield Ford, Inc.,* No. 2:07–cv–03469–PBT (E.D. Pa. Aug. 21, 2007); *United States v. Pacifico Ford, Inc.,* No. 2:07–cv–03470–PBT (E.D. Pa. Aug. 18, 2007); *United States v. NARA Bank, et al.,* No. 2:09–cv–07124–RGK–JC (C.D. Cal. Nov. 18, 2009); *see also United States v. Countrywide Fin. Corp.* No. 2:11–cv–10540–PCG–AJW (C.D. Cal. Dec. 28, 2011); *United States v. AIG Fed. Sav. Bank,* No. 1:99–mc–0999 (D. Del. Mar. 4, 2010); *United States v. Ally Financial Inc.,* 2:13–cv–15180 (Dec. 23, 2013).

Bureau uses in our statistical analyses in our supervisory and enforcement work in the indirect auto lending area.

Lenders seeking additional information on compliance should consult the Bureau's Fall 2012 edition of Supervisory Highlights[4] as well as the Bureau's March 2013, *Indirect Auto Lending and Compliance with Equal Credit Opportunity Act* bulletin, which describes several steps lenders can take to ensure that they are operating in compliance with the Equal Credit Opportunity Act and Regulation B as applied to dealer markup and compensation policies.

Finally, lenders also may review the Bureau's *Responsible Business Conduct: Self-Policing, Self-Reporting, Remediation, and Cooperation*[5] bulletin, which serves to inform market participants that they may proactively self-police for potential violations, promptly self-report to the Bureau when they identify potential violations, quickly and completely remediate the harm resulting from violations, and affirmatively cooperate with any Bureau investigation above and beyond what is required. If a party meaningfully engages in these activities, which this bulletin refers to collectively as "responsible conduct," it may favorably affect the ultimate resolution of a Bureau enforcement investigation.

[4] Consumer Financial Protection Bureau, *Supervisory Highlights: Fall 2012* (Oct. 31, 2012), *available at http://www.consumerfinance.gov/reports/supervisory-highlights-fall-2012.*

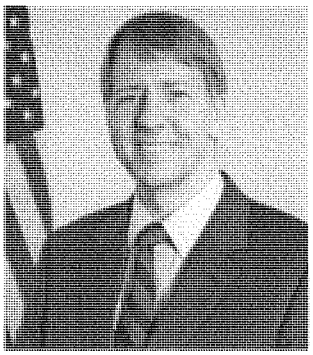
[5] Consumer Financial Protection Bureau, *CFPB Bulletin 2013–06* (Jun. 25, 2013), *available at http://files.consumerfinance.gov/f/201306_cfpb_bulletin_responsible-conduct.pdf.*

ADDITIONAL MATERIAL SUPPLIED FOR THE RECORD

Semi-Annual Report of the Consumer Financial Protection Bureau

Consumer Financial Protection Bureau

October 1, 2013 – March 31, 2014



Message from Richard Cordray

Director of the CFPB

At the Consumer Financial Protection Bureau, we are the nation's first federal agency whose sole focus is protecting consumers in the financial marketplace. Financial products like mortgages, credit cards, and student loans involve some of the most important financial transactions in people's lives. In the Dodd-Frank Act, Congress created the Bureau to stand on the side of consumers and ensure they are treated fairly in the financial marketplace. Since we opened our doors, we have been focused on making consumer financial markets work better for the American people, and helping them improve their financial lives.

In this, our fifth Semi-Annual Report to Congress and the President, we describe the Bureau's efforts to achieve this vital mission. Through fair rules, consistent oversight, appropriate enforcement of the law, and broad-based consumer engagement, the Bureau is helping restore American families' trust in consumer financial markets, protect consumers from improper conduct, and ensure access to fair, competitive, and transparent markets.

Through our enforcement actions, we have aided in efforts to refund more than $867 million for consumers who fell victim to various violations of consumer financial protection laws, and we have deposited over $119 million into our Civil Penalty Fund, which is used to compensate wronged consumers and provide financial education. In Fall 2013, for the first time, we took enforcement actions against an online loan servicer for collecting money that consumers did not owe, and a payday lender for illegally overcharging servicemembers in violation of the Military Lending Act. We also brought enforcement actions against a financial institution for discriminatory pricing of indirect auto loans, and the nation's largest nonbank mortgage loan servicer for misconduct at every stage of the mortgage servicing process.

In January 2014, critical mortgage rules the Bureau issued in January 2013 to implement provisions of the Dodd-Frank Act took effect. During the reporting period, we also issued another major mortgage rule mandated by the Dodd-Frank Act: the final rule to consolidate federal mortgage disclosures under the Truth in Lending Act and the Real Estate Settlement Procedures Act. We also issued an Advanced Notice of Proposed Rulemaking, asking the public 162 questions about debt collection, and received hundreds of thorough responses.

To promote informed financial decision making, we have continued providing consumers with useful tools, including the *AskCFPB* section of our website, where we have answers for over 1,000 questions most frequently asked by consumers.

The premise that lies at the very heart of our mission is that consumers deserve to be treated fairly in the financial marketplace and to have someone stand on their side when that does not happen. To this end, the Bureau has strengthened its Office of Consumer Response, and as of March 31, 2014, we have received over 332,300 consumer complaints on credit reporting, debt collection, money transfers, bank accounts and services, credit cards, mortgages, vehicle loans, payday loans, and student loans.

The progress we have made has been possible thanks to the engagement of hundreds of thousands of Americans who have utilized our consumer education tools, submitted complaints, participated in rulemakings, and told us their stories through our website and at numerous public meetings from coast to coast. We have benefited as well from an ongoing dialogue and constructive engagement with the institutions we supervise, with community banks and credit unions with whom we regularly meet. Our progress has also resulted from the extraordinary work of the Bureau's employees—dedicated public servants of the highest caliber who are committed to promoting a healthy consumer financial marketplace. Each day, we work to accomplish the goals of renewing people's trust in the marketplace and ensuring that markets for consumer financial products and services are fair, transparent, and competitive. These goals not only support consumers in all financial circumstances, but also help responsible businesses compete on a level playing field, and reinforce the stability of our economy as a whole.

In the years to come, we look forward to continuing to fulfill Congress's vision of an agency dedicated to cultivating a consumer financial marketplace based on transparency, responsible practices, sound innovation, and excellent customer service.

Sincerely,

Richard Cordray
Director

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1. Executive summary

The Consumer Financial Protection Bureau (CFPB or Bureau) presents this Semi-Annual Report to the President, Congress, and the American people, in fulfillment of its statutory responsibility and commitment to accountability and transparency. This report provides an update on the Bureau's mission, activities, accomplishments, and publications since the last Semi-Annual Report, and provides additional information required by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank or Dodd-Frank Act).[1]

The Dodd-Frank Act created the Bureau as the nation's first federal agency with a mission of focusing solely on consumer financial protection and making consumer financial markets work for American consumers, responsible businesses, and the economy as a whole. In the wake of the financial crisis of 2008-2010, the President and Congress recognized the need to address widespread failures in consumer protection and the rapid growth in irresponsible lending practices that preceded the crisis. To remedy these failures, the Dodd-Frank Act consolidated most Federal consumer financial protection authority in the Bureau.[2] The Dodd-Frank Act charged the Bureau with, among other things:

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[1] Appendix B provides a guide to the Bureau's response to the reporting requirements of Section 1016(c) of the Dodd-Frank Act. The last Semi-Annual Report was published in November 2013 and may be viewed at: http://files.consumerfinance.gov/f/201311_cfpb_semi-annual-report.pdf.

[2] Previously, seven different federal agencies were responsible for rulemaking, supervision, and enforcement relating to consumer financial protection. The agencies which previously administered statutes transferred to the Bureau are the Federal Reserve Board (and the Federal Reserve Banks) (Board), Department of Housing and Urban Development (HUD), Federal Deposit Insurance Corporation (FDIC), Federal Trade Commission (FTC), National

- Ensuring that consumers have timely and understandable information to make responsible decisions about financial transactions;
- Protecting consumers from unfair, deceptive, or abusive acts and practices, and from discrimination;
- Monitoring compliance with Federal consumer financial law and taking appropriate enforcement action to address violations;
- Identifying and addressing outdated, unnecessary or unduly burdensome regulations;
- Enforcing Federal consumer financial law consistently in order to promote fair competition;
- Ensuring that markets for consumer financial products and services operate transparently and efficiently to facilitate access and innovation;[3] and
- Conducting financial education programs.[4]

The Bureau has continued its efforts to listen and respond to consumers and industry, to be a resource for the American consumer, and to develop into a great institution worthy of the responsibility conferred on it by Congress.

1.1 Listening to consumers

Listening and responding to consumers is central to the Bureau's mission. The Bureau continues to provide consumers with numerous ways to make their voices heard. Consumers nationwide have engaged with the Bureau through public field hearings, listening events, roundtables, and town halls, and through our website, consumerfinance.gov. Consumer engagement strengthens

Credit Union Administration (NCUA), Office of the Comptroller of the Currency (OCC), and Office of Thrift Supervision (OTS).

[3] *See* Dodd-Frank Act, Pub. L. No. 111-203, Sec. 1021(b).

[4] *See* Dodd-Frank Act, Pub. L. No. 111-203, Sec. 1021(c).

the Bureau's understanding of current issues in the ever-changing consumer financial marketplace and informs every aspect of the Bureau's work, including research, rule writing, supervision, and enforcement.

The Bureau has continued to improve and expand the capabilities of its Office of Consumer Response (Consumer Response) to receive, process, and facilitate responses to consumer complaints. For example, in November 2013, the Bureau added complaints about payday loans to the already wide range of products and services for which it accepts complaints, and as of the publication date of this report has received about 2,300 complaints on this topic. Consumer Response has also continued to develop and update a robust public Consumer Complaint Database. The database updates nightly and is populated by over 230,000 complaints from consumers about financial products and services from all over the country.

1.2 Delivering for American consumers and leveling the playing field

The Bureau has continued to expand its efforts to serve and protect consumers in the financial marketplace. The Bureau seeks to serve as a resource on the macro level, by writing clear rules of the road and enforcing consumer financial laws in ways that improve the consumer financial marketplace, and on the micro level, by helping individual consumers resolve their specific issues with financial products and services. While the various divisions of the Bureau play different roles in carrying out the Bureau's mission, they all work together to protect and educate consumers, help level the playing field for participants, and fulfill the Bureau's statutory obligations and mission under the Dodd-Frank Act. In all of its work, the Bureau strives to act in ways that are fair, reasonable, and transparent.

To educate and empower consumers to make better-informed financial decisions, our Consumer Education and Engagement Division has developed and implemented programs, initiatives and digital experiences, including the "Your Money, Your Goals" toolkit, which provides front-line staff in organizations that provide direct social services to consumers with information they can share on topics such as emergency saving; understanding, correcting and building credit history; managing debt flow; cash flow budgeting; and identifying financial products to use to pursue various financial and life goals. The Bureau's Office of Financial Education has engaged a variety of communities and stakeholders through webinars, listening sessions, large consumer events, and collaborations with community leaders and educators. For example, the office promoted the

new protections for consumers who send money overseas. The multimedia campaign reached consumers nationwide, with materials and information in English, Spanish, Chinese, Tagalog, and French Creole. The Bureau is also conducting special consumer outreach and engagement efforts for groups in special need of support with consumer finance issues, including military servicemembers, veterans, older Americans, and students.

When federal consumer protection law is violated, the Bureau's Supervision, Enforcement, and Fair Lending Division is committed to holding the responsible parties accountable. As of the date of publication, the Bureau's enforcement efforts have returned over $867 million to the pockets of wronged consumers. The Bureau has also continued to develop and refine its supervisory program, through which financial institutions are examined for compliance with Federal consumer financial protection law, including a comprehensive evaluation of the examination report review process at both the headquarters and regional levels. Continuing the CFPB's policy of transparency, the Bureau has released its third edition of *Supervisory Highlights*. This publication is intended to inform both industry and the public about the development of the Bureau's supervisory program and to discuss, in a manner consistent with the confidential nature of the supervisory process, broad trends in examination findings in key market or product areas. The Bureau has also published new examination procedures and supervisory guidance documents to help institutions know what to expect and how to become, or remain, compliant with the law, including procedures or guidance with respect to the Home Mortgage Disclosure Act (HMDA), the Truth in Lending Act (TILA), the Real Estate Settlement Procedures Act (RESPA), education loan origination and servicing, and mortgage servicing and origination.

Reasonable regulations are essential for protecting consumers from harmful practices and ensuring that consumer financial markets function in a fair, transparent, and competitive manner. The Research, Markets, and Regulations Division has focused its efforts on promoting markets in which consumers can shop effectively for financial products and services and are not subject to unfair, deceptive, or abusive acts or practices. During this reporting period, the Research and Markets teams released reports on the CARD Act, college credit card agreements, payday lending, and the operational effects of certain regulations on banks, as well as preliminary research results from a study of arbitration. The Regulations office issued regulations modifying and clarifying a number of rules, implementing changes made by the Dodd-Frank Act to the laws governing various aspects of the mortgage market.

The Bureau has issued or updated several rules under the Dodd-Frank Act, including seven during this reporting period, and including the final rule to consolidate federal mortgage

disclosures under the TILA and RESPA. The new "Know Before You Owe" mortgage forms will replace the existing federal disclosures and help consumers understand their options, choose the deal that is best for them, and avoid costly surprises at closing. The Bureau also convened a Small Business Review panel to provide feedback on proposals the Bureau is considering to improve information about access to credit in the mortgage market.

To support the implementation of and industry compliance with these rules, the Bureau has published plain-language compliance guides and video presentations summarizing them, and it has actively engaged in discussions with industry about ways to achieve compliance.[5] The Bureau also continued its efforts to streamline, modernize, and harmonize financial regulations that it inherited from other agencies.

In addition to implementing the Dodd-Frank Act, the Bureau is exploring other areas where regulations may be needed to ensure that markets function properly and harmful practices are addressed. For example, in November 2013, the Bureau released an advance notice of proposed rulemaking regarding debt collection, asking the public 162 questions about the topic, and received over 400 unique comments and a wealth of information from many facets of the industry. Over the next six months, the Bureau will continue implementing the Dodd-Frank Act and using its regulatory authority to ensure that consumers have access to consumer financial markets that are fair, transparent, and competitive.

1.3 Building a great institution

The Bureau continues to grow and evolve as an institution. As of March 22, 2014, the CFPB team consisted of 1,362 employees working to carry out the Bureau's mission. It has worked to build a human and physical infrastructure that promotes – and will continue to promote – transparency, accountability, fairness, and service to the public. That includes:

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[5] http://www.consumerfinance.gov/guidance/#compliance.

- Demonstrating a strong commitment to openness and utilizing the Bureau's website to share information on its operations;
- Recruiting highly-qualified, diverse personnel;
- Providing training and engagement opportunities for CFPB staff to improve skills, increase knowledge, and maintain excellence; and
- Further promoting diversity in the CFPB's workforce and among its contractors, including through the Bureau's Office of Minority and Women Inclusion (OMWI).

The Bureau recognizes that the best way to serve consumers is to ensure that its workforce reflects the ideas, backgrounds, and experiences of the American public. OMWI supports the Bureau's mission by working with the offices of Human Capital and Equal Employment and Opportunity to continue building a diverse and inclusive workforce, with which the Bureau can foster broader and better thinking about how to approach markets.

As time moves forward, we will continue working hard to ensure that the American people are treated fairly in the consumer financial marketplace. We encourage you to visit consumerfinance.gov for updates.

2. Consumer challenges in obtaining financial products and services

The challenges consumers face in navigating and obtaining financial products and services are a driving force behind the CFPB's efforts to make consumer financial markets work better. Listening and responding to consumers are integral components of our mission, and the Bureau provides numerous ways for consumers to make their voices heard.

2.1 Consumer concerns

The Bureau's long-term vision for consumer finance markets is one where consumer protections and business opportunities work in tandem; where financial firms lead through responsible business practices; and where educated consumers can make well-informed decisions. It is critical for the stability of the marketplace and the well-being of consumers to ensure that everyone is playing by the same rules.

As we continue to emerge from the devastating financial crisis of 2008-2010, we find that debt collection is a central issue of our times, cutting across consumers' experiences with financial products such as credit cards, mortgages, student loans, payday loans, and other consumer loans. Currently, about 30 million consumers – nearly one out of every ten Americans – are being pursued by debt collectors, for amounts that average about $1,500 each.

Many companies in this industry play by the rules. But others cut corners and seek to gain an advantage by ignoring the rules. These bad actors are a detriment to every company that is faithfully following the law, and their actions harm consumers.

During the reporting period covered by this report, consumers have shared with the CFPB their experiences – positive and negative – with financial products and services, including debt collection. Consumers have the opportunity to provide the Bureau with such feedback through a variety of forums, including the "Tell Your Story" feature on the CFPB's website, and by participating in roundtables, town halls, and field hearings. This feedback is critical to our efforts to understand the challenges consumers face in obtaining the financial products and services they need.

Particularly in the area of debt collection, many of the stories that consumers have shared with us over the past year through "Tell Your Story" illustrate the negative impact that bad actors in this industry have upon consumers' lives, with many disheartened consumers expressing sheer frustration and exasperation with debt collection practices. Stories reflect complaints, with many consumers reporting harassing communication tactics, such as a high frequency of calls and robo-calls throughout the day, including during the early morning, evening, and weekends. Some consumers indicate that they receive harassing calls even when their loans are within a payment grace period.

Consumers also express frustration with companies' repeated attempts to collect debts the consumers do not owe, either because they have already paid the debt or because they are not the person the debt collector is attempting to reach. Consumers also report confusion over debt resale, including companies' inability or refusal to validate the debt claim and the various fees that are added to a debt.

In addition to "Tell Your Story," consumers have opportunities to voice concerns and share their experiences in person at field hearings and public meetings, focused on particular consumer finance issues. During this reporting period, consumers and advocates have participated in large Bureau-sponsored public events in Chicago, IL; Boston, MA; Dallas, TX; Phoenix, AZ; Atlanta, GA; and Nashville, TN.[6] These events have drawn hundreds of participants, many of whom have shared their personal experiences with credit cards, arbitration, workplace financial education, mortgages, payday lending, and other consumer financial issues.

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[6] Between October 1, 2013 and March 31, 2014.

The CFPB's Office of Community Affairs has also hosted roundtable conversations with leaders of consumer, civil rights, community, housing, faith-based, student, and other organizations. The roundtables have provided opportunities for stakeholders to meet with Director Cordray, Deputy Director Antonakes, and other senior Bureau staff to share their first-hand perspectives on key consumer finance issues that affect their communities.

Collecting, investigating, and responding to consumer complaints are integral parts of the CFPB's work, as Congress set forth in the Dodd-Frank Act.[7] The Bureau hears directly from consumers about the challenges they face in the marketplace, brings their concerns to the attention of companies, and assists in addressing their complaints.

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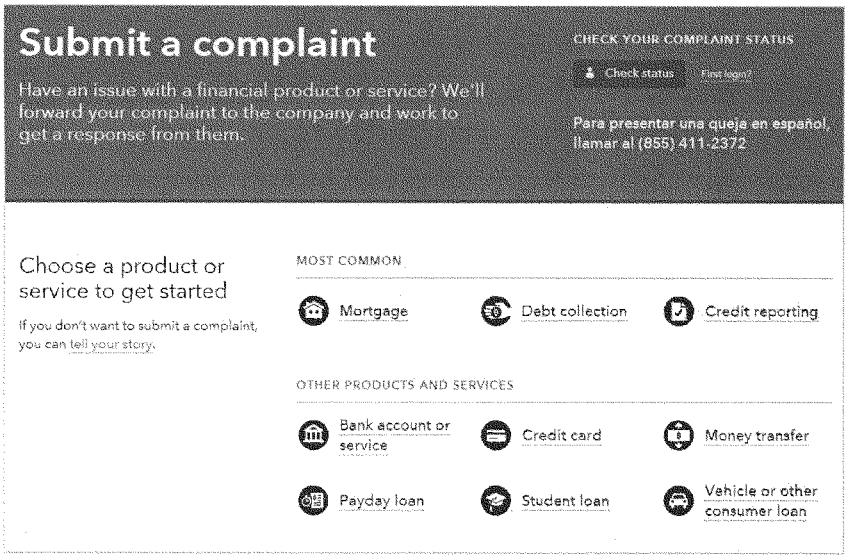
[7] *See* Dodd-Frank Act, Pub. L. No. 111-203, Sec. 1021(c)(2).



consumerfinance.gov/complaint

The CFPB began Consumer Response operations on July 21, 2011, by accepting consumer complaints about credit cards. The Bureau now accepts complaints about mortgages, bank accounts and services, student loans, vehicle and other consumer loans, credit reporting, money transfers, debt collection, and payday loans. The CFPB continues to work toward expanding its complaint-handling capacity and plans to include other products and services, such as prepaid cards. Consumers may also contact the CFPB with questions about other products and services. The Bureau answers questions and refers consumers to other regulators or additional resources as appropriate.

Consumer Complaint Database

These are complaints we've received about financial products and services.

Learn about the complaint process.

We don't verify all the facts alleged in these complaints but we do take steps to confirm a commercial relationship between the consumer and company. Complaints are listed here after the company responds or after they have had the complaint for 15 calendar days, whichever comes first. We remove complaints if they don't meet all of the publication criteria. Data is refreshed nightly.

DATA BY PRODUCT

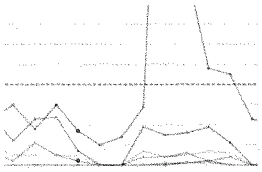
- All
- Bank accounts or services
- Credit cards
- Credit reporting
- Debt collection
- Money transfers
- Mortgages
- Student loans
- Other consumer loans

Download, sort, and visualize

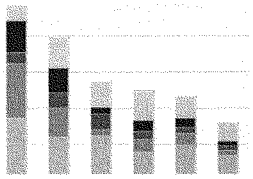
We're using a tool called Socrata to make it easier to view and organize the data into subsets and visualizations. Additionally, Socrata provides a RESTful API for programmers and researchers.

- Visualization tutorials from data.gov
- Technical documentation

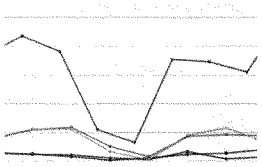
Example visualizations



COMPLAINTS BY CHANNEL



CREDIT CARD COMPLAINT RESPONSES BY ISSUE



COMPLAINTS BY PRODUCT

consumerfinance.gov/complaintdatabase

Information about consumer complaints is available to the public, through the Bureau's public Consumer Complaint Database, launched on June 19, 2012. It was initially populated with credit card complaints received on and after June 1, 2012, and has been expanded over time:

- October 2012: added credit card complaints dating back to December 1, 2011;
- March 2013: added mortgage complaints dating back to December 1, 2011, bank account and service complaints, student loan complaints, vehicle and other consumer loan complaints, all dating back to March 1, 2012;

- May 2013: added credit reporting complaints dating back to October 22, 2012 and money transfer complaints dating back to April 4, 2013; and
- November 2013: added debt collection complaints dating back to July 10, 2013.

A complaint is listed in the database when the company responds to the complaint confirming a commercial relationship with the consumer, or after the company has had the complaint for 15 days, whichever comes first. Complaints can be removed if they do not meet all of the publication criteria.

The database is live, updates nightly, and contains certain individual complaint-level data collected by the CFPB, including the type of complaint, the date of submission, the consumer's zip code, and the company that the complaint concerns. The database also includes information about the actions taken by a company in response to a complaint – whether the company's response was timely, how the company responded, and whether the consumer disputed the company's response. The database does not include confidential information about consumers' identities. Web-based and user-friendly features of the database include the ability to filter data based on specific search criteria, to aggregate data in various ways, such as by complaint type, company, zip code, date, or any combination of available variables, and to download data. Information from the database has been shared and evaluated on social media and using other new applications.

The Bureau continues to evaluate, among other things, the release of consumer narratives, the potential for normalization of data to make comparisons easier, and the expansion of functionality to improve user experience.

2.1.1 How the CFPB handles complaints

In keeping with the CFPB's statutory responsibility and its commitment to accountability, the following pages provide an overview of the handling and analysis of complaints received by the Bureau from April 1, 2013 through March 31, 2014.[8]

The CFPB's Consumer Response team screens all complaints submitted by consumers based on several criteria, including whether the complaint falls within the Bureau's primary enforcement authority, whether the complaint is complete, and whether the complaint is duplicative of a prior submission by the same consumer. Screened complaints are forwarded via a secure web portal to the appropriate company.[9] The company reviews the information, communicates with the consumer as needed, and determines what action to take in response. The company then reports back to the consumer and the CFPB via the secure company portal, and the Bureau invites the consumer to review the response and provide feedback. Consumer Response reviews the feedback consumers provide about company responses, using this information along with other information such as the timeliness of the company's response, for example, to help prioritize complaints for investigation.[10] Consumers who have submitted complaints to the Bureau through Consumer Response can log onto the secure consumer portal available on the CFPB's website, or call a toll-free number, to receive status updates, provide additional information, and review responses provided to the consumer by the company.

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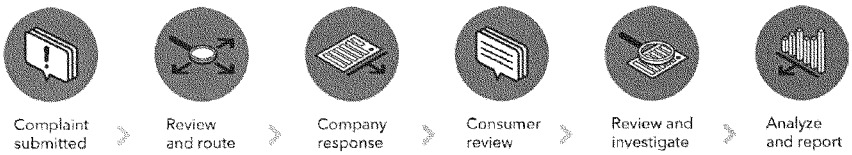
[8] While the reportiug period for this Semi-Annual Report is six months, Dodd-Frank Act § 1016(c)(4) requires "an analysis of complaints about consumer financial products or services that the Bureau has received and collected in its central database on complaints during the preceding year." Therefore, this section reports on the time period April 1, 2013 through March 31, 2014.

[9] If a particular complaint does not involve a product or market that is within the Bureau's enforcement authority, or that is not currently being handled by the Bureau, Consumer Response refers it to the appropriate regulator.

[10] The CFPB requests that companies respond to complaints within 15 calendar days. If a complaint cannot be closed within 15 calendar days, a company may indicate that its work on the complaint is "In progress" and provide a final response within 60 calendar days.



Throughout this process, subject-matter experts help monitor certain complaints. For example, the Office of Servicemember Affairs coordinates with Consumer Response on complaints filed by servicemembers or their spouses and dependents.

The Bureau continually strives to improve data quality and protect sensitive information, while increasingly making data about the complaints the CFPB receives available through reports to Congress and the public, and by sharing certain data with the public through the Consumer Complaint Database.

2.1.2 Complaints received by the CFPB

Between April 1, 2013 and March 31, 2014, the CFPB received approximately 192,200 consumer complaints.[11] Approximately 60% of all consumer complaints were submitted through the CFPB's website and 11% via telephone calls. Referrals accounted for 19% of all complaints received, with the remainder submitted by mail, email, and fax.[12]

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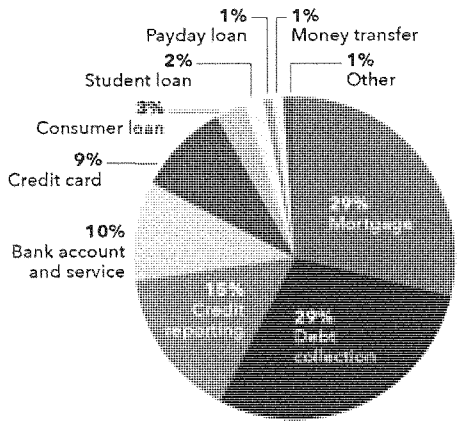
[11] Unless otherwise noted or the context suggests otherwise, the various tables and complaint tabulations appearing herein cover this period.

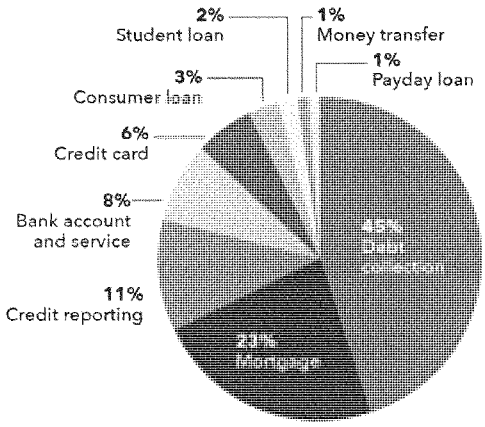
[12] This analysis excludes multiple complaints submitted by a given consumer on the same issue and whistleblower tips. All data are current as of April 1, 2014. Since launching Consumer Response operations on July 21, 2011 through March 31, 2014, the CFPB received approximately 332,300 consumer complaints.

FIGURE 1: CONSUMER COMPLAINTS BY PRODUCT



The Dodd-Frank Act created the Office of Servicemember Affairs to address the specific challenges faced by servicemembers, veterans, and their families (collectively "servicemembers"). It monitors complaints from servicemembers in conjunction with Consumer Response. Between April 1, 2013 and March 31, 2014, approximately 11,700 complaints were submitted by servicemembers.

FIGURE 2: SERVICEMEMBER COMPLAINTS BY PRODUCT



The tables and figures presented below show complaints by type, actions taken, company responses, and consumers' feedback about company responses.[13]

Consumers' Credit Card Complaints

Table 1 shows the most common types of credit card complaints that the CFPB has received as reported by consumers. About 72% of the approximately 16,900 credit card complaints fell into these 10 categories.

[13] Percentages may not sum to 100% due to rounding.

TABLE 1: MOST COMMON CREDIT CARD COMPLAINTS REPORTED BY CONSUMERS

Complaint	%
Billing disputes	18%
Other	12%
Identity theft/Fraud/Embezzlement	10%
Closing/Cancelling account	7%
APR or interest rate	6%
Late fee	4%
Customer service/Customer relations	4%
Credit determination	4%
Advertising and marketing	4%
Delinquent account	3%
Credit Card Complaints in Top 10 Types	**72%**

As the table illustrates, billing disputes are the most common type of credit card complaint. Consumers continue to be confused and frustrated by the process and by their limited ability to challenge inaccuracies on their monthly credit card billing statements. For example, some consumers realize only after their claim has been denied that they needed to notify their credit card companies within 60 days of any billing errors. In other cases, consumers are not aware that companies typically do not stop a merchant charge once the cardholder has authorized it, or do not override a merchant's "no-return policy." Other common types of credit card complaints relate to annual percentage rates, interest rates, credit reporting, identity theft, fraud, or embezzlement.

The Bureau generally has relied on the consumer's characterization of his or her complaint to identify its nature for analytical purposes. However, the CFPB's experience to date suggests that consumers may have differing interpretations of what these categories mean. For example, one consumer might choose to categorize a problem as a billing dispute, while another might

identify the same issue as a concern with a provider's setting or changing of an interest rate. To improve our reporting on the data we receive, the Bureau is evaluating the use of these categories by consumers to date and developing simplified identification to promote more consistent categorization of complaints.

Consumers' Mortgage Complaints

Figure 3 shows the types of mortgage complaints reported by consumers for the approximately 55,200 mortgage complaints the CFPB has received.

FIGURE 3: TYPES OF MORTGAGE COMPLAINTS REPORTED BY CONSUMERS

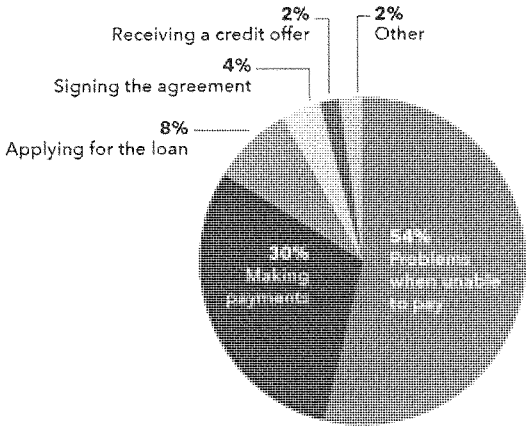


TABLE 2: TYPES OF MORTGAGE COMPLAINTS REPORTED BY CONSUMERS

Types of Mortgage Complaints	%
Problems when you are unable to pay (Loan modification, collection, foreclosure)	54%
Making payments (Loan servicing, payments, escrow accounts)	30%
Applying for the loan (Application, originator, mortgage broker)	8%
Signing the agreement (Settlement process and costs)	4%
Receiving a credit offer (Credit decision/Underwriting)	2%
Other	2%
Total Mortgage Complaints	**100%**

The most common type of mortgage complaint involves problems consumers face when they are unable to make payments, such as issues relating to loan modifications, collections, or foreclosures. Consumers with successfully completed loan modifications have complained that some servicers do not amend derogatory credit reporting accrued by consumers during trial periods – even when documents provided to the consumers by servicers indicated that they would do so. Consumers seeking short sales have reported that second-lien holders refuse to accept or subordinate in a short sale, whereas some consumers who do obtain a short sale have concerns with the loan account being incorrectly reported as a foreclosure. Consumers facing foreclosure have expressed concern and confusion about fees assessed in connection with the foreclosure process. The fees often seem to represent a substantial barrier to a consumer's ability to reinstate the loan and avoid foreclosure, as many servicers will not roll the fees into the loan balance. Consumers are then required to pay hundreds or thousands of dollars, in addition to the loan reinstatement amount, to avoid foreclosure, and the amount of fees the consumer must pay to reinstate the loan can be confusing. Finally, foreclosure fees are sometimes listed as one line-item on a reinstatement quote, with no itemization provided unless the consumer specifically requests more information on what fees are being assessed.

Other common types of mortgage complaints address issues related to making payments, including loan servicing, or escrow accounts. For example, consumers express concern over difficulties they experience when the servicing of their loans are transferred, including

complaints about fees charged by the prior servicer, unexplained escrow deficiencies, issues with the new servicer accepting the previous servicer's modification, and communication between the old and new servicer, especially when loss mitigation efforts are ongoing.

For consumers applying for a mortgage loan, consumers raise issues related to interest rate-lock agreements, such as lenders refusing to honor rate-locks, or assessing penalties when the loan does not close.

Consumers' Bank Account and Service Complaints

Figure 4 shows types of bank account and service complaints, such as complaints about checking and savings accounts, reported by consumers for the approximately 19,900 bank account and service complaints received by the CFPB.

FIGURE 4: TYPES OF BANK ACCOUNT AND SERVICE COMPLAINTS REPORTED BY CONSUMERS

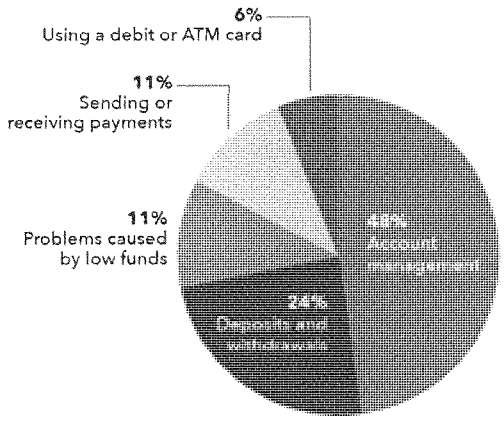


TABLE 3: TYPES OF BANK ACCOUNT AND SERVICE COMPLAINTS REPORTED BY CONSUMERS

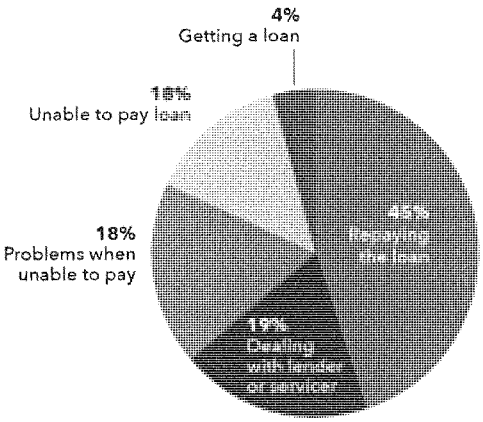
Types of Bank Account and Service Complaints	%
Account opening, closing, or management (Confusing marketing, denial, disclosure, fees, closure, interest, statements, joint accounts)	48%
Deposits and withdrawals (Availability of deposits, withdrawal problems and penalties, unauthorized transactions, check cashing, payroll deposit problems, lost or missing funds, transaction holds)	24%
Making or receiving payments, sending money to others (Problems with payments by check, card, phone or online, unauthorized or fraudulent transactions, money/wire transfers)	11%
Problems caused by my funds being low (Overdraft fees, late fees, bounced checks, credit reporting)	11%
Using a debit or ATM card (Disputed transaction, unauthorized card use, ATM or debit card fees, ATM problems)	6%
Total Bank Account and Service Complaints	**100%**

As the table illustrates, the most common type of bank account and service complaint relates to opening, closing, or managing the account. These complaints address issues such as account maintenance fees, legal processing fees for judgments and levies, changes in account terms, confusing marketing, early withdrawal penalties for certificates of deposit, and involuntary account closures. Other common complaints relate to deposit and withdrawal issues, such as transaction holds, the company's right to offset deposit accounts, and unauthorized debit card charges. In this area, many consumers are frustrated by companies' handling of error disputes and requests to stop payment on preauthorized electronic debits. A third common type of complaint relates to problems caused by a consumer's funds being low, including overdraft fees, bounced checks, charged-off accounts, and negative reporting to credit reporting agencies. In this area, many consumers are frustrated by the way some companies appear to manipulate the order in which deposits and withdrawals are posted to consumers' accounts to maximize overdraft fees.

Consumers' Student Loan Complaints

Figure 5 shows the types of student loan complaints reported by consumers for the approximately 4,800 student loan complaints received by the CFPB.[14]

FIGURE 5: TYPES OF STUDENT LOAN COMPLAINTS REPORTED BY CONSUMERS



[14] Prior to December 18, 2013, consumers submitting student loan complaints could select from three types of complaint categories: *Getting a loan*, *Repaying your loan*, and *Problems when you are unable to pay*. Beginning on December 18, 2013, the student loan complaint form was updated to make it easier for consumers submitting a complaint to categorize the problems they are having with their student loan. Consumers now select from the following three types of complaint categories: *Getting a loan*, *Can't pay my loan*, and *Dealing with my lender or servicer*. This report includes the types of complaints submitted under both the original and updated forms.

TABLE 4: TYPES OF STUDENT LOAN COMPLAINTS REPORTED BY CONSUMERS

Types of Student Loan Complaints	%
Repaying your loan (Fees, billing, deferment, forbearance, fraud, credit reporting)	45%
Dealing with lender or servicer	19%
Problems when you are unable to pay (Default, debt collection, bankruptcy)	18%
Unable to pay loan	14%
Getting a loan (Confusing terms, rates, denial, confusing advertising or marketing, sales tactics or pressure, financial aid services, recruiting)	4%
Total Student Loan Complaints	100%

The most common type of student loan complaint relates to repaying the loan, such as fees, billing, deferment, forbearance, fraud, and credit reporting. Consumers report that they continue to struggle with the limited affordable payment options permitted in their loan agreements. Specifically, consumers say they are unable to refinance or restructure the repayment terms of their loan, either to lower monthly payments during periods of financial hardship, or to improve existing terms based upon the consumer's improved credit profile and credit-worthiness. Consumers also raised concerns about a range of other servicing problems, including payment processing problems, challenges obtaining necessary documentation about their private student loans, difficulty obtaining accurate information about their loan status and repayment options, and obstacles to accessing basic account information. Another common type of complaint addresses problems consumers confront when they are unable to pay, such as issues related to default, debt collection, and bankruptcy.

Consumers' Consumer Loan Complaints

Figure 6 shows the types of consumer loan complaints, such as complaints about installment loans, vehicle loans and leases, and personal lines of credit reported by consumers for the approximately 5,900 consumer loan complaints received by the CFPB.

FIGURE 6: TYPES OF CONSUMER LOAN COMPLAINTS REPORTED BY CONSUMERS

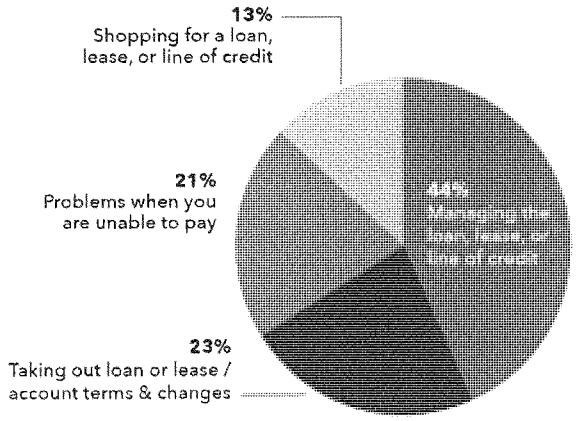


TABLE 5: TYPES OF CONSUMER LOAN COMPLAINTS REPORTED BY CONSUMERS

Types of Consumer Loan Complaints	%
Managing the loan, lease, or line of credit (Billing, late fees, damage or loss, insurance (GAP, credit, etc.), credit reporting, privacy)	44%
Taking out the loan or lease / Account terms and changes (Term changes (mid-deal changes, changes after closing, rates, fees, etc.), required add-on products, trade-in payoff, fraud)	22%
Problems when you are unable to pay (Debt collection, repossession, set-off from bank account, deficiency, bankruptcy, default)	21%
Shopping for a loan, lease, or line of credit (Sales tactics or pressure, credit denial, confusing advertising or marketing)	13%
Total Consumer Loan Complaints	**100%**

The table illustrates that the most common type of consumer loan complaint pertains to managing the loan, lease, or line of credit. Other common types of complaints address problems consumers have when taking out the loan or lease, such as term changes, and problems when they are unable to pay, including issues related to debt collection, bankruptcy, and default.

Consumers' Credit Reporting Complaints

Figure 7 shows the types of credit reporting complaints reported by consumers for the approximately 29,600 credit reporting complaints the CFPB has received.

FIGURE 7: TYPES OF CREDIT REPORTING COMPLAINTS REPORTED BY CONSUMERS

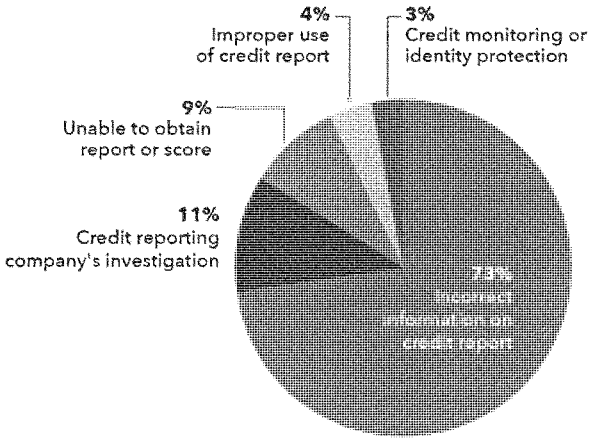


TABLE 6: TYPES OF CREDIT REPORTING COMPLAINTS REPORTED BY CONSUMERS

Types of Credit Reporting Complaints	%
Incorrect information on credit report (Information is not mine, Account terms, Account status, Personal information, Public record, Reinserted previously deleted information)	73%
Credit reporting company's investigation (Investigation took too long, Did not get proper notice of investigation status or results, Did not receive adequate help over the phone, Problem with statement of dispute)	11%
Unable to get my credit report or credit score (Problem getting free annual report, Problem getting report or credit score)	9%
Improper use of my credit reporting (Report improperly shared by credit reporting company, Received marketing offers after opting out, Report provided to employer without written authorization)	4%
Credit monitoring or identity protection services (Problem canceling or closing account, Billing dispute, Receiving unwanted marketing or advertising, Account or product terms and changes, Problem with fraud alerts)	3%
Total Credit Reporting Complaints	**100%**

This table illustrates that the most common type of credit reporting complaint is about incorrect information appearing on the consumer's credit report, such as information that does not belong to the consumer, incorrect account status, and incorrect personal information.

Another common type of complaint is about issues with credit reporting companies' investigations of information disputed by consumers. Consumers report that credit reporting companies sometimes return findings on their disputes within only a few days, and consumers question the depth and validity of such quick investigations. Additionally, consumers report frustration when they have submitted documentation that they believe proves that the information provided by the data furnisher was inaccurate, but no change is made to their credit report.

Consumers' Money Transfer Complaints

Figure 8 shows the types of money transfer complaints reported by consumers for the approximately 1,500 money transfer complaints the CFPB has received.

FIGURE 8: TYPES OF MONEY TRANSFER COMPLAINTS REPORTED BY CONSUMERS

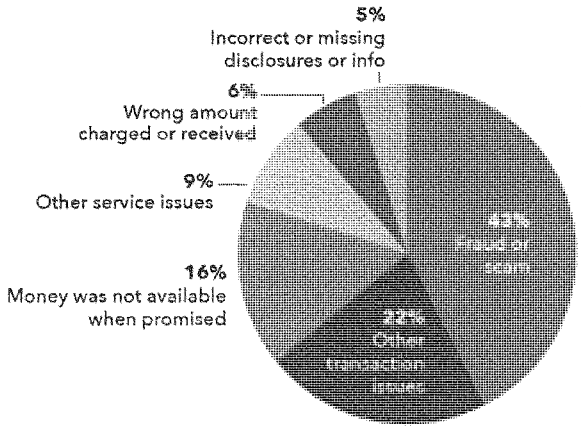


TABLE 7: TYPES OF MONEY TRANSFER COMPLAINTS REPORTED BY CONSUMERS

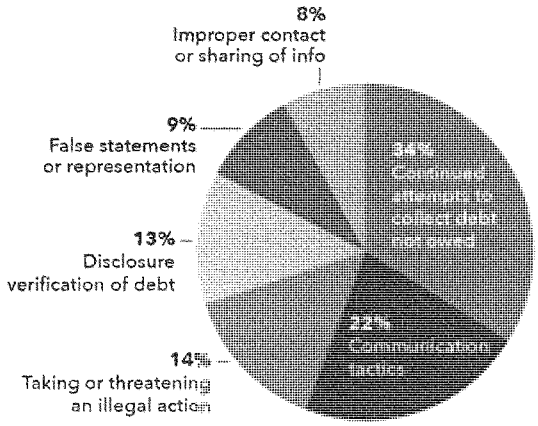
Types of Money Transfer Complaints	%
Fraud or scam	43%
Other transaction issues (Unauthorized transaction, cancellation, refund, etc.)	22%
Money was not available when promised	16%
Other service issues (Advertising or marketing, pricing, privacy, etc.)	9%
Wrong amount charged or received (Transfer amounts, fees, exchange rates, taxes, etc.)	6%
Incorrect/missing disclosures or info	5%
Total Money Transfer Complaints	**100%**

This table illustrates that the most common type of money transfer complaint is about fraud or scams. In these cases, the consumer is prompted to send funds as a result of a scam, and someone other than the consumer's intended recipient ultimately receives the funds. For example, consumers often complain that they were prompted to transfer funds in response to a request for help from a family member or friend, for the purchase of goods or services, the rental of an apartment, a loan, a job opportunity, or to pay taxes on lottery earnings. In response to such complaints, companies engaged in money transfers say they have no liability when someone other than the intended recipient receives the funds, as long as the company complied with its policies and procedures and the minimum identification requirements were satisfied by the recipient. Another common type of complaint involves issues with other transactions, such as unauthorized transactions, cancellations, or refunds.

Consumers' Debt Collection Complaints

Figure 9 shows the types of debt collection complaints reported by consumers for the approximately 55,200 debt collection complaints the CFPB has received.[15]

FIGURE 9: TYPES OF DEBT COLLECTION COMPLAINTS REPORTED BY CONSUMERS



[15] The CFPB began handling debt collection complaints on July 10, 2013.

TABLE 8: TYPES OF DEBT COLLECTION COMPLAINTS REPORTED BY CONSUMERS

Types of Debt Collection Complaints	%
Continued attempts to collect debt not owed (Debt was discharged in bankruptcy, debt resulted from identity theft, debt was paid, debt is not mine)	34%
Communication tactics (Frequent or repeated calls, called outside of 8am-9pm, used obscene, profane or other abusive language, threatened to take legal action, called after sent written cease of communication notice)	22%
Taking/threatening an illegal action (Threatened to arrest me or take me to jail if I do not pay, threatened to sue me on debt that is too old to be sued on, sued me without properly notifying me of lawsuit, sued me where I did not live or did not sign for the debt, attempted to/collected exempt funds, seized or attempted to seize property)	14%
Disclosure verification of debt (Did not receive notice of right to dispute, not enough information to verify debt, did not disclose communication was an attempt to collect a debt)	13%
False statements or representation (Attempted to collect wrong amount, impersonated attorney, law enforcement or government official, indicated committing crime by not paying debt, indicated should not respond to lawsuit)	9%
Improper contact or sharing of information (Contacted me after I asked not to, contacted my employer, contacted me instead of my attorney, talked to a third party about my debt)	8%
Total Debt Collection Complaints	**100%**

As the table illustrates, the most common type of debt collection complaint is about continued attempts to collect a debt that is not owed. In many of these cases the attempt to collect the debt is not itself the problem; rather, consumers argue that the calculation of the underlying debt is inaccurate or unfair. In other cases, the consumer's complaint centers on the credit reporting of the debt. These complaints, which are often mirrored by credit reporting complaints submitted to the Bureau, indicate that consumers frequently only learn about debt collection accounts when they check their credit reports.

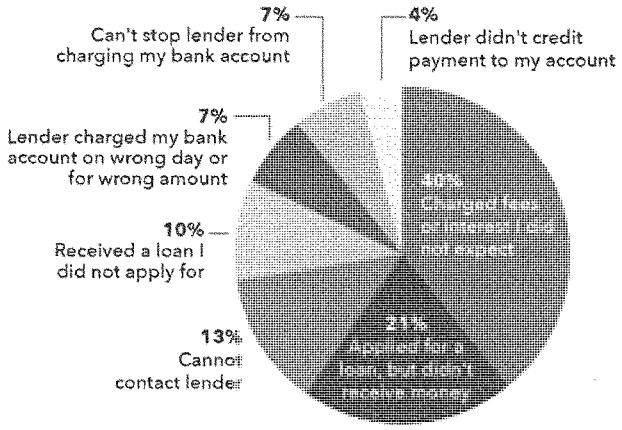
Another common type of complaint, related to consumers' questions about the underlying debt, involves verification of the debt. In these complaints, consumers ask the debt collection company to provide them with validation or verification of the underlying debt. Consumers are generally seeking documentation that they were the ones who signed the contract underlying the debt in question. Consumers, however, report that collectors do not provide them with information that the consumers believe they should provide.

Complaints about communication tactics, particularly telephone collections, are another common type of consumer complaint. Consumers complain about telephone collections which are too frequent and which come at inconvenient times of the day. They also complain about debt collectors calling their place of employment or third parties. The most common telephone collection related complaint is when a consumer gets a call about another person's debt. Sometimes the call is for someone with a similar name. More often, it appears the consumer's phone number has mistakenly been attached to another person's account. In most cases, it appears that consumers are submitting their complaint to the CFPB after repeated failed attempts to inform the company calling them that the debtor is not located at that number.

Consumers' Payday Loan Complaints

Figure 10 shows the types of payday loan complaints reported by consumers for the approximately 2,200 payday loan complaints the CFPB has received.[16]

FIGURE 10: TYPES OF PAYDAY LOAN COMPLAINTS REPORTED BY CONSUMERS



[16] The CFPB began handling payday loan complaints on November 6, 2013.

TABLE 9: TYPES OF PAYDAY LOAN COMPLAINTS REPORTED BY CONSUMERS

Types of Payday Loan Complaints	%
Charged fees or interest I did not expect	40%
Applied for a loan, but didn't receive money	21%
Cannot contact lender	13%
Received a loan I did not apply for	10%
Payment to account not credited	7%
Can't stop lender from charging my bank account	7%
Lender charged my bank account on wrong day or for wrong amount	4%
Total Payday Loan Complaints	**100%**

This table illustrates that the most common type of payday loan or deposit advance (i.e., bank payday advance loan) complaint is about being charged unexpected fees or interest. Another common type of complaint involves issues with applying for the loan, but not receiving the money. Consumers also complain about problems with contacting their lender, and about receiving loans they did not apply for.

The remaining complaints involve issues surrounding payments, such as the use of check holding and electronic debit authorization that hands control of the consumer's bank account over to the lender. Most consumers are not aware that the payday contract can authorize the lender to withdraw the funds electronically in the event that the consumer stops payment on the first check. Additionally, such agreements can allow the payday lender to re-present the check several times, causing the consumer to incur a nonsufficient funds fee each time.

Many consumers are unaware that funds would be taken from the next direct deposit to pay the direct deposit advance they took. There is also confusion over the repayment date. Consumers with multiple advances and deposits often have difficulty managing a short repayment period and will roll-over the loan, inflating the effective cost of the original loan.

The cost and structure of a particular loan can make it difficult for consumers to repay. Consumers raised concerns about the risk of being unable to repay the loan and being left without enough money for other expenses. Similarly, some complaints center on the high cost of the loan or aggressive debt collection practices in the case of delinquency or default.

Other common complaints include the non-disclosure of fees, lack of clarity about repayment of the loan using automatic withdrawal features on a bank card, prepaid card, or by direct deposit. Another common type of complaint involves disputes with lenders about whether the loan had been paid off.

How Companies Respond to Consumer Complaints

Approximately 126,700 (or 66%) of all complaints received between April 1, 2013 and March 31, 2014 were sent by Consumer Response to companies for review and response.[17] Table 10 shows how companies responded to these complaints during this time period.

Company responses include descriptions of steps taken or that will be taken, communications received from the consumer, discussion of follow-up actions or planned follow-up actions, and categorization of the response. Based on industry comments received about disclosure of credit card complaint data, beginning June 1, 2012, response category options included "closed with monetary relief," "closed with non-monetary relief," "closed with explanation," "closed," "in progress," and other administrative options. "Monetary relief" is defined as objective, measurable, and verifiable monetary relief to the consumer as a direct result of the steps taken or that will be taken in response to the complaint. "Closed with non-monetary relief" indicates that the steps taken by the company in response to the complaint did not result in monetary

[17] The remaining complaints have been referred to other regulatory agencies (21%), found to be incomplete (9%), or are pending with the consumer or the CFPB (2% and 2%, respectively).

relief to the consumer that is objective, measurable, and verifiable, but may have addressed some or all of the consumer's complaint involving non-monetary requests. Non-monetary relief is defined as other objective and verifiable relief to the consumer as a direct result of the steps taken or that will be taken in response to the complaint. "Closed with explanation" indicates that the steps taken by the company in response to the complaint included an explanation that was tailored to the individual consumer's complaint. For example, this category would be used if the explanation substantively meets the consumer's desired resolution or explains why no further action will be taken. "Closed" indicates that the company closed the complaint without relief – monetary or non-monetary – or explanation. Consumers are given the option to review and dispute all company closure responses.

TABLE 10: HOW COMPANIES HAVE RESPONDED TO CONSUMER COMPLAINTS[18]

Company response	All	Mortgage	Debt collection	Credit reporting	Bank account or service
Closed with monetary relief	7%	2%	2%	1%	22%
Closed with non-monetary relief	13%	5%	17%	34%	6%
Closed with explanation	68%	79%	65%	56%	62%
Closed (without relief or explanation)	2%	3%	3%	0%	4%
Administrative response	3%	4%	1%	1%	2%

[18] While companies' responses under previous categorizations were maintained, for operational and reporting purposes, responses categorized as "full resolution provided," "partial resolution provided," and "closed with relief" are considered a subset of "closed with monetary relief," and responses categorized as "no resolution provided" and "closed without relief" are categorized as "closed with explanation." "Closed with non-monetary relief" and "closed" reflect only those responses provided by companies after June 1, 2012.

Company reviewing	4%	4%	5%	5%	3%
Company did not provide a timely response	3%	3%	6%	1%	1%
Total Complaints Sent to Companies for Response	**100%**	**100%**	**100%**	**100%**	**100%**

Company response	All	Credit card	Consumer loan	Student loan	Money transfer	Payday loan
Closed with monetary relief	7%	22%	7%	8%	17%	6%
Closed with non-monetary relief	13%	10%	7%	12%	2%	6%
Closed with explanation	68%	60%	75%	73%	68%	62%
Closed (without relief or explanation)	2%	1%	3%	1%	2%	1%
Administrative response	3%	2%	1%	1%	1%	4%
Company reviewing	4%	2%	4%	3%	7%	6%
Company did not provide a timely response	3%	4%	3%	3%	2%	13%
Total Complaints Sent to Companies for Response	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Companies have responded to approximately 95%[19] of complaints sent to them and report having closed 90% of the complaints sent to them.

Beginning December 1, 2011, companies had the option to report an amount of monetary relief, where applicable. Between April 1, 2013 and March 31, 2014, companies have provided relief amounts in response to more than 8,620 complaints. The median amount of relief reported by companies was $150; however, company reports of relief amounts and medians vary by product. For the approximately 3,050 credit card complaints where companies provided a relief amount, the median amount of relief reported was approximately $122. For the approximately 1,140 mortgage complaints where companies provided a relief amount, the median amount of relief reported was approximately $460. For the more than 3,110 bank account and service complaints where companies provided a relief amount, the median amount of relief reported was approximately $110. For the approximately 280 student loan complaints where companies provided a relief amount, the median amount of relief reported was approximately $168. And for the approximately 260 consumer loan complaints where companies provided a relief amount, the median amount of relief reported was approximately $251. For the approximately 140 money transfer complaints where companies provided a relief amount, the median amount of relief reported was approximately $136. For the approximately 460 debt collection complaints where companies provided a relief amount, the median amount of relief was approximately $334. For the approximately 40 payday loan complaints where companies provided a relief amount, the median amount of relief was approximately $290. For the approximately 120 credit reporting complaints where companies provided a relief amount, the median amount of relief report was approximately $33.

Companies also have the option to provide non-monetary relief in response to complaints. Consumers have received a range of non-monetary relief in response to their complaints, such as:

- providing mortgage foreclosure alternatives that do not have direct monetary value to the consumer, but that help them to keep their home;

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[19] Companies have responded to approximately 120,700 of the 126,700 sent to them for response.

- stopping harassment from debt collectors;
- cleaning up consumers' credit reports by correcting submissions to credit bureaus; restoring or removing a credit line;
- correcting account information, including in credit reports; and
- addressing formerly unmet customer service issues.

Consumers' Reviews of Companies' Responses

Once the company responds, the CFPB provides the company's response to the consumer for review. Where the company responds "closed with monetary relief," "closed with non-monetary relief," "closed with explanation," or "closed," consumers are given the option to provide feedback on the company's response. Table 11 shows how consumers responded to the approximately 114,000 complaints where they were given the option to provide feedback.

Consumers are asked to notify the CFPB within 30 days if they want to provide feedback by disputing a company's response. Approximately 59% of such consumers did not dispute the responses provided, while approximately 20% of consumers did dispute the response provided. The rest were pending with consumers at the end of this period.

TABLE 11: CONSUMER FEEDBACK ABOUT COMPANY RESPONSES

Post-consumer review of company's response	All	Mortgage	Debt collection	Credit reporting	Bank account or service
Consumer did not dispute company's response	59%	62%	53%	53%	64%
Consumer disputed company's response	20%	23%	18%	16%	19%
Pending consumer review of company's response	21%	15%	29%	32%	17%
Total Responses for Consumer Review	**100%**	**100%**	**100%**	**100%**	**100%**

Consumer Indicated Satisfaction with Response	All	Credit Card	Consumer Loan	Student Loan	Money Transfer	Payday Loan
Consumer did not dispute company's response	59%	63%	59%	60%	65%	43%
Consumer disputed company's response	20%	20%	23%	20%	14%	21%
Pending consumer review of company's response	21%	17%	18%	20%	21%	36%
Total Responses for Consumer Review	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Consumer Response Investigation and Analysis

After requesting that companies respond to complaints sent to them for response and giving consumers the opportunity to review and provide feedback on company responses, Consumer Response prioritizes complaints for investigation based on a review of the complaint, the company's response, and the consumer's feedback. Consumer Response seeks to determine why a company failed to provide a timely response (if applicable) and whether the consumer's feedback about the company's response (if applicable) justifies additional review of the company's minimum required actions under the consumer financial protection laws within the CFPB's authority. In the course of an investigation, Consumer Response may ask companies and consumers for additional information. In some cases, Consumer Response has referred complaints to colleagues in the CFPB's Division of Supervision, Enforcement, and Fair Lending and Equal Opportunity for further consideration.

Listening to consumers and reviewing and analyzing their complaints is an integral part of the CFPB's work in understanding issues in the consumer financial marketplace, and in helping the market work better for consumers. The information shared by consumers and companies throughout the complaint process informs the Bureau about business practices that may pose risks to consumers and helps the Bureau supervise companies, enforce federal consumer financial laws, and write better rules and regulations.

2.2 Shopping challenges

The challenges that consumers face in the marketplace highlight the importance of a tenet that is central to the CFPB's mission – promoting markets in which consumers can understand and anticipate the risks, costs, and other terms of financial products and services. When the costs, risks, and other key features of financial products are transparent and understandable, consumers are better able to compare products and choose the best one for them.

Prior Semi-Annual reports highlighted challenges facing consumers shopping for a particular lending or deposit product, including the markets for mortgages, credit cards, student loans, checking accounts, and small-dollar credit. Over the past six months, the Bureau has been engaged in work that sheds further light on certain challenges consumers face with respect to prepaid cards.

2.2.1 Prepaid cards

Prepaid cards are one of the fastest growing forms of noncash payment. According to a Federal Reserve System study, prepaid card transactions have been growing 15.8 percent annually, ending 2012 with a total of 9.2 billion transactions.[20] Prepaid card use is particularly significant among households without checking accounts. Approximately 16.5 percent of such households use prepaid cards compared to about nine percent of households with checking accounts.[21]

While there are different types of prepaid cards, such as benefits cards, payroll cards, and gift cards, the following discussion will cover one specific type of card – the general purpose reloadable prepaid card (GPR card). GPR cards are "open-loop" cards, meaning they can be used at any merchant that accepts payments through the retail electronic payments network(s), such

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[20] Federal Reserve System, *The 2013 Federal Reserve Payments Study*, December 19, 2013, http://www.frbservices.org/files/communications/pdf/research/2013_payments_study_summary.pdf.

[21] In its *2011 FDIC National Survey of Unbanked and Underbanked Households*, the FDIC found that the share of underbanked and unbanked households using prepaid cards has grown between 2009 and 2011. Federal Deposit Insurance Corporation, *2011 FDIC National Survey of Unbanked and Underbanked Households*, September 2012, http://www.fdic.gov/householdsurvey/2012_unbankedreport.pdf.

as Visa or MasterCard, indicated on the card. GPR cards generally are initially issued for a set amount in exchange for payment made by a consumer and are reloadable, meaning the consumer can add additional funds to the card. It was estimated that approximately one-third of all prepaid transactions in 2012 (or 3.1 billion transactions) were from GPR cards alone. This particular segment of the prepaid card market is expected to continue to grow. The total amount loaded onto GPR cards was approximately $65 billion in 2012 and could potentially reach close to $100 billion by 2016.[22]

2.2.2 Shopping channels and challenges

Consumers can purchase GPR cards through a number of distribution channels. For example, GPR cards are sold online through a website maintained by the issuer or, in many cases, by a program manager who is responsible for, among other things, marketing the product. Some banks also offer prepaid cards which can be purchased either online or at a branch. Program managers and some issuers also partner with retail establishments, such as drugstores, supermarkets, or check cashers, to sell their cards.

Regardless of the channel through which a consumer acquires a card, consumers may be able to find information about the product by reviewing fee schedules and product terms and conditions found on the websites of issuers or program managers. In addition, some shopping websites aggregate information from multiple prepaid cards and provide a means of comparison shopping.

In a retail setting, comparison shopping may be more challenging since not all relevant information may be available on a card's external packaging. Since there is limited space on which to disclose fees and other information, consumers who have not researched the product online may need to purchase the product and open the packaging to learn more about the card's fees and other features. In addition, it may be difficult to compare GPR cards from different companies due to a lack of standardized information on the packaging. Information on the card

[22] Mercator Advisory Group, Tenth Annual U.S. Prepaid Cards Market Forecasts, 2013 – 2016, October 2013.

packaging may be presented in various formats and the types of fees and features disclosed may differ across products.

Even with information provided on packaging, through program managers' websites, or third-party websites, it still may be difficult to determine the ultimate cost of a GPR card for an individual consumer. Similar to debit cards and checking accounts, the future costs of a prepaid card depends on individual usage. The market today currently offers two basic forms of pricing: a monthly (or, in some cases, annual) fee plan which allows for unlimited purchase transactions for a periodic fee that can often be waived under certain conditions (which vary from product to product) and a pay-as-you-go plan in which consumers do not pay a monthly fee but pay on a per-transaction basis. With both types of plans, there may be fees for certain types of transactions, such as ATM withdrawals and balance inquiries (with some products differentiating between in-network and out-of-network transactions), cash reloads, or declined transactions.

Given all this, the ultimate cost of the product will differ from consumer to consumer because, among other things, frequency of purchases, in-network or out-of-network ATM withdrawals, and cash reloads will vary. Research from the Federal Reserve Bank of Philadelphia indicated that, beyond individual activity on the cards, individual costs can also differ depending on whether the consumer has direct deposit for the card and on the channel used to purchase the card.[23] Therefore, cost comparisons will be difficult for the consumer, because the costs will be different for each consumer.[24]

2.2.3 Bureau activity around prepaid cards

The CFPB continues to monitor the prepaid card market and to consider meaningful policy solutions that can help protect consumers when shopping for and using this product. In May 2012, the CFPB released an advanced notice of proposed rulemaking (ANPR), seeking public

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[23] Stephanie M. Wilshusen, Robert M. Hunt, James van Opstal, and Rachel Schneider, *Consumers' Use of Prepaid Cards: A Transaction-Based Analysis*, August 2012, https://www.philadelphiafed.org/consumer-credit-and-payments/payment-cards-center/publications/discussion-papers/2012/D-2012-August-Prepaid.pdf.

[24] http://www.nerdwallet.com/prepaid/.

comments on the costs and, benefits of, and consumer protection issues with regards to GPR cards.[25] Among the issues on which the Bureau sought to gain insight were disclosures of product fees and other terms, liability protection from unauthorized transactions, and product features such as associated credit availability or credit repair functions. The Bureau received a significant amount of feedback on consumers' experiences with the product, industry practices in providing prepaid products, consumer service, and consumer protections, and potential impacts to the market from different types of policy interventions.

As indicated in the Fall 2013 regulatory agenda, the CFPB is currently in the proposed rule stage with respect to prepaid cards.[26] The CFPB continues to evaluate the comments received from the public in response to the ANPR regarding various consumer protection issues associated with GPR cards. In addition, the CFPB has begun conducting consumer testing of model disclosure forms to help inform our policy deliberations.

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[25] http://files.consumerfinance.gov/f/201205_cfpb_GPRcards_ANPR.pdf.

[26] http://www.reginfo.gov/public/do/eAgendaViewRule?pubId=201310&RIN=3170-AA22.

3. Delivering for American consumers and leveling the playing field

The CFPB is responsible for exercising its authorities under Federal consumer financial protection laws to administer, implement, and promote compliance with those laws. To this end, the Bureau has worked to expand the resources it makes available to consumers to build the foundation necessary for making consumer financial markets work better.

3.1 Resources for consumers

The CFPB has launched a variety of offices, detailed in each subsection below, to provide assistance and information to consumers. The Bureau strives to provide individualized help to consumers based on their specific issues with financial products and services, and it works to improve financial literacy and capability – among the public as a whole, and among consumers who have experienced particular challenges in the financial markets.

3.1.1 Consumer response

As detailed in the previous section, Consumer Response receives complaints and inquiries directly from consumers. The CFPB accepts complaints through its website and by telephone, mail, email, fax, and referral.

Consumers submit complaints on the CFPB website using complaint forms tailored to specific products, and can also log on to the secure consumer portal to check the status of a complaint and review a company's response. While on the website, consumers can chat with a live agent to receive help completing a complaint form. Consumers can also call the Bureau's toll-free number to ask questions, submit a complaint, check the status of a complaint, and more.[27] The CFPB's U.S.-based contact centers handle calls with little-to-no wait times, can provide services to consumers in more than 180 languages, and serve hearing- and speech-impaired consumers via a toll-free telephone number. Cutting-edge technology, including the secure company and consumer portals, makes the process efficient and user-friendly for consumers and companies. The CFPB also provides secure channels for companies to communicate directly with dedicated staff about technical issues.

As Consumer Response processes complaints and responds to inquiries, it continues to seek new ways to improve existing processes to make them as efficient, effective, and easy-to-use as possible. Based on feedback from consumers and companies, as well as its own observations, Consumer Response identifies new opportunities to improve its processes and implement changes with each product launch. By applying the lessons learned through previous complaint function rollouts, it has continued to improve its intake process, enhance communication with companies, and ensure the system's ease-of-use and effectiveness for consumers, while providing services trusted by consumers and companies alike.

3.1.2 Consumer education and engagement

The CFPB's Consumer Education and Engagement Division (CEE) is responsible for developing and implementing initiatives to educate and empower consumers to make better-informed financial decisions. Improving financial literacy and capability encompasses many short and longer-term efforts, and CEE seeks to engage consumers by providing information and educational tools designed to provide clear and meaningful assistance to consumers when they need it.

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[27] To find more information about submitting a complaint, please see Appendix A.

Direct engagement with consumers is essential to the work of this division. From October 1, 2013 through March 31, 2014, the division's offices engaged with different groups across the country through more than 418 listening sessions, town halls and roundtables, visits to military installations, and other stakeholder events. These and other opportunities to hear directly from consumers about their financial needs, aspirations, and experiences help inform all of the Bureau's work. Through this outreach work, the CFPB has connected to more than 22,737 participants that were involved in these events.

As a 21st-century agency, the Bureau has focused on bringing financial decision-making tools and information to consumers through an accessible online format, and a steadily increasing number of consumers have taken advantage of these offerings. During the period covered by this report, more than 3.9 million unique visitors came to the Bureau's website, and the Bureau estimates that more than three million of these visitors were to areas of the website providing consumer tools, information, and assistance.

3.1.3 Financial education

The Bureau's Office of Financial Education (OFE) focuses its efforts on: (1) developing and implementing initiatives to improve consumers' financial literacy and capability, (2) engaging in ongoing outreach efforts to understand the financial education needs of various communities, and (3) managing a research and innovation portfolio to enhance existing approaches to financial education.

One of OFE's major initiatives this year was around remittance transfers. OFE led the effort to inform and educate consumers about new consumer protections for remittance transfers that became effective in October 2013. The multimedia campaign was produced and delivered in the five languages most used by consumers who send money overseas. OFE communicated the new protections directly to consumers by using print materials, social media channels, and radio. OFE personnel appeared on three national Spanish-language network television news programs as well as on local television news. OFE also conducted webinars and provided materials to key stakeholders who could help distribute and promote the information about the new protections. These stakeholders included community leaders, embassies and consulates, remittance providers, faith-based organizations, government agencies, and trade associations.

OFE has also continued its work on tax-time savings. For the third year, the Bureau worked to promote wealth building and financial services for consumers during the tax preparation season and encouraged savings in connection with earned income tax credits. Building on the work of

prior years, the Bureau made materials broadly available via the internet to encourage consumers to save a portion of their refunds. In 2013, the offices partnered with three Volunteer Income Tax Assistance (VITA) sites, where low- and moderate-income taxpayers received free tax preparation help, as a pilot to the CFPB *Ready? Set, Save!* campaign. Listening sessions with VITA site coordinators and tax preparers from the 2013 pilot uncovered common barriers to discussing savings with clients, which informed the development of new program materials. In 2014 the Bureau is piloting an expanded *Ready? Set, Save!* campaign in 13 communities around the country, in coordination with approximately 100 VITA sites, which includes training 2,000 tax preparer volunteers who will serve approximately 75,000 consumers. At the end of tax season, pilot sites will report to the Bureau on the aggregated savings activity of consumers and on the effectiveness of the training and tools provided by CFPB to develop processes to better equip volunteer tax preparers to promote saving at tax time.

In July 2013, OFE initiated a community financial education project to promote access to reliable, unbiased financial education and resources through public libraries across the country. Libraries served 297.6 million Americans in 2010. In particular, libraries are heavily utilized by parents, children, and low-income families.[28] Further, recent research indicates that libraries are highly trusted as a source of unbiased information, and serve consumers effectively in times of economic stress.[29] These factors, along with library presence in local communities across the country, make them natural partners for financial education.

We selected some libraries that have been innovative in providing financial education programs, and some that had not yet offered financial education programs. We also chose libraries that would represent a range of geographic locations and types of communities, including tribal, urban, rural and suburban communities. Our initial nine partner libraries are: Brooklyn Public Library, New York; Columbus Metropolitan Library, Ohio; Florence County Library System, South Carolina; Fresno County Public Library, California; Georgetown County Library, South Carolina; Menominee Tribal College, Wisconsin; Orange County Library System, Florida; Pelham Public Library, Alabama; and San Francisco Public Library, California.

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[28] http://files.consumerfinance.gov/f/201307_cfpb_report_financial-literacy-annual.pdf.

[29] http://files.consumerfinance.gov/f/201307_cfpb_report_financial-literacy-annual.pdf.

We are also partnering with a group of federal agencies and national organizations that have relationships with libraries and local communities. These federal agencies and organizations are the American Library Association, the FINRA Investor Education Foundation, the U.S. Department of Agriculture National Institute of Food and Agriculture, United Way, the Institute of Museum and Library Services, the Urban Libraries Council, the Chief Officers of State Library Agencies, and the FDIC. We will work together with the libraries to help them develop partnerships in their communities and build on existing programs, resources, and infrastructure to reach consumers in their neighborhoods.

Beyond these specific initiatives, OFE has continued to produce and develop a range of educational materials for consumer reference. Currently, there are 14 publications available either electronically or in hard copy, in both English and Spanish. OFE also has publications available in Tagalong, Chinese, and French-Creole. From October 1, 2013 through March 31, 2014, 424,815 print publications were distributed, and 35,491 publications were downloaded.

OFE has engaged a variety of communities and stakeholders, and continues to reach out to key financial educators and community leaders. OFE communicates directly with consumers through webinars, listening sessions, and large consumer events. OFE's outreach this year has focused on workplace financial education, youth financial education and policies, and identifying approaches to resolve common financial challenges for consumers. OFE held a number of events around the country to assess needs and establish its priorities in these areas. OFE launched a LinkedIn online discussion group for financial education practitioners, which shares information on trends, news, and practices in financial education. Engaging consumers directly on consumer financial education topics always has been, and remains, a priority for OFE.

The Bureau is an active member of the Financial Literacy and Education Commission ("Commission"). The Director of the CFPB serves as the Vice-Chair of the Commission, which was created with the broad purpose of improving Americans' financial literacy. It has actively worked to make improvements in the financial capability of young people by implementing programs to help Americans start early for financial success. This focus and the programs of the Commission are intended to help young people start early in learning about money and building sound habits in order to enable them to be successful throughout their lives. This effort is intended to ensure that parents, teachers, community leaders, and others have the knowledge, resources, and tools available to guide young people in starting early for financial success.

Workplace financial education is one pathway for reaching people early in their careers. The Commission hosted a field hearing on workplace financial education in Atlanta, GA on February 25, 2014. During the hearing, the Commission heard from a range of human resource professionals, financial education service providers, and policy-makers about how workplace education can assist employees in improving their financial capabilities. The presentations highlighted promising practices for delivering financial education in the workplace; considered existing opportunities, challenges and barriers to delivery of financial education in the workplace; and heard about strategies for engaging employees with respect to financial education in the workplace.

The Bureau has developed a workplace financial education program to help employees who wish to further develop their skills as managers of their personal finances. Based on findings from recent workplace research, the program combines tools such as automatic enrollment in retirement plans, training and information sessions for employees, and free financial planning assistance. The program both assists CFPB employees and deploys effective practices in the workplace that can be shared with other federal agencies as well as state and local governments and private sector employers.

OFE also continues to advance its research and innovation portfolios by working to develop metrics for success in financial education and to test solutions for consumers as they make regular, everyday financial decisions.

In particular, a project to develop metrics for success in financial education for working age and older American consumers launched in FY 2013. In the past year, the Bureau completed much of the first phase by developing definitions of financial well-being for working-age and older Americans and developing hypotheses regarding the drivers of financial well-being. This work included:

- Background research on how financial well-being is defined and measured in the literature to date, and what is already known about the relationship between financial knowledge, behavior, and well-being;
- In-depth qualitative interviews with consumers, as well as various types of financial professionals, such as financial educators, advisers, planners, coaches, tax preparers, and credit counselors; and
- Consultation with academic and practitioner experts.

The products of this project should allow the CFPB, other government agencies, and others involved in financial education to further hone informed approaches to improving consumer financial well-being. Further, by creating or vetting measures for consumer financial knowledge, behavior, well-being, and related factors, the project will create a strong basis for evaluating financial education policies and programs. More specifically, these metrics should significantly increase the ability of the CFPB, other government agencies, and other financial education providers to select approaches that make the biggest difference in improving consumer outcomes.

3.1.4 Consumer engagement

The Bureau's Office of Consumer Engagement (CE) continues to encourage the public to participate in the Bureau's work by developing programs, initiatives, and digital experiences that help consumers make informed financial decisions.

CE continues to improve and build out the Bureau's online presence with innovative, user-focused, approaches to social media and web development. Through research and user testing, CE has been able to tap into the needs and interests of consumers, thus creating opportunities to engage the public in the moments when the Bureau's tools and resources can be most useful to them.

For example, the *Paying for College* project is a suite of online tools for students and families evaluating their higher education financing options when comparing college costs and financial aid, learning about college money and loan options, and assessing repayment options.[30]

CE also creates scalable platforms that empower American consumers to navigate financial markets. In particular, *Ask CFPB* is an interactive online tool that gives consumers answers to over 1,000 questions about financial products and services, including credit cards, mortgages, student loans, bank accounts, credit reports, payday loans, and debt collection.[31] Since

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[30] http://www.consumerfinance.gov/paying-for-college/.

[31] http://www.consumerfinance.gov/askcfpb.

launching in March 2012, *Ask CFPB* has provided clear, authoritative financial information to more than 2,000,000 unique visitors, and currently receives about 300,000 visits per month.

CE has also prioritized making the Bureau's information more accessible in non-English languages, especially Spanish. According to Census data, 37 million people in the U.S. primarily speak Spanish at home. Recognizing that at least some portion of this population could be well served by Spanish language resources, the Bureau launched *CFPB en Español*, a Bureau website that provides Spanish-speaking consumers a central point of access to the Bureau's resources, in Spanish.[32] The website has four major components: a homepage that highlights CFPB services, *Ask CFPB* content in Spanish, a complaints page that highlights the phone number consumers can call to submit a complaint in Spanish, and an "About Us" page that features a Spanish-language video and introductory content about how the CFPB works to protect consumers. The website was created using responsive design, meaning it is optimized for use on both mobile devices and computers in order to better serve all consumers. The website launched in May 2013.

The Bureau also launched a consumer education initiative about the Bureau's new mortgage rules. Bureau rules went into effect by January 2014 that provide new rights and protections to homeowners and to consumers shopping for a home mortgage.[33] CE led a cross-Bureau effort to develop educational resources to help mortgage consumers, and those who interact with consumers on their home loans, understand the new rules and protections. These resources focused on a new web resource for consumers, consumerfinance.gov/mortgage. The web page contains easy-to-read guides to the mortgage rules for homeowners and for homebuyers, links to find a housing counselor, and links to how to file a complaint with the Bureau.

The Bureau also developed a detailed guide for housing counselors who help borrowers having trouble paying their mortgage that is available through the mortgage web resource. The guide, *Help for Struggling Borrowers*, is a step-by-step guide through the mortgage servicing

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[32] http://www.consumerfinance.gov/es/.

[33] *See* Integrated Mortgage Disclosures under the Real Estate Settlement Procedures Act (Regulation X) and the Truth in Lending Act (Regulation Z), 78 Fed. Reg. 79730 (Dec. 31, 2013) (codified at 12 C.F.R. 1024 & 12 C.F.R. 1026).

rules. The Bureau is also conducting webinars and in-person trainings for housing counselors and other intermediaries throughout the country. As of March 31, 2014, the Bureau had offered 27 webinars and in-person training events, reaching well over 2,000 housing counseling agencies and other intermediaries—and through them, the many homeowners that they serve.

3.1.5 Servicemember affairs

The CFPB's Office of Servicemember Affairs (OSA) conducted 77 outreach events from October 1, 2013 through March 31, 2014, delivering consumer financial information to more than 6,066 military and veteran consumers to help them make better informed financial decisions. OSA also delivered consumer financial education information using Facebook and Twitter accounts specifically to serve the military and veteran communities with a potential reach of more than one million consumers.

More specifically, these figures include reaching out to servicemembers where they live and work. OSA visited 10 military installations and National Guard units and participated in four town halls and four roundtable discussions with senior military leaders during the same time period. At these outreach events, the Servicemember Affairs team listened to military personnel and their families discuss the financial challenges they face, observed financial education training, and provided educational materials. In addition to the military units and installations visited, OSA participated in seven Military Saves events sponsored by external organizations seeking additional educational information about OSA and the CFPB. OSA continues to utilize Facebook and Twitter accounts specifically to serve the military and veteran communities.

In January 2013, OSA began development of a "just enough and just in time" financial education experience to equip Delayed Entry Program (DEP) participants with the information and education needed to make sound financial decisions in certain target subject areas. A prototype containing the first educational module was completed in late September 2013. Further work on a complete product suitable for field testing began in October 2013. DEP participants are individuals who have committed to join the military but have not yet reported to boot camp. Our DEP education program aims to offer experiential education that engages the interest and caters to the learning style of the recruit demographic. The Bureau and the Department of Defense will work together to make course content and materials available across the varied timelines and geographical locations of future recruits and across the armed services.

Collaboration and building upon viable outreach networks remains a key focus for OSA. We continue to work with the Departments of Defense, Veterans' Affairs, Justice, and Labor to raise

awareness of the CFPB's mission and OSA's specific efforts on behalf of the military and veteran communities. At the state level, efforts have centered on introducing state and local resources to the military/veteran community. Outreach efforts have included establishing direct lines of communication with the State Directors of Veterans' Affairs, state Attorneys General, US Attorneys, and state legislators.

On January 14, 2014, OSA made on-demand video training available to military service providers. The Office of Servicemember Affairs hosts an ongoing series of virtual Military Financial Educator Forums on consumer financial topics for service providers who deliver financial, educational, or legal counseling to servicemembers and their families worldwide. The goal of these Military Financial Educator Forums is to supply incremental and easily digestible information on current military consumer financial topics to those service providers.

Content highlights from the video forums are relayed through social media channels with a demonstrated reach of approximately 25,000 individuals. External social media partnerships with the Department of Defense and the Military Family Learning Network were used to amplify the message delivered by the video trainings to servicemembers stationed overseas, including individuals at military bases located from the Middle East (Turkey) to East Asia (Okinawa) and a deployed U.S. Navy unit operating off the coast of West Africa.

OSA continues its work to determine the quality of unique financial education and counseling programs and services provided to servicemembers and their families by the Department of Defense and the United States Coast Guard. The year-long project, performed under an inter-agency agreement with the Library of Congress' Federal Research Division, will engage in a quantitative and qualitative assessment using industry-recognized standards and processes. The work will help inform OSA's future educational initiatives by identifying effective ways of delivering personal financial education and counseling services to servicemembers and their families.

3.1.6 Older Americans

The Bureau's Office for Older Americans (OA) has continued its outreach efforts nationwide with its core constituency, key public officials, financial institutions, industry, advocates, and other stakeholders. OA's mission is to facilitate the financial literacy of individuals who are 62 or older on protection from unfair, deceptive, and abusive practices, and on current and future financial choices, including the dissemination of materials on these topics.

OA has held or engaged in 70 events from October 1, 2013 through March 31, 2014, reaching more than 6,459 people. The engagement with consumers and stakeholders ranges from in-person presentations nationwide, webinars and electronic communications via social media.

OA's outreach work is raising awareness of the critical problem of financial exploitation and unfair, deceptive, or abusive practices targeted at older people. OA is also building on its outreach work to help foster local networks to prevent financial harm directed at older people. We also collaborate with direct service providers, such as legal aid, senior service hotlines and other consumer advocates on the frontlines to best assist older consumers as they navigate financial decisions while attempting to plan for later life financial security.

Specific examples of these outreach efforts include advising elder exploitation networks in Illinois, Florida and North Carolina, and representing the CFPB on the federal Elder Justice Coordinating Council, which consists of 12 federal agencies that play a role in addressing elder abuse.

OA released a consumer guide in November 2013 to help older consumers understand the wide variety of designations used by financial advisers to signify expertise in senior financial issues and verify senior designation and certification titles. The guide is available on the Bureau website at http://files.consumerfinance.gov/f/201311_cfpb_flyer_senior-financial-advisors.pdf, and through other federal agencies, non-profit organizations, and consumer advocate organizations nationwide. The guide was developed following the Bureau's report to Congress and the U.S. Securities and Exchange Commission in April 2013, which outlined the risks for consumers of confusion surrounding these designations. The report included recommendations to help older consumers verify credentials, improve the consistency of standards for acquiring the credentials, improve the consistency of standards for conduct of designees, and reduce consumer confusion.[34]

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[34] Consumer Financial Protection Bureau, *Senior Designations for Financial Advisers: Reducing Consumer Confusion and Risks* (April 18, 2013), *available at* files.consumerfinance.gov/f/201304_CFPB_OlderAmericans_Report.pdf.

OA produced four *Managing Someone Else's Money* guides to assist people who are managing money or property for a family member or friend who is unable to pay bills or make financial decisions. The *Managing Someone Else's Money* guides are aimed at lay people who are responsible for managing someone's money. This includes agents under powers of attorney, court-appointed guardians and conservators, trustees, and government benefit fiduciaries (Social Security representative payees and Veterans Administration fiduciaries). The guides explain the duties and responsibilities of people acting in each of these fiduciary roles; how to watch out for scams and financial exploitation and what to do if a loved one is a victim; and where to go for help. The guides are available for download from the Bureau's website and can be ordered individually or in bulk at no charge at http://promotions.usa.gov/cfpbpubs.html.

To date, the GSA distribution center has received orders for almost 100,000 guides, in addition to numerous downloads and extensive information-sharing about the guides by other federal and state agencies, non-profits, community groups and financial institutions. The second phase of the project includes the development of state-specific guides for six states (Arizona, Florida, Georgia, Illinois, Oregon and Virginia) and a replication manual for other states. These additional guides are expected to be released in 2014.

In June 2013, the CFPB and the FDIC released *Money Smart for Older Adults* (MSOA), an instructor-led curriculum for the FDIC's Money Smart program to provide older consumers and their caregivers with information on preventing and responding to elder financial exploitation.[35] Older Americans and the FDIC have also developed train-the-trainer materials and offer in-person training sessions for national non-profit organizations and others that express interest in becoming Money Smart Alliance partners. Alliance partners can make presentations to community groups on recognizing and preventing elder financial exploitation. The materials include a PowerPoint, Instructor Guide, and Participant Resource Guide. The Participant Resource Guide presents information about different types of fraud, scams, and exploitation that target older persons and provides tips and warning signs on how to prevent losses and report cases. The Participant Resource Guide is available for download

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[35] Money Smart is a financial education curriculum designed to help low- and moderate-income individuals enhance their financial skills. *See* FDIC, *Money Smart – A Financial Education Program*, http://www.fdic.gov/consumers/consumer/moneysmart/index.html (last visited May 7, 2014).

at files.consumerfinance.gov/f/201306_cfpb_msoa-participant-guide.pdf, or for order at promotions.usa.gov/cfpbpubs.html. Instructor materials are available from the FDIC at fdic.gov/consumers/consumer/moneysmart/olderadult.html.

To date, Older Americans has conducted more than 20 train-the-trainers sessions. Intermediary organizations that have received the CFPB-FDIC training have launched local, regional, and state training initiatives in North Carolina, New York, Illinois, Ohio, Indiana, and California. To increase the reach of this program, the Bureau and FDIC are working on updating the MSOA content and translating the Participant Resource Guide into Spanish.

In 2012, financial institution officials raised concerns with the U.S. Government Accountability Office and Bureau officials about whether the privacy provisions of the Gramm-Leach-Bliley Act (GLBA) precluded financial institutions from reporting suspected elder financial abuse. The Office for Older Americans, working in coordination with the CFPB's Office for Supervision Policy, developed interagency guidance for financial institutions to clarify the applicability of privacy provisions of GLBA to their reporting of suspected financial exploitation of older adults. Eight federal regulatory agencies with authority to enforce the privacy provisions of GLBA released the document on September 24, 2013.[36] The goal of the guidance is to provide financial institutions more certainty about the legality of reporting suspected abuse. This clarity will facilitate financial institutions' timely reporting of suspected abuse so that law enforcement and Adult Protective Services officials can take appropriate protective action.

The Bureau has launched a nationwide outreach campaign to raise awareness about the guidance and about the importance of reporting suspected elder financial exploitation to appropriate local, state, and federal agencies. The outreach events have included calls with industry, Congressional staff, state agencies and regulators, community groups, aging advocates, and the Bureau's Consumer Advisory Board; speeches to national organizations; webinars; and

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[36] *See Interagency Guidance on Privacy Laws and Reporting Financial Abuse of Older Adults* (Sept. 24, 2013), *available at* http://files.consumerfinance.gov/f/201309_cfpb_elder-abuse-guidance.pdf. The eight agencies are the FRB, the CFTC, the CFPB, the FDIC, the FTC, the NCUA, the OCC, and the SEC. The CFTC issued the document as staff guidance.

presentations to federal interagency groups such as the working groups of FLEC and the Elder Justice Coordinating Council.

The Bureau believes that the interagency guidance is helping raise awareness of the problem of elder financial exploitation and has influenced activity by financial institutions. For example, following the release of the guidance, the Senior$afe training program for financial institutions in Maine was launched through a collaborative effort between financial institutions and organizations including the Maine Department of Professional and Financial Regulation and the state's Office of Aging and Disability Services– Adult Protective Services.

3.1.7 Students

Financial aid offers from colleges and universities often fail to make basic information clear, such as how much of a particular aid offer is made up of loans that need to be paid back and how much comes from grants that do not. The Higher Education Opportunity Act of 2008 required the Secretary of Education to develop a model financial aid offer format to help students and their families make informed decisions about how to finance postsecondary educational expenses. The Bureau partnered with the Department of Education to develop a "Financial Aid Shopping Sheet" to help students and their families make informed decisions about how to finance postsecondary educational expenses. The shared mission to improve the shopping process for potential student borrowers made the Bureau and the Department of Education natural partners in a Know Before You Owe project on student loans.[37]

The Financial Aid Shopping Sheet is a standardized, easy-to-read form of financial aid award letter that colleges and universities can send to prospective students. The Shopping Sheet is designed to allow college applicants to better understand the debt implications of their college choice and compare the costs of the schools to which they apply.

In April 2012, the President of the United States issued an Executive Order requiring colleges that accept Department of Defense Tuition Assistance Program funds to provide military students with an offer letter based on the principles developed for the Financial Aid Shopping

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[37] http://www.consumerfinance.gov/students/knowbeforeyouowe/.

Sheet, in order to provide better information to recipients of military and veteran education benefits.[38] The Executive Order also encourages colleges that accept Post-9/11 G.I. Bill benefits to do the same.

As of January 24, 2014, 2,017 colleges and universities, with a combined enrollment of more than 8.7 million students, had voluntarily agreed to adopt the Financial Aid Shopping Sheet.[39]

The Bureau has continued to develop more tools to help consumers make better financial decisions about paying for college and managing student debt. As part of the *Paying for College* suite of tools, the Bureau launched Repay Student Debt, a combined, expanded version of our tools for borrowers in repayment.

In April 2014, the Bureau published a consumer advisory warning consumers that they can avoid defaults following the death or bankruptcy filing of a co-signer by pursuing a co-signer release.[40] The advisory contained sample instructions borrowers or co-signers may use to instruct their student loan servicer to provide information on co-signer release or advise the consumer when they are eligible for co-signer release. The Bureau also published a mid-year update on student loans that describes complaints received related to the private student loan industry's practice of placing borrowers in default when a co-signer dies or files for bankruptcy.[41]

In December 2013, the Bureau issued a request to several financial institutions to voluntarily disclose to the Bureau their affinity agreements entered into with colleges and universities to market bank accounts, prepaid cards, debit cards, and other financial products to students.[42]

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[38] http://www.whitehouse.gov/the-press-office/2012/04/27/executive-order-establishing-principles-excellence-educational-instituti.

[39] http://www2.ed.gov/policy/highered/guid/aid-offer/shopping-sheet-institutions.xls.

[40] http://www.consumerfinance.gov/blog/consumer-advisory-co-signers-can-cause-surprise-defaults-on-your-private-student-loans/.

[41] http://files.consumerfinance.gov/f/201404_cfpb_midyear-report_private-student-loans-2014.pdf.

[42] http://www.consumerfinance.gov/blog/sunshine-for-student-financial-products/.

Credit card issuers are currently required to disclose marketing agreements with universities and affiliated organizations under the Credit CARD Act of 2009. The Bureau publishes a database of these agreements on consumerfinance.gov.[43]

3.1.8 Financial empowerment

Between October 1, 2013 and March 31, 2014, the Office of Financial Empowerment (Empowerment) conducted extensive outreach to consumers and stakeholders from around the country. Empowerment participated in listening sessions in Seattle, WA; Ketchikan, AK; San Bernardino, CA; Philadelphia, PA; Orlando, FL; Grand Junction, CO; New Orleans, LA; and Washington, DC. The team conducted field research focused on organizations and companies that provide innovative programs and services designed to build the financial capability of underserved and vulnerable consumers. It also participated in community events and conferences focused on low-income consumer issues.

Empowerment has begun working to help social service providers and other stakeholders integrate financial capability information and tools into the services they currently offer. Empowerment developed a toolkit called *"Your Money, Your Goals"* for use by front-line staff in organizations that provide direct social services to consumers. The toolkit provides staff with tools to incorporate financial-empowerment support into their work with their clients and to make effective referrals to specialized providers. The toolkit includes information that staff can share with clients on topics such as emergency savings; understanding, correcting, and building credit history; managing debt; cash flow budgeting; and identifying financial products to use to pursue various financial and life goals. It also includes worksheets and other tools individuals can use to strengthen their personal money management skills.

A multi-site training program using the *"Your Money, Your Goals"* toolkit was initiated in August 2013.[44] The 26-site pilot took place through January 2014 in 21 states and the District of Columbia. Workshops in local communities and internal staff trainings within national

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[43] http://www.consumerfinance.gov/credit-cards/college-agreements/.

[44] http://www.consumerfinance.gov/blog/a-new-toolkit-for-social-services-providers/.

organizations are projected to reach over 6,000 caseworkers and other front-line staff by mid-fiscal year 2015. These staff members, in turn, have the potential capacity to reach tens of thousands of low-income and economically vulnerable clients.

The Empowerment Office, together with the Bureau's Office of Enforcement, repurposed content from *"Your Money, Your Goals"* to create a toolkit for use by students and staff in law school clinics that work with consumers on financial services issues. The toolkit focuses on debt collection and credit reporting issues, provides useful information about consumer financial protection laws, and contains CFPB consumer education materials and resources.

Empowerment is also conducting a three-phase research, evaluation, and pilot project that will help the Bureau determine whether the financial capability of low-income and economically vulnerable consumers can be enhanced through bundled financial products and services (such as a credit-builder loan with a savings component or integration of financial coaching and counseling into the offering of financial products).

The now-concluded initial research phase of the project commenced a scan of the field to identify a comprehensive list of existing strategies, products, or programs that seek to help consumers build positive credit histories and savings through bundled products and services. This phase included a review of existing literature on savings and credit building strategies, products, or programs focused on economically vulnerable consumers. It also included a report documenting discussions with academics and practitioners on types of barriers for consumers, program features that overcome those barriers, and recommendations for specific types of programs the Bureau should evaluate. The second phase of the project, which began in the summer of 2013, involved a randomized control trial of credit builder loans, designed to determine whether it improves credit histories, increases savings, or produces other positive financial outcomes for economically vulnerable consumers. As a result of this research, the Bureau decided to test various iterations of this intervention.

Empowerment is also working with other federal agencies to streamline and integrate empowerment resources and services. Current work includes coordination with the Department of Labor's Office of Disability Employment Policy (ODEP) to identify opportunities to promote financial capability strategies for selected ODEP grantees, and participates in other activities with the Departments of Health and Human Services and HUD.

3.2 Outreach

In addition to its efforts to engage specific populations, the CFPB has hosted public events across the country to discuss CFPB initiatives and to solicit input about issues related to consumer financial products and services. More than 500 members of the public participated in field hearings on credit card issues in Chicago, IL; TILA/RESPA in Boston, MA; arbitration issues in Dallas, TX; mortgage servicing rules implementation in Phoenix, AZ; workplace financial education in Atlanta, GA; and payday lending in Nashville, TN. The CFPB also hosted a public meeting of its Consumer Advisory Board in Washington, DC on February 27, 2014.

The audience views a presentation on the mortgage servicing rules in Phoenix, AZ.

In conjunction with these field events, Director Cordray and Deputy Director Antonakes held roundtables with community leaders, legal services attorneys, housing counselors, local officials, community banks, credit unions, housing industry participants, and others as part of the CFPB's commitment to engage with the public.

The CFPB unveiled Project Catalyst as part of its effort to foster consumer-friendly innovation in the marketplace. The Bureau believes markets work best when they are open to new ideas, and that the insights and innovations that come from looking at problems and solutions from new

angles hold great potential in our efforts to achieve our mission of making the consumer finance market work for all consumers. Project Catalyst is designed to open lines of communication and foster collaborations that promote consumer-friendly innovation.

To these ends, Project Catalyst has continued to develop its outreach efforts and has introduced policy tools. One policy tool is the pilot program in which Bureau subject matter experts work with entrepreneurial companies to understand consumer behavior to better understand what works for consumers in the marketplace and to inform our policy-making in the process. Another is the trial disclosure program in which the CFPB provides waivers to federal disclosure requirements for successful applicants to develop and test innovative and consumer-friendly disclosures. More information about the Project Catalyst portfolio of initiatives, which continues to grow, is available on the CFPB's website.[45] Innovators can obtain relevant information, propose ways the Bureau can make innovation easier, or suggest pilot projects to develop and test new market ideas.

The Bureau has actively solicited the perspectives of consumer and civil rights groups and has held roundtables with community-based organizations across the country. Since October 2013, the Bureau's Office of Community Affairs has engaged thousands of community group representatives through more than 100 meetings, briefing calls, and public appearances. Topics discussed include mortgage, credit cards, payday loans, student loans, bank accounts, prepaid cards, credit reporting and scoring, debt collection, remittances, and more.

The Bureau's Office of Financial Institutions and Business Liaison was established in April 2013 to facilitate and coordinate dialogue with all industry participants, and since October 2013, has hosted more than 300 meetings, briefing calls, and public appearances with financial institutions and financial industry trade associations.

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[45] http://www.consumerfinance.gov/ProjectCatalyst/.

Director Cordray and senior CFPB leadership have also delivered several speeches at widely-attended industry and nonprofit conferences.[46]

Deputy Director Antonakes and Director Cordray at a field hearing on Know Before You Owe: Mortgages in Boston, MA.

3.3 Partnerships

The Bureau has furthered many existing partnerships and formalized several new ones.

To date, the Bureau has signed numerous memoranda of understanding (MOU) with intergovernmental partners, including federal agencies, state financial regulatory entities, state

[46] A list of speeches given in this reporting period by CFPB personnel may be found in Appendix H of this report.

attorneys general, and municipal law enforcement agencies.[47] The Bureau has also actively solicited the perspectives of consumer and civil rights groups.

Senior Bureau leadership has also testified before Congress 46 times since opening its doors in 2011, including 15 occasions between October 1, 2013 and March 31, 2014 to discuss policy, operations and budget matters.[48]

3.3.1 Office of the Consumer Advisory Board and Councils

The CFPB's Office of the Consumer Advisory Board and Councils is charged with managing the Bureau's advisory groups and serving as the liaison between advisory group members and the Bureau.[49] In addition to its regular engagements with external stakeholders, the Bureau's outreach also includes the:

- Consumer Advisory Board (CAB);
- Community Bank Advisory Council (CBAC);
- Credit Union Advisory Council (CUAC); and
- Academic Research Council (ARC)

Among its responsibilities, the Office of CAB and Councils:

- Manages the policies and procedures for the constitution and management of advisory boards and councils;
- Manages the selection process for the Bureau's advisory boards and councils;
- Conducts agenda setting for advisory board and council meetings;

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[47] A list of MOUs is available at: consumerfinance.gov/newsroom/.

[48] CFPB testimony before Congress may be found in Appendix G of this report.

[49] http://www.consumerfinance.gov/blog/category/consumer-advisory-board/.

- Regularly facilitates discussions between the Bureau and advisory board/council members; and
- Recommends policy and associated strategies as suggested by advisory boards and councils.

The CAB and Councils meet at least twice per year and offer vital insight and perspective of financial service providers as the Bureau strives to issue thoughtful, research-based rules.

Participants at the Consumer Advisory Board meeting in Jackson, MS.

Role of the Consumer Advisory Board

Section 1014(a) of the Dodd-Frank Act states:

> *The Director shall establish a Consumer Advisory Board to advise and consult with the Bureau in the exercise of its functions under the Federal consumer financial laws, and*

to provide information on emerging practices in the consumer financial products or services industry, including regional trends, concerns, and other relevant information.[50]

The CAB and Councils help the Bureau solicit external stakeholder feedback on a range of topics, including consumer engagement, policy development, and research, and from a range of actors, including academics, industry, community members, and advocates. Advisory boards and councils may consult on a variety of cross-cutting topics, report on meetings, and provide minutes and/or summaries of their meetings. Members of boards and councils serve for limited, specified terms.

Membership and Public Nominating Process of the Consumer Advisory Board and Councils

Membership to all the Bureau's Advisory bodies is facilitated through a public process whereby members of the public may apply to serve on a board or council. In January 2014, we announced that the Bureau will begin to accept applications for seats on our Consumer Advisory Board and Councils. A complete application packet consists of a résumé, letter of recommendation from a third party, and application. Also in January 2014, we announced that the Bureau will begin to accept applications for seats on our ARC. A complete application packet consists of a resume and completed application.

Section 1014(b) of the Dodd-Frank Act states:

In appointing the members of the Consumer Advisory Board, the Director shall seek to assemble experts in consumer protection, financial services, community development, fair lending and civil rights, and consumer financial products or services and representatives of depository institutions that primarily serve underserved communities, and representatives of communities that have been significantly

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[50] Dodd-Frank Act, Pub. L. No. 111-203, § 1014(a).

impacted by higher-priced mortgage loans, and seek representation of the interests of covered persons and consumers, without regard to party affiliation.[51]

Meetings of the Consumer Advisory Board and the other councils

The Bureau has held six in-person meetings with the CAB and Councils during this reporting period:[52]

- Two CAB meetings – September 2013 in Itta Bena, MS, and February 2014 in Washington, DC.
- Three CBAC meetings –October 2013 in Washington, DC, December 2013 by conference call, and March 2014 in Washington, DC.
- Three CUAC meetings – October 2013 in Chicago, IL, December 2013 by conference call, and March 2014 in Washington, DC.
- The ARC has not held a meeting this quarter. The Bureau is expected to announce the selection of new ARC members in April 2014 and the ARC will meet in closed session in April 2014.

At each meeting of the CAB, the Bureau invites members of the public to watch a portion of the meeting and to provide testimony directly to the CAB and the Bureau. The public portion of the meeting also provides an opportunity for members of the CAB to hear testimony and to provide information to the Bureau on the financial issues affecting their communities or constituencies. Director Cordray generally provides remarks at CAB meetings, and these are available on our website.

Topics covered with our Consumer Advisory Board and the other Councils

In our September 2013 meeting with the CAB in Mississippi, we hosted a public session focused

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[51] Dodd-Frank Act, Pub. L. No. 111-203, § 1014(b).

[52] The September 2013 CAB meeting falls outside of the reporting period for this report, but was not included in the previous Semi-Annual Report.

on access-to-credit issues where we heard a great deal from state officials and members of the public.

In our October 2013 meeting in Chicago, we met with the CUAC and discussed how credit unions manage card services, our new mortgage rules, and gave an overview of the CARD Act. In our December 2013 meeting with the CUAC, we discussed the new Qualified Mortgage rules and how they would affect credit unions. We also discussed the findings in the Compliance Cost study. The goal of the study is to improve the ability to describe and measure cost. The study interviewed 200 individuals over a five-week period.

In our October 2013 meeting with the CBAC, we discussed implementation of our mortgage rules; among other things, CBAC members urged us to work with the prudential regulators to ensure that they also post our guidance materials publicly. Other topics discussed included auto lending, consumer complaints, and the role of small retail financial institutions. In our December 2013 meeting with the CBAC, we discussed the new Qualified Mortgage rules and how they would affect community banks. CBAC members shared their concerns about the challenges for smaller banks regarding compensation plans. We also discussed the findings in the Compliance Cost study. The goal of the study is to improve the ability to describe and measure cost. The study was well received by a CBAC member, who stated that his bank staff had a positive experience with the Bureau staff that conducted the interviews.

For more information about the CAB and the other CFPB advisory bodies, please visit our website.

4. Regulations and guidance

In the past six months, the Bureau has issued a number of proposed and final rules on a variety of issues, including adjustment of the new mortgage and remittance transfer protections called for by the Dodd-Frank Act. The Bureau is also working on a number of proposed and final rules on various other matters within its authority, including addressing longstanding consumer protection concerns in a number of other consumer financial services markets and follow-up on an earlier Request for Information seeking public comment on potential projects to streamline regulations.

4.1 Implementing statutory protections

The CFPB issued several rules in January 2013 implementing changes made by the Dodd-Frank Act to the laws governing various aspects of the mortgage market, including assessments of consumers' ability to repay their loans, mortgage servicing, loan originator compensation, and other topics. These rules, all of which took effect by January 18, 2014, are now providing significant improvements in the mortgage process that benefit both consumers and the mortgage industry alike through strengthened consumer protections and increased efficiencies. In the months leading up to the January 2014 effective dates, the Bureau issued supplemental regulations that amended and clarified the January 2013 mortgage rules as part of its broader ongoing efforts to facilitate compliance, which are discussed further below, and has continued work on other Dodd-Frank Act mortgage mandates:[53]

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[53] consumerfinance.gov/regulations/.

- In May 2013, the Bureau issued a final rule in connection with a proposal that it had issued concurrent with the ability-to-repay regulations in January 2013 to seek public comment on a number of adjustments that were designed to facilitate access to credit and compliance with the regulations. Specifically, the final rule exempts from the ability-to-repay requirements certain nonprofit and community development lenders as well as loans made by or through a housing finance agency or through certain homeownership stabilization and foreclosure prevention programs. The final rule also facilitates lending by small creditors, including community banks and credit unions, by making it easier for them to originate "qualified mortgages." The amendment also revised rules governing how to calculate loan originator compensation for certain purposes under the qualified mortgage requirements.

- The Bureau proposed and finalized several technical amendments, clarifications, and adjustments to the January mortgage rules to address issues that have arisen during implementation and facilitate compliance with the new requirements. These changes are designed to address stakeholder questions and concerns on a number of issues, including clarifying standards for proving qualified mortgage status, confirming that the Bureau's servicing regulations do not preempt all state laws on the same topic, clarifying the application of an exemption from certain rules for small servicers, addressing various issues regarding loss mitigation procedures, revising the rules implementing the Dodd-Frank Act prohibition on creditors' financing of certain credit insurance premiums on mortgage loans, interpreting a requirement to provide homeownership counseling lists to mortgage applicants, and other topics. In October 2013, the CFPB also issued an interim final rule clarifying the specific disclosures that must be provided before counseling for high-cost mortgages can occur and the proper compliance regarding servicing requirements when a consumer is in bankruptcy or sends a cease communication request under the Fair Debt Collection Practices Act and making technical corrections to certain provisions of the January mortgage rules. In October 2013, the CFPB also issued an interagency statement with the FRB, FDIC, NCUA, and OCC, discussing how the disparate impact doctrine of the Equal Credit Opportunity Act (ECOA) and its implementing regulation, Regulation B, relates to origination of Qualified Mortgages under the Bureau's ability-to-repay rules.

- In November 2013, the Bureau issued a final rule to consolidate federal mortgage disclosures under TILA and Sections 4 and 5 of RESPA. The new "Know Before You Owe" mortgage forms will replace the existing federal disclosures and help consumers understand their options, choose the deal that is best for them, and avoid costly surprises

at the closing table. The Bureau conducted extensive qualitative testing of the new forms prior to issuing a proposal, and also conducted a post-proposal quantitative study to validate the results of the new forms. The results of the quantitative testing showed that consumers of all different experience levels, with different loan types – whether focused on buying a home or refinancing – were able to understand the CFPB's new forms better than the current forms. This rule will be effective August 1, 2015. In coming months, the Bureau will provide additional support to help industry understand and implement the rule and consumers understand and use the new forms.

- In December 2013, the Bureau, in conjunction with the FRB, FDIC, NCUA, OCC, and the Federal Housing Finance Agency (FHFA), issued a final rule that creates exemptions from certain appraisal requirements for a subset of higher-priced mortgage loans. The exemptions are intended to save borrowers time and money while still ensuring that the loans are financially sound. The final rule provides that loans of $25,000 or less and certain "streamlined" refinancings are exempt from the Dodd-Frank Act appraisal requirements, which went into effect on January 18, 2014. In addition, the final rule contains special provisions for manufactured homes.

- The Bureau is also taking steps to prepare for a rulemaking to implement Dodd-Frank Act amendments to HMDA. The Bureau, along with the Small Business Administration Office of Advocacy and the Office of Management and Budget, launched a small business review panel process to gather input on the rulemaking in February 2014, and the Bureau is conducting extensive outreach with other stakeholders. The rulemaking focuses on implementing Dodd-Frank Act mandates to collect and report additional data elements. The CFPB will take steps to protect privacy interests of mortgage applicants and borrowers in the course of making any additional data available to the public under HMDA. The Bureau is using the rulemaking as an opportunity to explore ways to modernize and streamline the HMDA, particularly in light of other regulatory and mortgage market initiatives to improve the consistency of data standards and information flows.

- The Bureau is also continuing to work on certain issues from the January 2013 rulemakings that warrant additional follow up. For example, it is conducting further research in connection with certain Dodd-Frank Act provisions issues that modify general requirements for small creditors that operate predominantly in "rural or underserved" areas.

In addition to this mortgage-related work, the Bureau also continued to implement comprehensive new protections for consumers' remittance transfers to foreign countries as mandated by the Dodd-Frank Act. In April 2013, the Bureau issued a rule adjusting certain requirements concerning the disclosure of foreign taxes and recipient institution fees to address concerns that large numbers of remittance providers would be unable to comply with the new regime and would therefore reduce services. The new remittance protections, which include transaction cancellation and error resolution rights in addition to disclosures, took effect on October 28, 2013. In addition to working with industry and providing consumer education materials regarding implementation of the new requirements as described further below, the Bureau has also undertaken work to assess the operation of a temporary statutory exception that allows certain depository institutions to estimate certain disclosure elements. In April 2014, the Bureau intends to issue a proposal seeking comment on whether to extend the temporary exception to allow such estimates beyond July 2015, when the temporary exception will sunset absent Bureau action.

4.2 Addressing longstanding consumer protection and regulatory burden concerns in other markets

In addition to work implementing Dodd-Frank Act mandates relating to mortgages and remittance transfers, the Bureau has focused attention on a number of issues in other consumer financial products and services markets. This work includes rulemakings to address concerns about regulations the Bureau inherited from other agencies, as well as research and other preparations for rulemakings to address several longstanding issues regarding prepaid cards, debt collection, payday loans and deposit advance programs, and overdraft features on deposit accounts.

With regard to inherited regulations, the Bureau issued a Request for Information in December 2011 seeking comment on opportunities to streamline, modernize, and harmonize regulations that it inherited from other federal agencies. The Bureau has sought to address such concerns in the course of its rulemakings, for instance, by using the rulemakings to consolidate mortgage disclosures under TILA and RESPA to address concerns about vague or unnecessarily

burdensome requirements in the existing regulations. The Bureau has also launched other rulemaking and guidance initiatives, such as:

- In response to reports that employers, particularly in the retail and food service industries, were distributing wages solely through payroll cards, the Bureau published a bulletin in September 2013 to remind employers of the requirements for such cards under EFTA and Regulation E. The bulletin emphasizes that employers are prohibited from requiring their employees to receive wages on a payroll card and explains some of the federal consumer protections that apply to payroll cards, such as fee disclosure, access to account history, limited liability for unauthorized use, and error resolution rights.
- In spring 2014, the Bureau is working to prepare a Notice of Proposed Rulemaking to seek comment on ways to provide more efficient delivery of annual notices regarding financial institutions' information sharing practices under the Gramm-Leach-Bliley Act. In responding to the earlier Request for Information on streamlining, a large number of commenters suggested that the delivery of duplicate paper notices year after year results in unwanted paperwork for consumers and unwarranted costs for industry.

As reflected in its most recent regulatory agenda, the Bureau is also beginning work on a number of other potential rulemaking projects to address longstanding concerns in other consumer financial services markets. For example:

- The Bureau is developing a proposed rule building on the comments received concerning its earlier ANPR on general purpose reloadable prepaid cards, which are currently not subject to the same federal protections as debit and payroll cards or checking accounts.
- In November 2013, the Bureau issued an ANPR concerning debt collection, which generates more complaints to the federal government each year than any other consumer financial services market. The ANPR collects information on a wide array of issues, including the accuracy of information used by debt collectors, how to ensure consumers know their rights, the communication tactics collectors employ to recover debts, and the need to adapt the Fair Debt Collection Practices Act to account for modern technologies and media.
- The Bureau is in the process of considering what regulations to propose to address issues in the market for small dollar credit that have been identified through the Bureau's

research and public engagement. The Bureau expects to convene a Small Business Review Panel to provide feedback on proposals the Bureau is considering in Fall 2014.

- The Bureau is considering whether regulations are warranted to address issues that have been identified in connection with bank and credit union overdraft practices, notably concerns about whether the overdraft costs on consumer checking accounts can be anticipated and avoided, as discussed in a June 2013 Bureau report.

4.3 Facilitating implementation of new regulations

As the Bureau has issued regulations to implement Dodd-Frank Act remittance and mortgage requirements, it has focused intensely on supporting the implementation process for these rules with both industry and consumers. The Bureau is in the process of assessing lessons learned from these implementation support initiatives as it plans further work in preparation for the new federal mortgage disclosure forms taking effect in August 2015.

These implementation support initiatives have included publication of plain-language small entity compliance guides and video presentations giving an overview of the rules, as well as in some cases, proposing various clarifications and amendments to certain regulations as discussed above. For the January 2013 mortgage rules, the Bureau also issued a readiness guide and other implementation materials, and coordinated closely with other agencies to develop and issue interim examination procedures well in advance of the effective dates of most of the rules. The materials are housed on specific Regulatory Implementation pages on the Bureau's website to facilitate industry access, particularly for smaller businesses with limited legal and compliance staff.[54] Bureau staff has also engaged in extensive outreach to discuss the new rules, identify and address implementation issues as they arise, and provide informal oral guidance in response to interpretive inquiries from a myriad of stakeholders.

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[54] http://www.consumerfinance.gov/regulatory-implementation/.

The Bureau has also launched consumer-focused initiatives to educate consumers about their new rights. For example, in October 2013, the Bureau launched a nationwide multimedia campaign to inform consumers who send money internationally about the new remittances protections and posted consumer-focused summaries and factsheets about the new rule. In November 2013, the Bureau launched a tool to help consumers find local housing counseling agencies to answer their questions or address their concerns.[55] And in January 2014, the Bureau released additional consumer-oriented resources, such as sample letters, consumer tools, and answers to mortgage-related questions, as part of its campaign to educate the public about the new protections provided by the Bureau's mortgage rules.[56]

Bureau staff is also working to monitor implementation of the new rules as they take effect, and to prepare broader research efforts to assess the impact of the rules over time. This information will provide vital feedback to the Bureau both in assessing the need for follow up within the remittances and mortgage markets and in improving its general rulewriting process over time.

Finally, one other important initiative launched by the Bureau to support both new and ongoing compliance efforts is the release of its "eRegulations" project, in which the Bureau released a web-based, open source tool that aims to make regulations easier to find, read, and understand. The Bureau began this effort in October 2013 with the online release of Regulation E (including the new remittance transfer rules) with the goals of increased compliance, more efficient supervision, and improved accessibility.[57] The Bureau expects to publicly announce a version of Regulation Z in May 2014.

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[55] http://www.consumerfinance.gov/find-a-housing-counselor/.

[56] http://www.consumerfinance.gov/newsroom/cfpb-releases-new-mortgage-rule-resources-for-consumers/.

[57] http://www.consumerfinance.gov/eregulations/1005.

5. Supervision

The CFPB continues to develop and refine its supervisory program. Supervision Examinations and Supervision Policy, the Bureau's two supervisory offices, continue to coordinate closely to ensure supervisory consistency across markets, charters, and regions; and to maximize efficiency in examination activities.

During the reporting period, the CFPB initiated a comprehensive evaluation of the report review process at both the headquarters and regional levels. The initial review findings were released to CFPB senior leadership in December 2013 with implementation of recommendations scheduled to begin in the second quarter of FY 2014. The Bureau will continue to review and analyze its processes to determine methods for improvement and increased effectiveness and efficiency.

As mentioned in the previous report, the Bureau's focus on consumer protection and the wide range of entities and products under the Bureau's supervisory authority necessitates a risk-based approach to its examination program. The examination prioritization process takes into account various risk factors and allows for comparisons of products across different types of entities. This process allows the CFPB to direct its examination resources to the products and markets that pose greater risks to consumers.

5.1 Supervisory activities

Since the last Semi-Annual Report was released in November 2013, the CFPB has issued the following public documents:

Supervisory highlights

Continuing the CFPB's policy of transparency, Supervision has committed to periodically issuing "Supervisory Highlights." The goal of this publication is to inform both industry and the public about the development of the Bureau's supervisory program, as well as to discuss broad trends

in examination findings in key market or product areas. The third edition of Supervisory Highlights, issued in January 2014, describes mortgage servicing problems, including unfair and deceptive practices, as well as other significant compliance issues found and addressed during supervision work completed between July and October 2013. It also provides updates on public enforcement actions resulting from or supported by supervision, and relevant guidance issued during this period.

Examination procedures

Throughout the reporting period, the CFPB has maintained its commitment to help supervised institutions understand how they will be examined for compliance. The continued updates to published examination procedures reflect this commitment.

On October 9, 2013, the CFPB added transaction testing guidelines for evaluating compliance with HMDA to its examination procedures.[58] On October 22, 2013, the CFPB added examination procedures for remittance transfer examinations to the manual.[59] Remittance transfers were also included in the October 30, 2013 update of Regulation E examination procedures.[60] This update outlined procedures for evaluating compliance with EFTA.

On November 27, 2013, the CFPB released updates to examination procedures evaluating compliance with RESPA[61] and TILA.[62] These procedures are an update to the procedures released in June of 2013, and reflect the new CFPB-issued final rules that came into effect in January 2014.

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[58] http://files.consumerfinance.gov/f/201310_cfpb_hmda_compliance-bulletin_fair-lending.pdf.

[59] http://files.consumerfinance.gov/f/201310_cfpb_remittance-transfer-examination-procedures.pdf.

[60] http://files.consumerfinance.gov/f/201310_cfpb_updated-regulation-e-examination-procedures_including-remittances.pdf.

[61] http://files.consumerfinance.gov/f/201311_cfpb_respa-narrative-exam-procedures.pdf.

[62] http://files.consumerfinance.gov/f/201311_cfpb_tila-narrative-exam-procedures.pdf.

On December 3, 2013, updates to the examination procedures for education loan origination and servicing were released.[63] This update reflects the inclusion of the student loan servicing market in the larger participant regulation issued by the CFPB on December 3, 2013, effective in March 2014. It also consolidates all of the procedures related to education loan origination and servicing.

Finally, on January 10, 2014, updates to the procedures for examination of an institution's mortgage servicing[64] and origination[65] practices were released. These updates synthesized all the procedures for those product lines into one document, and also included updates on the regulatory changes that took effect in January 2014.

5.2 Supervisory guidance

Readiness and compliance guides

In December of 2013, the CFPB issued the second version of the *Dodd-Frank Mortgage Rules Readiness Guide*, for use by institutions of all sizes.[66] This Guide is intended to assist institutions to come into and maintain compliance with the mortgage rules and amendments to existing regulations in Dodd-Frank.

During the reporting period, the CFPB also updated its series of Small Entity Compliance Guides, in particular providing updates related to the new mortgage rules.[67] These guides are updated periodically, and provide specific guidance to small entities on various aspects of the Dodd-Frank mortgage reform regulations.

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[63] http://files.consumerfinance.gov/f/201312_cfpb_exam-procedures_education-loans.pdf.

[64] http://files.consumerfinance.gov/f/201401_cfpb_mortgage-servicing-exam-procedures.pdf.

[65] http://files.consumerfinance.gov/f/201401_cfpb_mortgage-origination-exam-procedures.pdf.

[66] http://files.consumerfinance.gov/f/201312_cfpb_mortgage-implementation-readiness-guide.pdf.

[67] http://files.consumerfinance.gov/f/201401_cfpb_atr-qm_small-entity-compliance-guide.pdf.

CFPB bulletin 2013-11: HMDA and Regulation C – Compliance management; CFPB HMDA Resubmission Schedule and Guidelines; HMDA enforcement

In this bulletin, the CFPB addresses mortgage lenders' compliance with HMDA and its implementing regulation, Regulation C. This bulletin addresses three main issues: it provides guidance on compliance with HMDA and Regulation C to depository and non-depository mortgage lenders subject to the CFPB's jurisdiction that must collect and accurately report data under HMDA, by highlighting how mortgage lenders may effectively structure HMDA compliance management systems; it announces the CFPB's HMDA Resubmission Schedule and Guidelines, which the Bureau will use in its HMDA data integrity reviews beginning on or after January 18, 2014; and it discusses factors that the CFPB may consider when evaluating whether to pursue a public HMDA enforcement action.

CFPB bulletin 2013-12: Implementation guidance for certain mortgage servicing rules

This bulletin provides guidance on compliance with RESPA and TILA. Specifically, the bulletin provides guidance on three issues: policies and procedures regarding identification of and communication with any successor in interest of a deceased borrower with respect to the property secured by the deceased borrower's mortgage loan; communications with borrowers under the Early Intervention Rule; and servicers' obligation to provide certain notices/communications to borrowers who have exercised their rights under the Fair Debt Collection Practices Act to bar debt collectors from communicating with them.

CFPB bulletin 2013-13: Homeownership counseling list requirements

This bulletin provides guidance to lenders regarding the homeownership counseling list requirement finalized in the High-Cost Mortgage and Homeownership Counseling Amendments to TILA (Regulation Z) and Homeownership Counseling Amendments to RESPA Final Rule (2013 HOEPA Final Rule). The bulletin indicates that lenders developing systems in good faith to generate their own lists to satisfy the regulation may provide a standard text and the resources on the CFPB website to consumers as an interim measure without raising regulatory or supervisory concerns.

CFPB Bulletin 2014-01: the FCRA's requirement that furnishers conduct investigations of disputed information

This bulletin highlights the obligation of furnishers to investigate disputed information in a consumer report. The bulletin addresses the Bureau's concern that when a furnisher responds to a consumer's dispute, it may, without conducting an investigation, simply direct the consumer reporting agency to delete the item it has furnished. The bulletin provides guidance to furnishers that they should not assume that simply deleting the item they have furnished will generally constitute a reasonable investigation under the law.

Social media: Consumer compliance risk management guidance

As a member of the Federal Financial Institutions Examination Council (FFIEC), the CFPB contributed to guidance on the applicability of existing regulations to activities conducted via social media by supervised entities.

Supervisory authority rulemakings

In addition to the areas of supervisory authority enumerated by the Dodd-Frank Act, the Bureau has the authority to supervise the "larger participant[s]" of markets for other consumer financial products or services, as the Bureau defines by rule. On December 3, 2013, the CFPB finalized a rule defining the "larger participants" of the student loan servicing market that will be subject to the CFPB's supervisory authority.[68] On January 31, 2014, the Bureau proposed a rule to define the "larger participants" of the market for international money transfers.[69]

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[68] http://www.gpo.gov/fdsys/pkg/FR-2013-12-06/pdf/2013-29145.pdf.

[69] http://www.gpo.gov/fdsys/pkg/FR-2014-01-31/pdf/2014-01606.pdf.

5.3 Coordination and information sharing with state regulators

The CFPB and state regulators coordinate on examinations under a framework for coordination on supervision and enforcement entered into by the CFPB and the Conference of State Bank Supervisors, acting on behalf of state financial regulatory authorities. The framework applies in situations where the CFPB and state regulators each have supervisory jurisdiction over particular banks or nonbanks. The framework is an outgrowth of information sharing MOUs entered into by the CFPB and 62 state financial regulatory authorities in all 50 states, Puerto Rico, the District of Columbia, and Guam. The MOUs provide that state regulators and the CFPB will work together to achieve examination efficiencies and to avoid duplication of time and resources expended, and they also establish safeguards and restrictions on the treatment of any shared information.

5.4 Examiner training and commissioning

The CFPB's Supervision Learning & Development (SL&D) team is responsible for training and commissioning the Bureau's field examination staff. The primary vehicle for commissioning will be SL&D's Examiner Commissioning Program (ECP). When complete, the ECP will include six instructor-led, classroom-based courses, as well as formal on-the-job training (OJT) modules, formal learning-transfer measures, a rotation assignment, and a comprehensive commissioning exam. Completed and fully-implemented components of the ECP currently include 32 formal OJT modules and the following instructor-led classroom-based courses: Excellence through Communication and Collaboration, Operations and Deposits/Prepaid Products, Lending Principles, and Fair Lending Examination Techniques. An Advanced Communications course and Capstone course are in development to complete the formal classwork for commissioning. SL&D is targeting Summer 2014 to release a final ECP Policy and the last quarter of the 2014 calendar year to have all components of the ECP completed and implemented.

Once all parts of the ECP are finished and fully deployed, the two paths to examiner commissioning will be through previous commissioning by another federal regulator (as required by the Dodd-Frank Act), and through successful completion of the ECP, including the comprehensive exam. In the meantime, SL&D is currently operating under an Interim Commissioning Policy (ICP), which allows regional directors to submit executive review

nomination memos for highly experienced examiners and field managers. Currently, 102 examiners have CFPB commissions.

5.5 Technology

The CFPB continues development of an improved Supervision and Examination system. This system aids the Bureau in supervising and enforcing consumer financial protection laws by utilizing current technology to support the monitoring of bank and nonbank entities, and to collaborate across offices to improve the efficiency of the supervisory process. The development of system functionality is prioritized by business needs.

5.6 2013 annual report for the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Act)[70]

The CFPB's administration of the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Act) during 2013 generally focused on the Act's provisions related to the licensing and/or registration of loan originators covered by the Act. The licensing and/or registration of such loan originators is facilitated by the Nationwide Mortgage Licensing System and Registry (NMLSR), which is managed by state regulatory officials, including officials from the Conference of State Bank Supervisors (CSBS).

Throughout 2013, officials from the CFPB and CSBS met regularly to discuss issues related to the operation of the NMLSR and to coordinate policy related to its management and functions. For example, the meetings have been used to discuss NMLSR information sharing between state and Federal regulators, and to provide background briefings on changes to NMLSR functions,

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[70] The SAFE Act calls for an annual report to Congress on the effectiveness of the Act. 12 U.S.C. § 5115(a). This section of the CFPB's Semi-Annual Report constitutes the annual SAFE Act Report for 2013.

such as scoring methodology on licensing exams. Meetings included visits to the NMLSR operation location and direct discussions with NMLSR managers, demonstrations of NMLSR technology, and training opportunities to navigate the NMLSR. In addition to regularly scheduled meetings, CSBS officials contact the CFPB as needed to provide information about system irregularities, such as a shutdown or restoration of service, and to consult on questions from loan originators.

In 2013, the CFPB published a final rule amending the Loan Originator Rule in Regulation Z under TILA. The Loan Originator Rule governs compensation and qualification requirements for loan originators. It clarifies permissible compensation practices for loan originators and provides and establishes certain minimum qualifications for all loan originators. The final rule imposes duties on loan originator organizations to make sure that their individual loan originators are licensed or registered as applicable under the SAFE Act and other applicable law. For loan originator employers whose employees are not required to be licensed, the rule requires them to ensure that their loan originator employees meet character, fitness, and criminal background standards similar to existing SAFE Act licensing standards.

The CFPB also continued to provide guidance to industry and state governments on implementation of the SAFE Act. For example, in addition to fielding thousands of industry guidance calls on its rules generally, the CFPB maintains a SAFE Act Inquiries email box to manage questions about the SAFE Act and the Act's implementing regulations. The email box has provided a useful mechanism for fielding SAFE Act questions from loan originators and loan originator organizations, and for identifying issues associated with the SAFE Act regulations. The CFPB will continue to maintain the email box, and work with individual loan originators and loan originator organizations on their questions relating to SAFE Act compliance.

6. Enforcement

The CFPB aims to enforce the consumer protection laws within the Bureau's jurisdiction consistently and to support consumer-protection efforts nationwide by investigating potential violations both independently and in conjunction with other federal and state law enforcement agencies.

6.1 Conducting investigations

Since the CFPB's launch, the Office of Enforcement has been investigating potential violations of federal consumer financial laws. Some investigations were transferred to the Bureau by the prudential regulators and HUD, and the Bureau initiated other investigations based on potentially problematic practices that Bureau staff identified or consumers and others have reported. In utilizing its investigation resources, Enforcement considers many factors, including amount of consumer harm and the significance of the potential law violation. Investigations currently underway span the full breadth of the Bureau's enforcement jurisdiction. Further detail about ongoing investigations will not generally be made public by the Bureau until a public enforcement action is filed.

6.2 Enforcement actions

Section 1016(c)(5) of the Dodd-Frank Act requires the Bureau to include in the annual report "a list, with a brief statement of the issues, of the public supervisory and enforcement actions to which the Bureau was a party during the preceding year." The Bureau was a party in 31 public enforcement actions from April 1, 2013 through March 31, 2014, detailed as follows:

Consumer Financial Protection Bureau et al. v. Ocwen Financial Corporation and Ocwen Loan Servicing, LLC, (D.D.C. No. Case 1:13-cv-02025-RMC) (final consent judgment and order filed February 26, 2014).

The CFPB, along with authorities in 49 states and the District of Columbia, obtained an order from a federal court against the nation's largest nonbank mortgage loan servicer, Ocwen Financial Corporation, and its subsidiary, Ocwen Loan Servicing, addressing Ocwen's misconduct at every stage of the mortgage servicing process. The consent order requires Ocwen to provide $2 billion in principal reduction to underwater borrowers and to refund $125 million to nearly 185,000 borrowers who have already been foreclosed upon. The order also extends the standards for servicing loans found in the National Mortgage Settlement, as well as several new standards, to all of Ocwen's loans.

In the Matter of: 1st Alliance Lending, LLC (File No. 2014-CFPB-0003) (consent order entered February 24, 2014).

1st Alliance, a Connecticut mortgage lender, was ordered to pay $83,000 in civil penalties after self-reporting to the Bureau that it had violated federal law by illegally splitting real estate settlement fees. 1st Alliance had used a hedge fund to refinance troubled mortgages it obtained from mortgage servicers. But when 1st Alliance obtained financing elsewhere, it continued to split origination and loss-mitigation fees with the hedge fund, notwithstanding the fact that the fund was no longer providing any funding or other services to 1st Alliance, in violation of RESPA. 1st Alliance cooperated with the investigation, admitted liability, and provided information that facilitated other enforcement investigations.

Consumer Financial Protection Bureau v. PHH Corp. et al. (File No. 2014–CFPB-0002) (notice of charges filed January 29, 2014).

The CFPB initiated an administrative proceeding against PHH Corporation and its affiliates, alleging that they harmed consumers through a mortgage insurance kickback scheme that started as early as 1995. A CFPB investigation showed that when PHH originated mortgages, it referred consumers to mortgage insurers with which it partnered. In exchange for this referral, these insurers purchased "reinsurance" from PHH's subsidiaries. CFPB alleges that PHH took the reinsurance fees as kickbacks, in violation of RESPA, which protects consumers by banning kickbacks that tend to unnecessarily increase the cost of mortgage settlement services. The CFPB alleges that because of PHH's scheme, PHH received as much as 40 percent of the

premiums that consumers paid to insurers and PHH collected hundreds of millions of dollars in kickbacks, while consumers ended up paying excessive mortgage insurance premiums.

In the Matter of: Fidelity Mortgage Corporation and Mark Figert (File No. 2014-CFPB-0001) (consent order entered January 16, 2014).

The CFPB took action against Fidelity Mortgage Corporation, a Missouri mortgage lender, and its former owner and current president, Mark Figert, after an investigation revealed that Fidelity had paid kickbacks in the form of inflated office-space rental payments to a bank in exchange for customer referrals in violation of RESPA. Under the consent order, Fidelity and Figert will disgorge $27,076 and pay $54,000 in civil penalties.

Consumer Financial Protection Bureau and United States of America v. National City Bank (W.D. Pa. No. 2:13-cv-01817-CB) (final consent judgment and order entered January 9, 2014).

At the request of the CFPB and the DOJ, a federal district court in Pennsylvania ordered National City Bank—now owned by PNC—to pay $35 million in restitution to African-American and Hispanic borrowers who were charged higher prices on mortgage loans than similarly-situated non-Hispanic borrowers. This matter is discussed in more detail in the Fair Lending Enforcement section of this Report.

In the Matters of: American Express Centurion Bank, et al. (File Nos. 2013-CFPB-0011, 0012, 0013) (consent orders entered December 24, 2013).

The CFPB, working with the FDIC and OCC, ordered American Express to refund approximately $59.5 million to more than 335,000 consumers for illegal credit card practices including unfair billing tactics and deceptive marketing of credit card add-on products. Consumers were misled about benefits of payment protection products, the terms and conditions, and the applicability of certain fees. In addition to consumer refunds, the CFPB has ordered American Express to pay $9.6 million in civil penalties.

In the Matter of: Ally Financial Inc., and Ally Bank (File No. 2013-CFPB-0010) (consent order entered December 19, 2013).

The CFPB, in close coordination with the Department of Justice, ordered Ally Financial Inc. and Ally Bank (collectively, "Ally") to pay $80 million in damages to harmed African-American, Hispanic, and Asian and Pacific Islander borrowers for discriminatory pricing of indirect auto loans. In addition, the CFPB ordered Ally to pay $18 million in civil penalties and to take

corrective action to prevent future discrimination. This matter is discussed in more detail in the Fair Lending Enforcement section of this Report.

Consumer Financial Protection Bureau v. CashCall, Inc., et al. (D. Mass. No. 1:13-cv-13167) (complaint filed December 16, 2013).

The CFPB filed a complaint against an online loan servicer, CashCall, Inc., for engaging in unfair, deceptive, and abusive practices, including debiting consumer checking accounts for loans that were void. The complaint seeks injunctive and monetary relief, as well as penalties for CashCall's allegedly collecting on debts that consumers do not owe.

In the Matter of GE Capital Retail Bank, CareCredit LLC (File No. 2013-CFPB-0009) (consent order entered December 10, 2013).

The CFPB ordered GE Capital Retail Bank and its subsidiary CareCredit to refund up to $34.1 million to potentially more than one million consumers for illegal credit card enrollment practices. At doctors' and dentists' offices around the country, consumers were signed up for CareCredit credit cards thought to be interest free but that actually accrued interest that kicked in if the full balance was not paid at the end of a promotional period. The Bureau's investigation uncovered evidence of deceptive enrollment processes, inadequate disclosures, and poor training of the staff in providers' offices who were responsible for enrolling consumers. GE Capital and CareCredit were ordered to create a reimbursement fund, improve consumer disclosures with plain language descriptions and other consumer protection features, and institute mandatory training for staff responsible for enrollment.

In re: 3D Resorts-Bluegrass, LLC (W.D. Ky. Bankruptcy No. 11-41599) (proof of claim filed July 20, 2012); ***In the Matter of: 3D Resorts-Bluegrass, LLC*** (File No. 2013-CFPB-0002) (consent order entered December 2, 2013).

In the bankruptcy action, the CFPB filed a proof of claim related to potential violations including alleged misrepresentations by a developer/lot seller and others regarding the registration, marketing, and sale of certain lots on a property known as the Green Farms Resort in Grayson and Breckinridge Counties, Kentucky. In the administrative action, the Bureau filed a Notice of Charges against 3D Resorts-Bluegrass alleging a series of violations of the Interstate Land Sales Full Disclosure Act. The bankruptcy court approved a settlement between the parties and a consent order in the administrative action was entered on December 2, 2013. Under the settlement agreement and consent order, affected consumers will receive meaningful relief, including, depending on the consumer's circumstance: the option of returning the lots in

exchange for forgiveness of the outstanding mortgage, or the option of receiving a payment of $4,000 or $1,000. Among other relief, the Bureau received $50,000 to be distributed to harmed consumers to the extent practicable.

In the Matter of: Cash America International, Inc. (File No. 2013-CFPB-0008) (consent order entered November 20, 2013).

In this case, the CFPB took its first enforcement action against a payday lender, Cash America International, Inc., for robo-signing court documents related to debt collection lawsuits, illegally overcharging servicemembers in violation of the Military Lending Act, and destroying records in advance of the Bureau's examination. Cash America will complete consumer refunds of up to $14 million and pay a $5 million civil penalty.

Consumer Financial Protection Bureau v. Castle & Cooke Mortgage, LLC, et al. (D. Utah No. 2:13-cv-684DAK) (stipulated final judgment and order entered November 12, 2013).

On July 23, 2013, the CFPB filed a complaint in the United States District Court for the District of Utah against Castle & Cooke Mortgage, LLC, and two of its officers, for violating the Loan Originator Compensation rule, record-retention requirements of Regulation Z, and Title X of the Dodd-Frank Act. The CFPB alleged that the defendants paid bonuses to loan officers who steered consumers into mortgages with higher interest rates. In addition to injunctive relief prohibiting the unlawful practices, the settlement required the defendants to pay, jointly and severally, consumer redress totaling more than $9.2 million – the amount of money that consumers paid that went to unlawful bonuses. The settlement also required defendants to pay, jointly and severally, a $4 million civil penalty.

Consumer Financial Protection Bureau v. Borders & Borders, PLC et al. (W.D. Ky. No. 3:13-cv-01047-JGH) (complaint filed October 24, 2013).

The CFPB filed a complaint alleging that Borders & Borders, a real estate closing law firm, had set up joint ventures with local real estate and mortgage brokers for the purpose of funneling kickbacks to those brokers in exchange for referrals to Borders & Borders.

In the Matter of: Washington Federal (File No. 2013-CFPB-0005); ***In the Matter of: Mortgage Master, Inc.*** (File No. 2013-CFPB-0006) (consent orders entered October 9, 2013).

After CFPB exams uncovered significant errors in the mortgage loan data provided by these two entities under HMDA, the Bureau ordered the companies—a bank and a non-bank—to pay civil

penalties, correct and resubmit data required by HMDA, and to develop and implement effective HMDA compliance management systems to prevent future violations. This matter is discussed in more detail in the Fair Lending Enforcement section of this Report.

Consumer Financial Protection Bureau v. Meracord LLC and Linda Remsberg (W.D. Wash. No. 3:13-cv-05871) (stipulated final judgment and consent order entered on October 4, 2013).

At the request of the CFPB, a federal district court in Tacoma, Washington, ordered a leading debt-settlement payment processor, Meracord LLC, and its CEO and owner, Linda Remsberg, to pay a $1.376 million civil penalty for helping other companies collect millions of dollars in illegal upfront fees from consumers. Meracord and Remsberg are also subject to a lifetime ban from processing payments for debt relief services and mortgage relief services.

In the Matter of: JPMorgan Chase Bank, N.A., and Chase Bank USA, N.A. (File No. 2013-CFPB-0007) (September 19, 2013).

This enforcement action is the result of work started by the OCC, which the Bureau joined last year. The CFPB issued a consent order that found Chase Bank USA, N.A., and JPMorgan Chase Bank, N.A. (Chase) engaged in unfair billing practices for certain credit card "add-on products" by charging consumers for credit-monitoring services that they did not receive. Chase enrolled consumers in credit card add-on products that promised to monitor customer credit and alert consumers to potentially fraudulent activity. Chase, however, charged consumers for these products without or before having the written authorization necessary to perform the monitoring services. The CFPB ordered Chase to refund an estimated $309 million to more than 2.1 million customers and assessed a $20 million civil money penalty. Chase was also ordered to end unfair billing practices, repay consumers in a convenient manner requiring no action by consumers, submit to an audit, and improve oversight of third-party vendors who manage identity protection products.

Consumer Financial Protection Bureau v. Morgan Drexen, Inc., et al. (C.D. Cal. No. 13-cv-01267) (complaint filed August 20, 2013).

On August 20, 2013, the CFPB filed a lawsuit in federal district court against a Nevada corporation, Morgan Drexen, Inc. (Morgan Drexen), and its President and Chief Executive Officer, Walter Ledda. In the complaint, the CFPB alleged that Morgan Drexen and Ledda have violated the Telemarketing Sales Rule and the Dodd-Frank Act by charging illegal up-front fees

for debt-relief services, and falsely representing to consumers that they would become debt free in months if they worked with Morgan Drexen.

Consumer Financial Protection Bureau v. Gordon, et al. (C.D. Cal. No. 12-cv-06147) (stipulated judgment and order entered against various defendants on February 1, 2013; order granting the Bureau's motion for summary judgment against other defendants entered June 26, 2013; appeal pending).

This action involved a nationwide mortgage relief scheme in which the CFPB alleged that the defendants took advantage of financially distressed homeowners by promising to help them obtain loan modifications and charging them advance fees ranging from $2,500 to $4,500. On February 1, 2013, the court entered a stipulated final judgment and order for permanent injunction as to defendants Abraham Michael Pessar, Division One Investment and Loan, Inc., and Processing Division, LLC.

On June 26, 2013, the court granted summary judgment in favor of the CFPB against defendants Chance Edward Gordon and the Gordon Law Firm, P.C. (collectively, "Gordon"), finding that those defendants violated the Dodd-Frank Act by falsely representing: (1) that consumers would obtain mortgage loan modifications that substantially reduced consumers' mortgage payments or interest rates; (2) that consumers would obtain loan modifications that substantially reduced consumers' mortgage payments as a result of forensic audits conducted by defendants; and (3) that defendants were affiliated with, endorsed by, or approved by the U.S. government. The Court also found that Gordon violated Regulation O by receiving up-front payments, failing to make required disclosures, wrongly directing consumers not to contact lenders, and misrepresenting material aspects of defendants' services. The court awarded an $11,403,338.63 judgment for disgorgement and restitution against Gordon. Gordon filed a notice of appeal of the court's decision on August 23, 2013.

Consumer Financial Protection Bureau v. Jalan, et al. (C.D. Cal. No. 8:12-cv-02088) (judgment entered July 23, 2013).

This action involves a nationwide mortgage relief scheme that the CFPB alleges took advantage of financially distressed homeowners. The defendants promised to help those homeowners obtain loan modifications and charged them advance fees ranging from $1,000 to $3,000 or more. The defendants provided consumers with little, if any, meaningful assistance to modify their mortgages. The complaint charged that these practices violated the Dodd-Frank Act and the Mortgage Assistance Relief Services Rule, recodified as Regulation O. On December 4, 2012, at the Bureau's request, the U.S. District Court issued a temporary restraining order, effectively

halting the alleged scheme, and the defendants subsequently stipulated to a preliminary injunction that was issued on December 14, 2012. On July 23, 2013, the court issued a default judgment and awarded $2,057,983 in restitution for victims and a total of $1,050,000 in civil money penalties, along with permanent injunctive relief.

In the Matter of: U.S. Bank National Association, File No. 2013-CFPB-0003; ***In the Matter of: Dealers' Financial Services, Inc.***, File No. 2013-CFPB-0004 (consent orders entered June 27, 2013).

These actions resulted from a CFPB targeted review of the Military Installment Loans and Educational Services (MILES) auto financing program at U.S. Bank and the subsequent, related targeted review of the program at Dealers' Financial Services, Inc. (DFS). The Bureau found U.S. Bank to have made inaccurate disclosures relating to the required use of military pay allotments to pay off the MILES installment loans. Additionally, U.S. Bank and DFS were found to have deceptively marketed the cost and coverage of certain add-on products sold in connection with the MILES installment loans.

The Bureau issued consent orders requiring U.S. Bank and DFS to provide restitution of approximately $3.2 million and $3.3 million, respectively, to about 50,000 servicemembers. The consent orders also direct both entities to stop requiring servicemembers to repay their auto loans by military pay allotment and to stop their deceptive marketing practices.

Consumer Financial Protection Bureau v. American Debt Settlement Solutions, Inc., et al. (S.D. Fla. No. 9:13-cv-80548) (stipulated final judgment entered June 7, 2013).

The CFPB obtained a stipulated final judgment in federal district court against a Florida debt-relief company, American Debt Settlement Solutions, Inc. (ADSS), and its owner, Michael DiPanni. The CFPB's investigation revealed that ADSS routinely charged consumers advance fees before attempting to settle their debts in violation of the Telemarketing Sales Rule and the Dodd-Frank Act. The investigation also found that ADSS engaged in several deceptive practices and one abusive practice – namely, collecting advance fees from consumers who ADSS knew could not afford to complete the debt-relief program. The court, at the request of the parties, entered a suspended judgment of $499,247.96 in equitable monetary relief against ADSS, imposed a $15,000 civil penalty, and permanently enjoined ADSS and DiPanni from engaging in debt-relief.

In the Matter of Paul Taylor, Paul Taylor Homes Limited, and Paul Taylor Corp., File No. 2013-CFPB-0001 (consent order entered May 17, 2013).

The CFPB determined that Paul Taylor and Paul Taylor Homes violated RESPA's prohibition on accepting "fees, kickbacks or other things of value" in exchange for referring customers of settlement services involving federally related mortgage loans. The CFPB issued a consent order requiring Paul Taylor to disgorge $118,194.20. The CFPB also ordered Taylor and his companies to cease and desist from engaging in real estate settlement services or maintaining an ownership interest in any entity that provides or purports to provide real estate settlement services for a period of five years.

Consumer Financial Protection Bureau v. Mission Settlement Agency, et al. (S.D.N.Y. No.13-cv-3064) (complaint filed May 7, 2013).

The CFPB filed a complaint in the United States District Court for the Southern District of New York, alleging that the Mission Settlement Agency and its principal, Michael Levitis, routinely charged consumers advance fees before attempting to settle their debts, and engaged in deceptive and unfair practices by, among other things, misleading consumers about the timing and total cost of the fees charged in connection with the debt relief program, as well as misleading consumers into believing Mission was affiliated with the government. The complaint alleged that this conduct violated the Telemarketing Sales Rule and the Dodd-Frank Act. In addition, the complaint charged Premier Consulting Group, the Law Offices of Michael Levitis, and the Law Offices of Michael Lupolover with taking advance fees prior to settling a debt in violation of the Telemarketing Sales Rule. The United States Attorney's Office for the Southern District of New York filed a parallel criminal indictment against Mission Settlement Agency and Michael Levitis alleging conspiracy, mail fraud, and wire fraud, based on the above conduct. Mission and Levitis have pleaded guilty to those charges.

Consumer Financial Protection Bureau v. Mortgage Guaranty Insurance Corp. (S.D. Fla. No. 1:13-cv-21187) (final consent judgment and order entered April 5, 2013); ***Consumer Financial Protection Bureau v. Genworth Mortgage Insurance Corp.*** (S.D. Fla. No. 1:13-cv-21183) (final consent judgment and order entered April 5, 2013); ***Consumer Financial Protection Bureau v. United Guaranty Corp.*** (S.D. Fla. No. 1:13-cv-21189) (final consent judgment and order entered April 8, 2013); ***Consumer Financial Protection Bureau v. Radian Guaranty Inc.*** (S.D. Fla. No. 1:13-cv-21188) (final consent judgment and order entered April 9, 2013); ***Consumer Financial Protection Bureau v.***

Republic Mortgage Insurance Company (S.D. Fla. No. 1:13-cv-24146-JAL) (final consent judgment and order entered on November 15, 2013).

The CFPB brought enforcement actions against five mortgage insurance companies, after determining that the premiums they had paid for "captive reinsurance" were kickbacks to mortgage lenders prohibited under RESPA. The court entered consent orders against the five companies enjoining them from entering into captive reinsurance agreements for 10 years, assessing penalties totaling $15.5 million, and imposing compliance and reporting obligations.

7. Fair lending

As part of its mandate, the CFPB's Office of Fair Lending and Equal Opportunity (Fair Lending) is charged by Congress with "providing oversight and enforcement of Federal laws intended to ensure fair, equitable, and nondiscriminatory access to credit for both individuals and communities" that are enforced by the CFPB, including ECOA and HMDA.[71] This part of Fair Lending's mandate is accomplished primarily through fair lending supervision and enforcement work. Interagency coordination[72] and outreach to industry groups and fair lending, civil rights, consumer and community advocates[73] are also important elements of our mandate. In this update, we focus on highlights from our fair lending supervision and enforcement programs; and continued efforts in interagency coordination and outreach.[74]

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[71] Dodd-Frank Act, § 1013(c)(2)(A).

[72] Dodd-Frank Act, §1013(c)(2)(B).

[73] Dodd-Frank Act, §1013(c)(2)(C).

[74] The CFPB released its annual Fair Lending Report, pursuant to Section 1013(c)(2)(D) of the Dodd-Frank Act, in April 2014.

7.1 Fair lending supervision and enforcement

7.1.1 Fair lending supervision

The CFPB's Fair Lending Supervision Program assesses compliance with Federal consumer financial laws and regulations at banks and nonbanks over which the Bureau has supervisory authority. Supervision activities range from assessments of the institutions' fair lending compliance management systems to in-depth reviews of products or activities that may pose heightened fair lending risks to consumers. As part of its Fair Lending Supervision Program, the Bureau continues to conduct three types of fair lending reviews at Bureau-supervised institutions: ECOA baseline reviews, ECOA targeted reviews, and HMDA reviews.

ECOA baseline reviews identify and analyze risks of ECOA violations, facilitate the identification of certain types of ECOA and Regulation B violations, and inform the fair lending prioritization decisions for future CFPB reviews.

An ECOA targeted review includes an in-depth look at a specific area of fair lending risk and is conducted using the ECOA Examination Procedures within the CFPB Supervision and Examination Manual. The CFPB's priority areas for ECOA targeted reviews are mortgage lending and auto lending.

HMDA reviews include transactional testing for HMDA data accuracy, and are conducted using the HMDA Examination Procedures within the CFPB Supervision and Examination Manual. For HMDA reviews conducted after January 18, 2014, the CFPB's HMDA Resubmission Schedule and Guidelines apply. The Guidelines provide instruction to CFPB examination teams conducting HMDA reviews, and guidance to CFPB-supervised institutions about when HMDA data should be corrected and resubmitted.

7.1.2 Fair lending enforcement

The CFPB has the authority to bring enforcement actions pursuant to ECOA and HMDA. Specifically, the CFPB has the ability to conduct investigations, file administrative complaints, and hold hearings and adjudicate claims through the CFPB's administrative enforcement process. The CFPB also has independent litigating authority and can therefore file cases in federal court alleging violations of fair lending laws under the CFPB's jurisdiction. The CFPB

will also refer findings of a pattern or practice of lending discrimination in violation of ECOA to the Department of Justice (DOJ). The CFPB recently announced several fair lending enforcement actions, in the context of HMDA reporting, auto finance, and mortgage lending.

On October 9, 2013, the CFPB announced two public enforcement actions related to HMDA, 12 U.S.C. § 2801-2810, and its implementing regulation, Regulation C, 12 C.F.R. pt. 1003. These enforcement actions addressed violations of HMDA that the CFPB identified during examinations at Washington Federal Bank of Seattle, Washington, a federally insured savings and loan association subsidiary of Washington Federal, Inc.; and Mortgage Master, Inc., a large, privately owned mortgage company. The public enforcement actions resulted in an assessment of $34,000 in civil money penalties against Washington Federal, Inc., and $425,000 against Mortgage Master, Inc. The Bureau's Consent Orders also required both institutions to review, correct, and resubmit their respective HMDA data; and develop and implement HMDA compliance management systems.

On December 20, 2013, working in close coordination with the DOJ, the CFPB ordered Ally Financial Inc. and Ally Bank (Ally) to pay $80 million in damages to harmed African-American, Hispanic, and Asian and Pacific Islander borrowers and $18 million in penalties to the CFPB. On the same day, the DOJ filed a complaint and consent order in the U.S. District Court for the Eastern District of Michigan setting forth the same relief. The agencies determined that more than 235,000 minority borrowers paid higher interest rates for their auto loans between April 2011 and December 2013 because of Ally's discriminatory pricing system. This settlement represented the federal government's largest auto loan discrimination settlement in history.

As an indirect auto lender, Ally sets a risk-based interest rate, or "buy rate," and then allows auto dealers to charge a higher interest rate when they finalize the deal with the consumer. This is typically called the "markup." Ally then shares some or all of the revenue from that increased interest rate with the dealer. Markups can generate compensation for dealers while giving them the discretion to charge consumers different rates regardless of consumer creditworthiness.

The Ally enforcement action resulted from a CFPB examination that began in September 2012 and evaluated Ally's indirect auto lending program for compliance with ECOA, which prohibits creditors from discriminating against loan applicants in credit transactions on the basis of characteristics such as race and national origin. The CFPB and DOJ's coordinated investigation followed the CFPB's examination and concluded that Ally violated ECOA by charging African-American, Hispanic, and Asian and Pacific Islander borrowers higher markups for their auto loans than similarly-situated non-Hispanic white borrowers. The investigation found that these

discriminatory pricing differences resulted from Ally giving dealers the ability and incentive to mark up interest rates.

Under the consent order, Ally will pay $80 million in damages to a settlement fund that will go to harmed African-American, Hispanic, and Asian and Pacific Islander borrowers whose auto loans were purchased by Ally between April 2011 and December 2013. Ally will also pay to hire a settlement administrator to distribute funds to victims identified by the CFPB and DOJ. The CFPB will issue a Consumer Advisory once a settlement administrator is named. Ally must also monitor markups to prevent future discrimination or may choose to eliminate markups altogether. Finally, Ally will pay $18 million in penalties to the CFPB's Civil Penalty Fund.

The CFPB detailed its fair lending compliance expectations for indirect auto lending in a March 2013 bulletin. The order in Ally demonstrates the type of fair lending risk identified in the CFPB's bulletin, and is part of a larger joint effort between the CFPB and DOJ to address discrimination in the indirect auto lending market.

On December 23, 2013, the CFPB and the DOJ filed a joint complaint against National City Bank for discrimination in mortgage lending, along with a proposed order to settle the complaint. Specifically, the complaint alleged that National City Bank charged higher prices on mortgage loans to creditworthy African-American and Hispanic borrowers than similarly situated non-Hispanic white borrowers between 2002 and 2008. The DOJ also alleged that National City violated the Fair Housing Act, which similarly prohibits discrimination in residential mortgage lending. This action marked the first joint lawsuit brought in federal court by the CFPB and the DOJ to enforce federal fair lending laws.

The consent order filed by the agencies on December 23, 2013 and entered on January 9, 2014 by the U.S. District Court for the Western District of Pennsylvania requires National City's successor, PNC Bank, to pay $35 million in restitution to harmed African-American and Hispanic borrowers. The consent order also requires PNC to pay to hire a settlement administrator to distribute funds to victims identified by the CFPB and DOJ. The CFPB will release a Consumer Advisory regarding the settlement fund and administrator once an administrator is selected.

The CFPB and DOJ's joint investigation began in 2011. The agencies alleged that National City Bank's discretionary pricing and compensation policies caused the discriminatory pricing differences. National City gave its loan officers and brokers the discretion to set borrowers' rates and fees. National City then compensated the officers and brokers from extra costs paid by

consumers. Over 76,000 African-American and Hispanic borrowers paid higher costs because of this discriminatory pricing and compensation scheme.

Pursuant to Section 706(g) of ECOA, the CFPB has also referred eight matters to the DOJ with regard to:

- Discrimination on the basis of marital status in mortgage lending;
- Discrimination on the basis of race and national origin in auto finance; and
- Discrimination on the basis of age and national origin in credit cards.

7.2 Interagency fair lending coordination and outreach

7.2.1 Interagency coordination

The Bureau's Fair Lending supervision and enforcement programs involve close partnerships and coordination among the Bureau's federal and state regulatory and enforcement partners. Fair Lending continues to lead the Bureau's fair lending interagency coordination and collaboration efforts by working with partners on the Financial Fraud Enforcement Task Force's Non-Discrimination Working Group, the Interagency Task Force on Fair Lending, and the Interagency Working Group on Fair Lending Enforcement.

On October 24, 2013, the CFPB, along with other federal partners, presented a webinar on emerging fair lending issues and hot topics. The CFPB led a discussion of HMDA and Regulation C compliance. This webinar is but one example of the CFPB's commitment to working with federal regulatory and enforcement partners to ensure consistency in fair lending and access-to-credit matters.

7.2.2 Fair lending outreach

The CFPB is committed to communicating directly with industry and fair lending, civil rights, consumer, and community groups on its policies, compliance expectations, and priorities. Outreach is accomplished through Compliance Bulletins and Interagency Statements issued to

industry, for example, as well as though speeches and presentations addressing fair lending and access to credit matters.

7.2.3 CFPB bulletins

On October 9, 2013, the CFPB issued CFPB Bulletin 2013-11 (Fair Lending), "Home Mortgage Disclosure Act (HMDA) and Regulation C – Compliance Management; CFPB HMDA Resubmission Schedule and Guidelines; and HMDA Enforcement." Released in conjunction with the CFPB's HMDA Resubmission Schedule and Guidelines, the Bulletin provides guidance to mortgage lenders under the CFPB's jurisdiction on compliance with HMDA and its implementing regulation, Regulation C. The Bulletin emphasizes the importance of collecting and reporting accurate HMDA data, and highlights common components of effective HMDA compliance management systems. The Bulletin also announces the CFPB's HMDA Resubmission Schedule and Guidelines, which apply to the Bureau's HMDA data integrity reviews beginning on or after January 18, 2014. Finally, the Bulletin discusses factors that the CFPB may consider when evaluating whether to pursue a public HMDA enforcement action.

On October 22, 2013, the CFPB joined the OCC, FRB, FDIC, and NCUA to issue an interagency statement to address industry questions about the application of the disparate impact doctrine under the ECOA and Regulation B to qualified mortgages, as defined under the Bureau's Ability-to-Repay and Qualified Mortgage Standards Rule. The "Interagency Statement on Fair Lending Compliance and the Ability-to-Repay and Qualified Mortgage Standards Rule" clarified that, for the reasons described in detail in the Statement, a creditor's decision to offer only Qualified Mortgages would not, absent other factors, elevate a supervised institution's fair lending risk.

The Ability-to-Repay Rule requires creditors to make a reasonable, good faith determination that a consumer has the ability to repay a mortgage loan before extending credit to the consumer. Lenders are presumed to have complied with the Ability-to-Repay Rule if they provide "Qualified Mortgages," which must satisfy requirements that prohibit or limit risky features that harmed consumers in the recent financial crisis. In the Statement, the CFPB and the other agencies expressed their view that the requirements of the Ability-to-Repay Rule and ECOA are compatible.

7.2.4 Speeches and presentations

CFPB leadership and Fair Lending staff continue to deliver testimony, speeches, panel remarks, and presentations to diverse audiences, including Congressional committee staff, industry,

national and state fair lending and fair housing groups, and community and consumer advocates.

To continue dialogue with and among consumer and civil rights advocates, industry representatives, and federal regulatory and enforcement partners on perspectives on indirect auto finance practices, the CFPB hosted the Auto Finance Forum in November 2013. The forum included a panel of regulators from the CFPB, FRB, FDIC, FTC, DOJ, NCUA, and OCC. The regulators' panel was followed by two additional panel discussions providing on-the-ground perspectives on indirect auto finance and fair lending risk in indirect auto lending. The forum was notable for bringing together key stakeholders, including auto trade associations, lenders, and regulators, along with consumer and civil rights advocates, to discuss fair lending risk in the auto finance market.

The Bureau looks forward to continued dialogue with these and other stakeholders on important matters related to fair lending and access to credit.

8. Building a great institution: update

The CFPB seeks to promote transparency, accountability, and fairness. Built on these values, the CFPB is better able to make consumer financial markets work for consumers, honest businesses, and the economy.

8.1 Open government

The Bureau's mission is to be an agency that helps consumer finance work by making rules more effective, by consistently and fairly enforcing the rules, and by empowering consumers to take more control of their economic lives. A critical part of making financial markets work is ensuring transparency in those markets. The CFPB believes that it should hold itself to that same standard and strives to be a leader by being transparent with respect to its own activities. To accomplish this, the Bureau utilizes its website, consumerfinance.gov, as the primary vehicle to share information on the operations and decisions the CFPB undertakes every day.

Recent information posted on our website that illustrates the Bureau's commitment to openness includes:[75]

- **Freedom of Information Act**

[75] The open government section of the Bureau's website is consumerfinance.gov/open/, and all documents and pages referenced in this section may be found there.

The CFPB is the 100th federal agency to be required to report to the Department of Justice under the Freedom of Information Act (FOIA). The Bureau posted its first FOIA Annual Report and Chief FOIA Officer Report that highlighted the Bureau's accomplishments over the past year. The reports emphasize the Bureau's quick response time to requests and exemplify the Bureau's commitment to educating all of its employees on the components of the FOIA. For example, the FOIA 360 initiative has facilitated a high level of *Awareness* on FOIA throughout the entire Bureau, *Compliance* with FOIA from conducting a reasonable records search to responding within the time limits allowed by the FOIA statute, and opportunities for *Education* on FOIA to every employee. The CFPB continues to focus on developing innovative ways to further transparency and FOIA in the federal government.

- **Leadership Calendars**
  The CFPB remains committed to keeping consumers informed about the daily work of the Bureau's senior leadership by sharing their calendars. Presently, the Bureau posts the monthly calendars of Director Richard Cordray and Deputy Director Steven Antonakes to the Bureau's website. The calendars were accessed nearly 4,000 times during the time period of this report. The calendars of past leaders Elizabeth Warren and Raj Date are archived on the Bureau's website for the public to view as well.

- **Budget Updates**
  The CFPB has published regular quarterly budget updates on its website, including financial reports for each quarter of the fiscal year, three fiscal years' worth of funding requests and acknowledgements, and information about the Bureau's Civil Penalty Fund that was created under the Dodd-Frank Act.

- **General Reports**
  The CFPB published its fourth Semi-Annual Report to Congress in November 2013. This report provides Congress and the American people with an update on our mission, activities, accomplishments and publications since our last semi-annual report and contains additional information as required by the Dodd-Frank Act. The CFPB also continues to post a variety of reports to illustrate progress in several areas of the Bureau's operations and activities. Recent annual reports were posted to the CFPB's website on the CARD Act, our 2013 CFPB annual employee survey, and our financial report for FY 2013. Additionally, the Bureau published a report on college credit card agreements, an update of Supervisory Highlights, a report on payday lending, and

annual reports on the Fair Debt Collection Practices Act, the No FEAR Act, and Consumer Response.[76]

- **Guidance Updates**
  The CFPB periodically provides updates on regulations and guidance. The Bureau recently posted guidance on HMDA and Regulation C including Compliance Management, CFPB HMDA Resubmissions Schedule and Guidelines, and HMDA Enforcement. Additionally, the Bureau issued Implementation guidance for certain mortgage servicing rules, guidance on Homeownership Counseling list requirements, and FFIEC Guidance on Social Media.[77] Regulatory implementation information is available to help entities comply with the Dodd-Frank Act mortgage reforms and Bureau rules, which are delivered through downloadable compliance guides and videos. Lastly, the Office of Administrative Adjudication posts rules of practice, notices, and dockets for the public to view regarding charges and actions initiated by the CFPB based on alleged violation of federal statutes and regulations.

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[76] All reports, white papers, and other informational documents are listed in Appendix F, and also may be found at: http://www.consumerfinance.gov/reports/.

[77] http://www.consumerfinance.gov/guidance/.

9. Budget

The Bureau is committed to fulfilling its statutory responsibilities and delivering value to American consumers by being accountable and using our resources wisely and carefully. The CFPB's Operations Division is responsible for coordinating activities related to the development of the CFPB's annual budget. The Office of the Chief Financial Officer within the Division has primary responsibility for developing the budget, and works in close partnership with the Office of Human Capital, the Office of Procurement, the Technology and Innovation team, and other program offices to develop budget and staffing estimates in consideration of statutory requirements, performance goals, and priorities of the Bureau. The CFPB Director ultimately approves the CFPB budget.

9.1 How the CFPB is funded

The CFPB is funded principally by transfers made by the Board of Governors from the combined earnings of the Federal Reserve System, up to the limits set forth in the Dodd-Frank Act. The Director of the CFPB requests transfers from the Federal Reserve System in amounts that he has determined are reasonably necessary to carry out the Bureau's mission. Annual funding from the Federal Reserve System is capped at a fixed percentage of the total 2009 operating expenses of the Federal Reserve System, equal to:

- 10% of these Federal Reserve System expenses (or approximately $498 million) in fiscal year (FY) 2011;
- 11% of these expenses (or approximately $547.8 million) in FY 2012; and

- 12% of these expenses (or approximately $597.6 million) in FY 2013 and each year thereafter, subject to annual adjustments.[78]

As of March 31, 2014, the CFPB had requested transfers from the Federal Reserve totaling $307.3 million to fund CFPB operations and activities for the first two quarters of FY 2014.[79] These funds are held in an account for the Bureau at the Federal Reserve Bank of New York.

Bureau funds that are not funding current needs of the CFPB are invested in Treasury securities. Earnings from those investments are also deposited into the Bureau's account.[80]

If the authorized transfers from the Federal Reserve are not sufficient in FY 2010-2014, the CFPB has the authority to ask Congress for up to $200 million in additional funds, subject to the appropriations process.[81] The CFPB did not request an appropriation in FY 2011, FY 2012 or FY 2013, and does not plan to request one in FY 2014.

9.1.1 Fiscal year 2014 spending

As of March 31, 2014, the end of the second quarter of FY 2014, the CFPB had spent approximately $297 million (including commitments, obligations, and outlays)[82] to carry out the authorities of the Bureau under Federal financial consumer law. Approximately $125.7 million was spent on employee compensation and benefits for the 1,365 CFPB employees who were on-board by the end of the second quarter.

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[78] *See* Dodd-Frank Act, Pub. L. No. 111-203, Sec. 1017(a)(2).

[79] The Bureau posts all funding request letters on its website at consumerfinance.gov/budget.

[80] *See* Dodd-Frank Act, Pub. L. No. 111-203, Sec. 1017(b).

[81] *See id.* Sec. 1017(e).

[82] Outlays are payments that result when the CFPB issues checks, disburses cash, or makes electronic transfers of funds to pay off a current fiscal year obligation. A commitment is a reservation of funds in anticipation of a future obligation. An obligation is a transaction or agreement that creates a legal liability and obligates the government to pay for goods and services ordered or received.

In addition to payroll expenses, the largest obligations made through the end of the quarter were related to contractual services. Some of the Bureau's significant obligations that occurred in the first two quarters of FY 2014 included:

- $20.8 million for maintaining ongoing operations of CFPB's consumer contact center and enhancements to the case management database;
- $11.1 million to the Department of Treasury's Bureau of Financial Services for cross-servicing of various human resource and financial management services, such as core financial accounting, transaction processing and reporting, travel and payroll;
- $10.9 million for Bureau-wide IT management and consulting support services;
- $8.2 million to the Department of Justice for the provision of technical litigation support services and products;
- $3.5 million for enterprise-wide cloud hosting infrastructure and system administration support and services;
- $3.5 million for facility operation and maintenance costs for CFPB's headquarters building;
- $3.0 million for a services contract to collect anonymous data from credit card issuers. This data, which excludes any direct identifiers in order to maintain the anonymity and protect the privacy of consumers, is used to monitor conditions in consumer credit markets, to study credit card industry dynamics, to evaluate compliance with consumer laws, and to analyze other issues in support of the Bureau's supervision, research, and monitoring missions;
- $2.4 million for management and consulting services for CFPB's Office of Consumer Response;
- $2.1 million for an e-document review tool which allows CFPB to obtain, process and analyze electronic documents received in investigations;
- $1.8 million for CFPB's headquarters electricity;
- $1.2 million to further develop customized course software for delivering 5-day and 9-day consumer compliance courses that emphasize case studies, role-plays, and feedback

that support knowledge retention on Operations and Deposits/Prepaid Products and Lending Principles (Fidelity National Inform Services); and

- $1.1 million to help CFPB build consumer-focused research studies; for engaging and communicating with the public to achieve the agency's mission; and designing digital consumer experiences that are comprehensive and effective.

Table 12 and Table 13 categorize CFPB spending through the second quarter of FY 2014 by expense category and division/program area:

TABLE 12: SECOND QUARTER 2014 SPENDING BY EXPENSE CATEGORY

Expense Category	FY 2014
Personnel Compensation	$86,231,000
Benefit Compensation	39,462,000
Travel	8,591,000
Transportation of Things	58,000
Rents, Communications, Utilities & Misc.	4,182,000
Printing and Reproduction	403,000
Other Contractual Services	130,226,000
Supplies & Materials	2,488,000
Equipment	25,245,000
Land and Structures	3,000
Interest and Dividends	0
Total (as of 3/31/14)	**$296,889,000**

TABLE 13: SECOND QUARTER 2014 SPENDING BY DIVISION/PROGRAM AREA

Division/Program Area	FY 2014
Office of the Director	$1,868,000
Operations	66,821,000
Consumer Education & Engagement	11,253,000
Research, Markets & Regulations	19,083,000
Supervision, Enforcement, Fair Lending	74,462,000
Legal Division	6,170,000
External Affairs	3,134,000
Other Programs[83]	1,309,000
Centralized Services[84]	112,789,000
Total (as of 03/31/14)	**$296,889,000**

9.1.2 Fiscal year 2013 spending

In FY 2013, which ended on September 30, 2013, the CFPB incurred approximately $539 million in obligations and outlays. Approximately $192 million was spent on employee compensation and benefits for the 1,335 CFPB employees on-board by September 30, 2013.

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[83] Other Programs comprises the costs of the CFPB Office of Ombudsman, Administrative Law Judges, and other CFPB programs.

[84] Centralized services include the cost of certain administrative and operational services provided centrally to other Divisions (e.g., building space, utilities, and IT-related equipment and services).

In addition to payroll expenses, the largest obligations for FY 2013 were related to other contractual services, such as administrative services provided by other Federal agencies, including Treasury.

As required by the Dodd-Frank Act, the CFPB prepared financial statements for FY 2013. The Government Accountability Office (GAO) rendered an unqualified, or "clean" audit opinion on the CFPB's financial statements. GAO concluded that CFPB maintained, in all material respects, effective internal controls over financial reporting. While GAO did note two significant deficiencies involving internal controls for accounts payable accruals and recording of property and equipment, GAO provided recommendations for addressing them and CFPB has already moved forward in implementation. The GAO audit cited no instances of reportable noncompliance with laws and regulations. The CFPB financial statements and GAO's opinion are available in the Financial Report of the CFPB for FY 2013.

Tables 14 and 15 categorize final year-end CPFB spending for FY 2013 by expense category and division/program area.

TABLE 14: TOTAL FY 2013 SPENDING BY EXPENSE CATEGORY

Expense Category	FY 2013 Spending
Personnel Compensation	$143,341,000
Benefit Compensation	49,069,000
Travel	14,484,000
Transportation of Things	154,000
Rents, Communications, Utilities & Misc.	5,612,000
Printing and Reproduction	2,228,000
Other Contractual Services	136,790,000
Supplies & Materials	4,660,000
Equipment	31,587,000
Building Improvements	150,806,000

Interest and Dividends	2,000
Total (as of 9/30/13)	**$538,733,000**

TABLE 15: TOTAL FY 2013 SPENDING BY DIVISION/PROGRAM AREA

Division/Program Area	FY 2013 Spending
Office of the Director	$5,235,000
Operations	93,758,000
Consumer Education & Engagement	22,263,000
Research, Markets & Regulations	32,895,000
Supervision, Enforcement, Fair Lending	105,568,000
Legal Division	10,309,000
External Affairs	4,834,000
Other Programs	1,242,000
Centralized Services	262,629,000
Total (as of 9/30/13)	**$538,733,000**

Some of the Bureau's significant obligations that occurred during FY 2013 included:

- $145.1 million to the General Services Administration to provide for a range of services related to the renovation of CFPB's headquarters building. In addition to the actual renovation of both the interior and exterior of the building, services include project management, contract management, environmental management, construction oversight and administration, and other technical services;
- $19.2 million for the software development of the Consumer Response system;
- $17.6 million to the Department of the Treasury's Departmental Offices for various services such as information technology and human resource systems support;

- $10 million in agreements with the Office of the Inspector General (OIG) of the Board of Governors of the Federal Reserve System to provide fiscal year 2013 OIG services;
- $7.6 million to the Department of Treasury's Bureau of Financial Services for cross-servicing of various human resource and financial management services, such as core financial accounting, transaction processing and reporting, travel and payroll, and;
- $7.4 million for the software development of the compliance analysis tool kit.

9.1.3 Civil penalty fund

Pursuant to the Dodd-Frank Act, the CFPB is also authorized to collect and retain for specified purposes civil penalties collected from any person in any judicial or administrative action under federal consumer financial laws.[85] The CFPB generally is authorized to use these funds for payments to victims of activities for which civil penalties have been imposed, and may also use the funds for consumer education and financial literacy programs under certain circumstances. The CFPB maintains a separate account for these funds at the Federal Reserve Bank of New York.

[85] *See* Dodd-Frank, Pub. L. No. 111-203, Sec. 1017(d).

Civil Penalty Funds Collected in FY 2014

TABLE 16: FY 2014 CIVIL PENALTY FUND DEPOSITS

Defendant Name	CMP Collected	Collection Date
Washington Federal	$34,000	October 11, 2013
Mortgage Master, Inc.	$425,000	October 15, 2013
Castle & Cooke Mortgage, LLC	$4,000,000	November 13, 2013
Cash America International, Inc.	$5,000,000	November 25, 2013
Meracord LLC	$555,000[86]	November 26, 2013
Republic Mortgage Insurance Company	$100,000	December 5, 2013
American Express Bank, FSB	$2,000,000	December 23, 2013
American Express Centurion Bank	$3,600,000	December 23, 2013
American Express Travel Related Services Company, Inc.	$4,000,000	December 23, 2013
Ally	$18,000,000	December 30, 2013
Fidelity Mortgage Corporation	$54,000	January 21, 2014
1st Alliance Lending, LLC	$83,000	March 5, 2014
Total	**$37,851,000**	

[86] Meracord agreed to pay $1.38 million in civil penalties according to a four-year payment schedule.

In the first quarter of FY 2014, the CFPB collected a total of $37.7 million in civil penalties from 10 defendants. In the second quarter of FY 2014, the CFPB collected a total of $137,000 in civil penalties from two defendants.

Civil Penalty Funds Collected in FY 2013

TABLE 17: FY 2013 CIVIL PENALTY FUND DEPOSITS

Defendant Name	CMP Collected	Collection Date
American Express Centurion Bank	$3,900,000	October 1, 2012
American Express Bank, FSB	$1,200,000	October 1, 2012
American Express Travel	$9,000,000	October 1, 2012
Payday Loan Debt Solution, Inc.	$5,000	December 28, 2012
Abraham M. Pessar (Gordon, *et al.*)	$1	February 26, 2013
United Guaranty Corporation	$4,500,000	April 11, 2013
Genworth Guaranty Ins. Corp.	$4,500,000	April 15, 2013
Mortgage Guaranty Ins. Corp. (MGIC)	$2,650,000	April 16, 2013
Radian Guaranty Inc.	$3,750,000	April 29, 2013
American Debt Settlement Solutions, Inc.	$15,000	June 12, 2013
JPMorgan Chase	$20,000,000	September 19, 2013
Total	**$49,520,001**	

In the first quarter of FY 2013, the CFPB settled enforcement actions against three American Express subsidiaries and Payday Loan Debt Solution, Inc. The American Express subsidiaries agreed to pay a total of $14.1 million in civil penalties to the CFPB. Payday Loan Debt Solution agreed to pay a total of $5,000 in civil penalties to the CFPB.

In the second quarter of FY 2013, the CFPB settled an enforcement action against three defendants in the case of *CFPB v. Gordon, et al.* This resulted in the collection of $1 in civil penalties, as well as injunctive and other significant relief.

In the third quarter of FY 2013, the CFPB collected a total of $15.4 million in civil money penalties from five defendants through settlements of Bureau enforcement actions. In April, the Bureau settled with four defendants in captive reinsurance cases, collecting $4.5 million, $4.5 million, $2.65 million, and $3.75 million in civil penalties from United Guaranty Corporation, Genworth Mortgage Insurance Corporation, Mortgage Guaranty Insurance Corporation, and Radian Guaranty Inc., respectively. In June, American Debt Settlement Solutions paid $15,000 in civil penalties.

In the fourth quarter of FY 2013, the CFPB collected $20 million in civil penalties from one defendant, JPMorgan Chase.

Civil Penalty Funds Allocated in FY 2014

Period 2 Allocation: April 1, 2013 – September 30, 2013

On November 29, 2013, the Bureau made its second allocation from the Civil Penalty Fund. As of September 30, 2013, the Civil Penalty Fund contained an unallocated balance of $56.1 million. This amount was available for allocation pursuant to 12 C.F.R. § 1075.105(c).

During Period 2, final orders in Bureau enforcement actions imposed civil penalties in seven cases. Under the Civil Penalty Fund rule, the victims of the violations for which the civil penalties were imposed in these cases are eligible to receive payment from the Civil Penalty Fund to compensate their uncompensated harm.[87]

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[87] Pursuant to the Civil Penalty Fund Rule, victims' compensable harm is determined by looking to the terms of the relevant court or administrative order. If the amount of a victim's compensable harm cannot be determined based on the terms of the relevant order, the victim's compensable harm generally will be his or her out-of-pocket losses that resulted from the violation. To determine the amount of a victim's uncompensated harm that may be compensated from the Civil Penalty Fund, the Bureau will take the victim's total compensable harm, and subtract

Of those seven cases, the Civil Penalty Fund Administrator determined that one case did not have a class of victims with uncompensated harm that is compensable from the Civil Penalty Fund, and that two cases included classes of victims with uncompensated harm that is compensable from the Civil Penalty Fund. As of the time of the allocation, the Fund Administrator did not have sufficient information to determine whether classes of victims in the remaining four cases had "compensable harm" or "uncompensated harm" as defined by the Civil Penalty Fund Rule.

The two cases with classes of victims with uncompensated harm that is compensable from the Civil Penalty Fund were ADSS and National Legal Help Center (NLHC). Specifically, the ADSS victims had $499,248 in uncompensated harm and the NLHC victims had $2.1 million in uncompensated harm.

The Bureau allocated $499,248 to victims in ADSS and $2.1 million to the NLHC class of victims, enough to compensate fully those victim classes' uncompensated harm. No funds were allocated to consumer education and financial literacy programs.

TABLE 18: PERIOD 2 ALLOCATION SUMMARY

Type	Allocation
Victim Compensation	$2,557,231
American Debt Settlement Solutions, Inc.	
Victim Class Allocation: $499,248	
National Legal Help Center	
Victim Class Allocation: $2,057,983	

out any compensation that the victim has received—or is reasonably expected to receive—for that harm. 12 CFR 1075.104.

Consumer Education and Financial Literacy Programs	$0
Total Allocation	$2,557,231

The remaining unallocated Civil Penalty Fund balance remains available for future allocations. Civil penalties collected on or after October 1, 2013 were deposited in the Fund. The amount in the Fund as of March 31, 2014 will be available for allocation following the conclusion of Period 3 to the extent permitted by 12 C.F.R. § 1075.105(c).

Civil Penalty Funds Allocated in FY 2013

Period 1 Allocation: July 21, 2011 – March 31, 2013

The Bureau made its first allocation from the Civil Penalty Fund, in accordance with the Civil Penalty Fund rule, on May 30, 2013.[88]

As of March 31, 2013, the Bureau had received civil money penalties totaling $46.1 million pursuant to seven final orders. Table 19 shows all Civil Penalty Fund deposits made as of the end of the first Civil Penalty Fund allocation period:

[88] 12 C.F.R part 1075.

TABLE 19: CIVIL PENALTY FUND DEPOSITS AS OF MARCH 31, 2013

Quarter	Defendant	CMP Amount
FY12 Q4	Capital One Bank	$25,000,000
FY12 Q4	Discover	7,000,000
FY13 Q1	American Express Centurion Bank	3,900,000
FY13 Q1	American Express Bank, FSB	1,200,000
FY13 Q1	American Express Travel	9,000,000
FY13 Q1	Payday Loan Debt Solution, Inc.	5,000
FY13 Q2	Abraham M. Pessar	1
	Total Period 1 CMP Collections	**$46,105,001**

Of the amount in the Civil Penalty Fund as of March 31, 2013, $44.5 million was available for allocation under the Civil Penalty Fund rule. Of the cases that concluded as of March 31, 2013, two cases—PLDS and Gordon, *et al.*—had classes of victims with uncompensated harm that is compensable from the Civil Penalty Fund.

After allocating $10.5 million to compensate the victims in the PLDS and Gordon cases, $34.0 million remained available for allocation. Of this figure, the Bureau allocated $13.4 million for consumer education and financial literacy programs.

TABLE 20: PERIOD 1 ALLOCATION SUMMARY

Type	Allocation
Victim Compensation	$10,488,815
Payday Loan Debt Solution, Inc.	
Victim Class Allocation: $488,815	
Gordon, et al.	
Victim Class Allocation: $10,000,000	
Consumer Education and Financial Literacy Programs	$13,380,000
Total Allocation	**$23,868,815**

Civil penalties collected on or after April 1, 2013 were deposited in the Fund. The amount in the Fund as of September 30, 2013 was available for allocation following the conclusion of Period 2 as provided by 12 C.F.R. § 1075.105(c).

Additional information on the Civil Penalty Fund may be found at: http://www.consumerfinance.gov/budget/civil-penalty-fund/.

10. Diversity and excellence

10.1 Recruiting and hiring

The CFPB continues a strategic imperative to recruit and hire highly qualified individuals from diverse backgrounds, focusing on filling vacancies at its headquarters in Washington, DC, and in its examiner workforce distributed across the country. The Bureau's examiners are organized by regions and anchored by key strategic satellite offices in three of the nation's financial hubs – Chicago, IL; New York, NY; and San Francisco, CA; and the fourth regional team of examiners is anchored in Washington, DC. As of March 22, 2014, there were 1,362 staff on-board and working to carry out the CFPB's mission.

As the CFPB continues to meet current and future staffing requirements, the Bureau will implement a continuously evolving strategic talent acquisition plan. The purpose of this plan is to engage a pipeline of diverse candidates for the current and future personnel needs of the CFPB through the following methods:

10.1.1 Becoming an employer of choice

The CFPB recruits inspired, goal-oriented professionals who derive intrinsic value from professional accomplishment. This high-caliber workforce supports the CFPB in attracting high-performing public-service-minded professionals. The CFPB's brand as an agency that protects consumers directly reinforces the Bureau's brand as an employer. As awareness of the Bureau and its work become prevalent, the image of the CFPB as a great place to work will also be enhanced.

10.1.2 Recruit the best from all corners of America

The Bureau is committed to hiring highly qualified individuals into all positions. In addition to utilizing USA Jobs and the posting of job announcements on the CFPB website, the Bureau achieves its hiring goals through:

- Engaging existing staff and providing them with the tools, messages, and resources to reach out to their own professional networks;
- Leveraging social media to maximize engagement while minimizing cost per applicant;
- External outreach, which includes attendance at professional conferences and university conferences;
- Holding large-scale recruitment events for high-volume positions;
- Leveraging the power of social media and the web to reach diverse talent pools with the competencies necessary to meet the Bureau's needs;
- Enlisting senior leadership to host outreach events to attract candidates to the CFPB as a "best place to serve"; and
- Creating professional development programs to build a robust pipeline of talent to meet the current and emerging workforce needs, including the Director's Financial Assistants Program, Pathways Program, and Presidential Management Fellows.

10.1.3 Build a diverse and inclusive workforce

Diversity is a keystone of the Bureau's hiring philosophy. By targeting diverse and specialized candidate pools, the Bureau is able to hire an innovative, professional, and productive workforce that reflects the backgrounds of the consumers we serve. The CFPB participated in dozens of recruiting events at colleges and conferences across the country, of which approximately 40% were primarily focused on diversity hiring initiatives in partnership with the Office of Minority and Women Inclusion (OMWI).

Involving the Bureau's current employees and leaders is also a core component of the Bureau's recruiting strategy. Currently, over 270 CFPB staff self-identify as recruiters, sharing and promoting key job opportunities across their respective professional and academic networks.

Additionally, the CFPB partnered with professional groups such as the Hispanic National Bar Association and the Partnership for Public Service to conduct online and in-person information sessions about applying for jobs within the CFPB and other Federal agencies.

10.1.4 Enhance the candidate experience

The CFPB's hiring process has progressed from focusing on immediate, high-impact hiring needs to an integrated, long-term hiring strategy, based on workforce planning best practices. The CFPB's OHC and Technology & Innovation (T&I) teams worked together to enhance the application process by making job postings more clear and increasing communication to candidates throughout the application process.

In addition, OHC created tailored assessment methods (e.g., structured interviews, work sample reviews) to support selections for specific positions. These candidate assessment strategies enhance the pool of highly-qualified candidates, enable hiring managers to make objective, data-driven employee selection decisions, and build a workforce that demonstrates the key competencies necessary for success at CFPB.

OHC also created and began administering a survey to hiring managers to identify processes that are working well, as well as areas for improvement.

10.2 Staff education, training, and engagement

Since its creation, the CFPB has focused on strong engagement with existing and potential Bureau staff, successfully utilizing education, training, and engagement programs. As the CFPB matures, it has increased both the reach and depth of these programs.

Examples during this reporting period include:

- Offering increased quantity and scope of learning programs for employees and leaders;
- Launched the individual development planning process leveraging an individual development plan template, related developmental guidance, a cross-reference to numerous off-the-shelf learning programs, as well as a career development workshop;

- Launched a core competency modeling development project to refine and expand the competency and technical expertise documentation for Bureau employees at all levels: Individual Contributors, Supervisors & Managers, and Executives;
- Initiated a job task and competency analysis for examiner positions to support development of specialized competency-based learning programs and the examiner commissioning program;
- Implemented a comprehensive coaching program for the CFPB leadership;
- Conducted an Administrative Conference to provide learning opportunities for administrative staff, to share best practices, and to optimize administrative collaboration;
- Offered 25 Lunch and Learn educational sessions on topics of cross-functional interest which support the CFPB's values of Serve, Lead, and Innovate and which foster successful achievement of our mission;
- Hosted Diversity and Inclusion training events and a number of cultural awareness events to raise awareness and develop cultural competency skills;
- Launched a "How Did I Get Here" series where Bureau leaders share stories and insights of how they made it to their current positions;
- Fully implemented a Learning Management System to automate the SF-182 training authorization process, and to track and report on compliance with orientation: attendance, mandatory training completion, other online course completion, classroom training workshops, and on-the-job training events;
- Refined a catalog of dozens of online courses targeted to address the CFPB core competencies and basic supervisory skills, and added managerial learning references;
- Launched a library of online reference material; and
- Refined a variety of examination tools, including: a full catalog of computer-based training modules on consumer compliance laws and regulations and general banking topics, a series of job aids that summarize important regulatory requirements, and access to a Regulatory Compliance Manual, which provides helpful commentary and explanation of consumer compliance regulatory requirements.

In addition, the Bureau is working to identify, cultivate, and sustain a diverse and inclusive work environment. The Bureau is committed to developing a culture that encourages collaboration and fairness, and leverages diversity throughout the organization so that all individuals are equipped to Serve, Lead, and Innovate.

10.3 Diversity

Attention to diversity and inclusion has been a cornerstone of the CFPB's foundation, its strategic workforce planning programs, and its contracting since its establishment. In January 2012, the Bureau formally established the Office of Minority and Women Inclusion (OMWI) to ensure that inclusion continues to inform its work.

OMWI focuses on developing and refining standards for:

- Equal employment opportunity, workforce diversity, and inclusion at all levels of the bureau;
- Increased participation of minority-owned and women-owned businesses in the programs and contracts of the agency, including standards for coordinating technical assistance to such businesses; and
- Assessing the diversity policies and practices of entities regulated by the agency.

10.3.1 Diversity in the CFPB's workforce

As of March 22, 2014, the Bureau had 1,362 total employees. Women represent 46% of the Bureau's workforce. The CFPB is committed not only to strong workforce demographics by gender, but also to increasing the number of women in leadership positions.

FIGURE 11: CFPB WORKFORCE BY GENDER FOR CALENDAR YEAR 2013

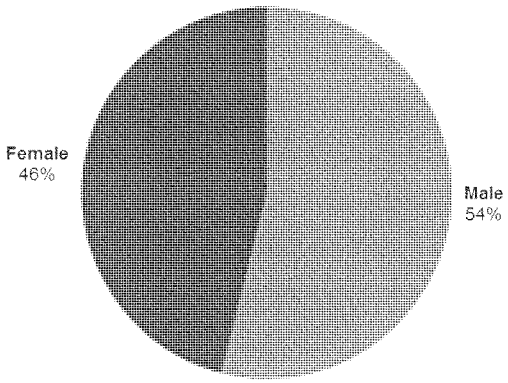
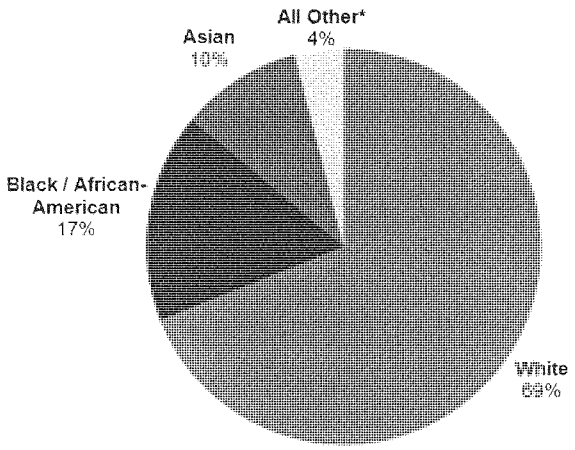


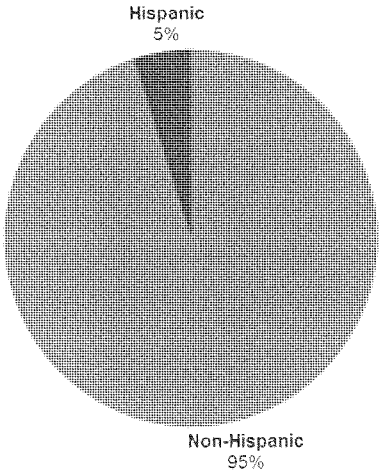
Figure 12 shows the CFPB workforce by race and ethnicity. Of the 1,354 employees at year end of 2013, 69% self-identify as White, 17% as Black/African-American, 10% as Asian American, and 4% as another racial group or belonging to two or more racial groups. In terms of ethnicity, 5% of employees self-identify as Hispanic, and 95% as Non-Hispanic.

FIGURE 12: CFPB WORKFORCE BY RACE FOR CALENDAR YEAR 2013



*Includes American Indian/Alaska Native, Native Hawaiian/Pacific Islander, Two or more Races, and all other employees who did not select a racial category.

FIGURE 13: CFPB WORKFORCE BY HISPANIC/NON-HISPANIC FOR CALENDAR YEAR 2013



10.3.2 OMWI's role at the CFPB

The OMWI supports the Bureau in creating a diverse and inclusive environment. OMWI supports the bureau's efforts to bring diverse perspectives to the CFPB's work by ensuring that the talents of all employees are maximized and that inclusion strategies are incorporated into the policies, practices, and training at the Bureau. The OMWI office focuses on organizational culture by promoting collaboration and creativity. OMWI promotes inclusive hiring practices as well as inclusive contracting practices at the Bureau.

INCLUSION

The CFPB is committed to fostering an environment in which every individual has an opportunity to excel and contribute to the mission and goals of the Bureau. OMWI plans to optimize training and education to enhance diversity management and leadership skill sets. OMWI has established an executive diversity council consisting of Bureau-wide leaders to promote diversity and inclusion practices throughout the Bureau. The OMWI office has also launched a Bureau-wide newsletter to better connect with employees about the work of the office and to solicit strategies and recommendations from employees on ways to improve workforce cultural climate.

OMWI continues to provide diversity and inclusion training to Bureau employees to expand awareness, knowledge and cultural competencies that aid in the understanding of a diverse workforce and its value to the CFPB mission. As of year-end 2013, OMWI has provided diversity and inclusion training to almost 75% of the Bureau's workforce. The office will launch a mentoring program to equip employees with the tools necessary to navigate their career path. OMWI continues to collaborate with OHC and division heads to promote policies, practices, and procedures to ensure that all employees are developed to their maximum potential. OMWI works closely with OHC, the Office of Equal Employment Opportunity (OEEO), and department heads in analyzing annual employee survey results, exit interview trends, and workforce analytics to determine retention issues and areas of opportunity to maintain and grow an inclusive workforce at the CFPB.

EMPLOYMENT

OMWI is responsible for promoting diverse and inclusive hiring practices at the Bureau. OMWI continues to collaborate with OHC by participating at recruitment and outreach events in order to attract a diverse pool of qualified candidates emphasizing diversity from a wide range of American society. OMWI has assisted with the development of internal systems and processes and training to ensure that the CFPB has the benefit of a diverse and qualified pool of candidates for all job openings. OMWI has developed strategic partnerships with colleges, universities, professional organizations and affinity groups, and is working with hiring managers at the CFPB to create internship opportunities and entry-level positions that target diverse groups of students around the country. The Bureau has conducted extensive outreach to various organizations and formulated partnerships that we believe will continue to connect us to a diverse applicant pool.

OMWI continues to collaborate with OHC and OEEO to develop tools to monitor and analyze the diversity of applicants and hires. OMWI is involved in developing applicant assessment processes, including exploring the use of methods that will enhance the qualifications review process. We have formulated internal working groups that include members from each office to address specific areas for potential growth.

DIVERSITY AND INCLUSION AT REGULATED ENTITIES

Under the Dodd-Frank Act, OMWI is required to create standards for assessing the diversity and inclusion policies and practices of the entities regulated by the CFPB. OMWI continues to coordinate with fellow OMWI Directors at the FDIC, FRB, NCUA, OCC, and SEC to develop standards. Draft standards were published in Fall 2013 and the agencies received public

comment and feedback. OMWI Directors are currently working on finalized standards for release to the public.

PROCUREMENT

OMWI and the Bureau's Procurement Office (Procurement) are committed to greater economic empowerment for women and minorities and aim to promote greater procurement opportunities for minority-owned and women-owned businesses.

OMWI has engaged in a dynamic outreach effort to raise the Bureau's profile and develop a series of outreach events focused on supplier diversity. This includes:

- Creating and developing relationships with key business stakeholders, industry groups, and trade groups;
- Speaking at and attending supplier diversity events and co-locating with other federal partners at events when available;
- Developing literature and educational materials aimed at minority- and women-owned businesses;
- Creating a communications plan to share with interested stakeholders about opportunities at the CFPB, upcoming events, and procurement news; and
- Developing a provision concerning the "fair inclusion of women and minorities in the workforce of the contractor," and of subcontractors when applicable, as required under Section 342(c)(2) of the Dodd-Frank Act to be included in applicable CFPB solicitations and contracts, and on the CFPB website.

The CFPB is a regular participant in an interagency working group consisting of other OMWI Directors from the FDIC, the FHFA, the FRB, the Department of the Treasury, the NCUA, the OCC, and the SEC. In 2013, the CFPB and interagency partners participated in a series of procurement events targeted at recruiting diverse suppliers. The working group also developed joint materials including information on the OMWIs' directives to share with suppliers. Procurement is currently measuring obligations for certain small business contracts awarded to

minority-owned small disadvantaged businesses and women-owned small businesses. As of the end of the second quarter in FY 2014[89], the Bureau awarded 25% of contract dollars to small businesses.[90] As shown in Table 21, of the total contract dollars awarded in FY 2014, 6%[91] went to small disadvantaged businesses. Additionally, 11%[92] of total contract dollars went to woman-owned small businesses.

TABLE 21: CONTRACT DOLLARS AWARDED TO SMALL BUSINESS BY TYPE

	Obligated dollars*
Small Business	$20,403,118
Small disadvantaged business	$5,219,446
Woman-owned small business	$8,824,323
Service disabled veteran owned small business	$1,630,614
HubZone small business	$184,790

*Dollars may apply to multiple socio-economic categories.

Coordinating with OMWI, Procurement has developed an external website presence with a forecast of procurement opportunities, in addition to a direct Procurement email address that has fostered excellent communication between the office and potential small business vendors. Many small minority-owned and women-owned businesses may find trying to do business with the Federal Government difficult and unclear. In an effort to increase transparency and enhance understanding, the CFPB has developed a number of practical resources for minority-owned

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[89] Data source is from the Federal Procurement Data System (FPDS) for FY 2014 through March 31, 2014. FPDS data is subject to an OMB annual validation each January for the previous fiscal year.

[90] Approximately $20 million.

[91] Approximately $5 million.

[92] Approximately $9 million.

businesses. The OMWI created several brochures and pamphlets for diverse suppliers. These materials include historical obligations by products and service categories, a forecast of future procurements, and information on small business set-asides. The OMWI works with Procurement to make these resources available digitally and update them regularly on the CFPB's website.[93]

The two offices have also extended outreach efforts both locally and nationally, including presence at the National Minority Supplier Diversity Council, the 24th Annual Government Procurement Conference, the ACT-IAC Small Business Conference, the Federal Reserve Board's Vendor Outreach Event, the Womens' Business Enterprise National Council Annual Conference, and a Small Business Fair, which was held in Summer 2013. Due to the success of this small business fair, OMWI held another training session for non-profit organizations on navigating the Federal procurement process in November 2013. This was particularly timely in light of several upcoming Bureau procurements focused on consumer engagement and financial literacy, for which non-profits make up a substantial share of potential vendors. There are plans to hold similar events on a regular basis.

EXTERNAL AFFAIRS AND COMMUNICATION

In collaboration with External Affairs, OMWI conducts outreach to consumer groups, advocacy organizations, and other stakeholders to develop strong and productive partnerships. These meetings serve as forums to discuss concerns and issues such as those related to minority and women-owned business contracting opportunities with the Bureau, as well as opportunities within the regulated entities. OMWI and Procurement will continue to develop productive relationships with the representatives of the communities that we serve.

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[93] http://www.consumerfinance.gov/doing-business-with-us/ .

APPENDIX A:

More about the CFPB

GENERAL INFORMATION:
Email address: info@consumerfinance.gov
Phone number: (202) 435-7000

MAILING ADDRESS:
Consumer Financial Protection Bureau
ATTN: Employee name, Division, and/or Office Number
1700 G Street, NW
Washington, D.C. 20552

CONSUMER COMPLAINTS AND QUESTIONS:
Webpage: consumerfinance.gov/complaint

Toll free number: (855) 411-CFPB (2372)
TTY/TDD: (855) 729-CFPB (2372)
Fax number: (855) 237-2392

Hours of operation: 8 a.m. - 8 p.m. EST, services in 180+ languages

Consumer Financial Protection Bureau
PO Box 4503
Iowa City, Iowa 52244

WHISTLEBLOWERS:
Email: whistleblower@consumerfinance.gov
Toll free number: (855) 695-7974

PRESS & MEDIA REQUESTS:
Email: press@consumerfinance.gov

OFFICE OF LEGISLATIVE AFFAIRS:
Legislative Affairs: (202) 435-7960

CFPB OMBUDSMAN'S OFFICE:
Email: CFPBOmbudsman@cfpb.gov
Webpage: consumerfinance.gov/ombudsman
Toll free number: (855) 830-7880
TTY number: (202) 435-9835 Fax number: (202) 435-7888

APPENDIX B:

Statutory reporting requirements

This Appendix provides a guide to the Bureau's response to the reporting requirements of Section 1016(c) of the Dodd-Frank Act. The sections of the report identified below respond to Section 1016(c)'s requirements.

Statutory Subsection	Reporting Requirement	Section	Page
1	A discussion of the significant problems faced by consumers in shopping for or obtaining consumer financial products or services	Consumer challenges in obtaining financial products and services – shopping challenges	49-52
2	A justification of the Bureau's budget request for the previous year	Budget; Appendix I – Financial and budget reports	113-27 170-72
3	A list of significant rules and orders adopted by the Bureau, as well as other significant initiatives conducted by the Bureau, during the preceding year, and the plan of the Bureau for rules, orders, or other initiatives to be undertaken during the upcoming period	Appendix C – Significant rules, orders, and initiatives	144-56
4	An analysis of complaints about consumer financial products or services that the Bureau has received and collected in its central database on complaints during the preceding year	Consumer challenges in obtaining financial products and services – Consumer concerns	14-48

5	A list, with a brief statement of the issues, of the public supervisory and enforcement actions to which the Bureau was a party during the preceding year	Enforcement actions	93-102
6	The actions taken regarding rules, orders, and supervisory actions with respect to covered persons which are not credit unions or depository institutions	Appendix D – Actions taken regarding rules, orders, and supervisory actions with respect to covered persons which are not credit unions or depository institutions	157-58
7	An assessment of significant actions by State attorneys general or State regulators relating to Federal consumer financial law	Appendix E – Significant state attorney general and regulator actions	159-60
8	An analysis of the Bureau's efforts to fulfill its fair lending mission	Fair lending	103-09
9	An analysis of the Bureau's efforts to increase workforce and contracting diversity consistent with the procedures established by OMWI	Diversity and excellence	128-39

APPENDIX C:

Significant rules, orders, and initiatives[94]

Section 1016(c)(3) requires "a list of significant rules and orders adopted by the Bureau, as well as other significant initiatives conducted by the Bureau, during the preceding year and the plan of the Bureau for rules, orders or other initiatives to be undertaken during the upcoming period."

Below is a list of rules and other initiatives that the Bureau proposed, adopted or finalized during the preceding year.[95] Rather than limiting the list to significant items, the Bureau has, in order to be transparent and provide complete information about its activities, included a more expansive set of rules and initiatives:[96]

- Proposed rule: Minimum Requirements for Appraisal Management Companies;[97]
- Final Rule: Equal Access to Justice Act Implementation Rule; [98]

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[94] Many links in this section are to documents published in the *Federal Register*. However, links to final rules, proposed rules and guidance documents may also be found on the CFPB's website, consumerfinance.gov/regulations/.

[95] The preceding year is defined as April 1, 2013 through March 31, 2014.

[96] To better inform the public, this Appendix contains a discussion of a broad range of rulemakings, orders, and initiatives, which may not be defined as "significant" for other purposes.

[97] This joint notice of proposed rulemaking, Docket CFPB-2014-0006, would amend, among other parts, 12 CFR 1026, and was published in the *Federal Register* on April 9, 2014. http://www.gpo.gov/fdsys/pkg/FR-2014-04-09/pdf/2014-06860.pdf.

- Proposed rule: Defining Larger Participants of the International Money Transfer Market; [99]
- Final rule: Truth in Lending (Regulation Z): Adjustment To Asset-Size Exemption Threshold;[100]
- Final rule: Home Mortgage Disclosure (Regulation C): Adjustment To Asset-Size Exemption Threshold;[101]
- Final rule: Appraisals for Higher-Priced Mortgage Loans;[102]
- Final rule: Integrated Mortgage Disclosures under the Real Estate Settlement Procedures Act (Regulation X) and the Truth In Lending Act (Regulation Z);[103]
- Final rule: Truth in Lending (Regulation Z);[104]
- Final rule: Defining Larger Participants of the Student Loan Servicing Market;[105]

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[98] This final rule, Docket CPFB-2012-0020, amended 12 CFR 1071 and was published in the *Federal Register* on February 10, 2014. http://www.gpo.gov/fdsys/pkg/FR-2014-02-10/pdf/2014-02115.pdf.

[99] This proposed rule, Docket CFPB-2014-0003, would amend 12 CFR 1090 and was published in the *Federal Register* on January 31, 2014. http://www.gpo.gov/fdsys/pkg/FR-2014-01-31/pdf/2014-01606.pdf.

[100] This final rule amended 12 CFR 1026 and was published in the *Federal Register* on December 30, 2013. http://www.gpo.gov/fdsys/pkg/FR-2013-12-30/pdf/2013-31225.pdf.

[101] This final rule amended 12 CFR Part 1003 and was published in the *Federal Register* on December 30, 2013. http://www.gpo.gov/fdsys/pkg/FR-2013-12-30/pdf/2013-31223.pdf.

[102] This supplemental final rule, Docket CFPB-2013-0020, amended 12 CFR Part 1026 and was published in the *Federal Register* on December 26, 2013. http://www.gpo.gov/fdsys/pkg/FR-2013-12-26/pdf/2013-30108.pdf.

[103] This final rule, Docket CFPB-2012-0028, amended 12 CFR Parts 1024 and 1026 and was published in the *Federal Register* on December 31, 2013. http://www.gpo.gov/fdsys/pkg/FR-2013-12-31/pdf/2013-28210.pdf.

[104] This final rule amended 12 CFR Part 1026 and was published in the *Federal Register* on December 16, 2013. http://www.gpo.gov/fdsys/pkg/FR-2013-12-16/pdf/2013-29844.pdf.

- Consumer Leasing (Regulation M);[106]
- Truth in Lending (Regulation Z);[107]
- Advance notice of proposed rulemaking: Debt Collection (Regulation F);[108]
- Final Policy to Encourage Trial Disclosure Programs; Information Collection;[109]
- Proposed Interagency Policy Statement Establishing Joint Standards for Assessing the Diversity Policies and Practices of Entities Regulated by the Agencies;[110]
- Interim final rule with request for public comment: Amendments to the 2013 Mortgage Rules under the Real Estate Settlement Procedures Act (Regulation X) and the Truth in Lending Act (Regulation Z);[111]
- Final rule: Amendments to the 2013 Mortgage Rules under the Equal Credit Opportunity Act (Regulation B), Real Estate Settlement Procedures Act (Regulation X), and the Truth in Lending Act (Regulation Z);[112]

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[105] This final rule, Docket CFPB-2013-0005, amended 12 CFR 1090 and was published in the *Federal Register* on December 6, 2013. http://www.gpo.gov/fdsys/pkg/FR-2013-12-06/pdf/2013-29145.pdf.

[106] This joint final rule amended 12 CFR 213 and 12 CFR 1013 and was published in the *Federal Register* on November 25, 2013. http://www.gpo.gov/fdsys/pkg/FR-2013-11-25/pdf/2013-28194.pdf.

[107] This joint final rule amended 12 CFR Parts 226 and 1026 and was published in the *Federal Register* on November 25, 2013. http://www.gpo.gov/fdsys/pkg/FR-2013-11-25/pdf/2013-28195.pdf.

[108] This advance notice of proposed rulemaking with request for public comment, Docket CFPB-2013-0033, would amend 12 CFR Part 1006 and was published in the *Federal Register* on November 12, 2013. http://www.gpo.gov/fdsys/pkg/FR-2013-11-12/pdf/2013-26875.pdf.

[109] This Notice of policy, Docket CFPB-2012-0046, was published in the *Federal Register* on October 29, 2013. http://www.gpo.gov/fdsys/pkg/FR-2013-10-29/pdf/2013-25580.pdf.

[110] This Notice of Proposed Interagency Policy Statement with Request for Comment, Docket CFPB-2013-0029, was published in the *Federal Register* on October 25, 2013. http://www.gpo.gov/fdsys/pkg/FR-2013-10-25/pdf/2013-25142.pdf.

[111] This interim final rule, Docket CFPB-2013-0031, amended 12 CFR Parts 1024 and 1026 and was published in the *Federal Register* on October 23, 2013. http://www.gpo.gov/fdsys/pkg/FR-2013-10-23/pdf/2013-24521.pdf.

- Interim final rule with request for public comment: Rules of Practice for Issuance of Temporary Cease-and-Desist Orders;[113]
- Notice of Ratification;[114]
- Final rule: Electronic Fund Transfers (Regulation E); Correction;[115]
- Proposed rule with request for public comment: Appraisals for Higher-Priced Mortgage Loans – Supplemental Proposal;[116]
- Final rule: Claims Under the Federal Tort Claims Act for Loss of or Damage to Property or for Personal Injury or Death;[117]
- Correction: Amendments to the 2013 Mortgage Rules Under the Real Estate Settlement Procedure Act (Regulation X) and the Truth in Lending Act (Regulation Z);[118]

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[112] This final rule, Docket CFPB-2013-0018, amended 12 CFR Parts 1002, 1024, and 1026 and was published in the *Federal Register* on October 1, 2013. http://www.gpo.gov/fdsys/pkg/FR-2013-10-01/pdf/2013-22752.pdf.

[113] This interim final rule, Docket CFPB-2013-0030, amended 12 CFR Part 1081and was published in the *Federal Register* on September 26, 2013. http://www.gpo.gov/fdsys/pkg/FR-2013-09-26/pdf/2013-23229.pdf.

[114] This notice was published in the *Federal Register* on August 30, 2013. http://www.gpo.gov/fdsys/pkg/FR-2013-08-30/pdf/2013-21275.pdf.

[115] The correction was published in the *Federal Register* on August 14, 2013. http://www.gpo.gov/fdsys/pkg/FR-2013-08-14/pdf/2013-19503.pdf. It related to the final rule, Docket CFPB-202-0050, which amended 12 CFR Part 1005 and was published in the *Federal Register* on May 22, 2013. http://www.gpo.gov/fdsys/pkg/FR-2013-05-22/pdf/2013-10604.pdf.

[116] This joint proposed rule with request for public comment, Docket CFPB-2013-0020, would amend 12 CFR Part 1026 and was published in the *Federal Register* on August 8, 2013. http://www.gpo.gov/fdsys/pkg/FR-2013-08-08/pdf/2013-17086.pdf.

[117] This final rule amended 12 CFR Part 1076 and was published in the *Federal Register* on August 5, 2013. http://www.gpo.gov/fdsys/pkg/FR-2013-08-05/pdf/2013-18844.pdf.

[118] This correction amended 12 CFR Parts 1024 and 1026 was published in the *Federal Register* on July 30, 2013. http://www.gpo.gov/fdsys/pkg/FR-2013-07-30/pdf/C1-2013-16962.pdf.

- Final rule: Amendments to the 2013 Mortgage Rules Under the Real Estate Settlement Procedure Act (Regulation X) and the Truth in Lending Act (Regulation Z);[119]
- Final rule: Procedures for Bureau Debt Collection;[120]
- Final rule: Procedural Rule to Establish Supervisory Authority Over Certain Nonbank Covered Persons Based on Risk Determination;[121]
- Proposed rule with request for public comment: Amendments to the 2013 Mortgage Rules Under the Equal Credit Opportunity Act (Regulation B), Real Estate Settlement Procedures Act (Regulation X), and the Truth in Lending Act (Regulation Z);[122]
- Final rule: Ability-to-Repay and Qualified Mortgage Standards Under the Truth in Lending Act (Regulation Z);[123]
- Final rule: Loan Originator Compensation Requirements Under the Truth in Lending Act (Regulation Z); Prohibition on Financing Credit Insurance Premiums; Delay of Effective Date;[124]

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[119] This final rule, Docket CFPB-2013-0010, amended 12 CFR Parts 1024 and 1026 and was published in the *Federal Register* on July 24, 2013. http://www.gpo.gov/fdsys/pkg/FR-2013-07-24/pdf/2013-16962.pdf.

[120] This final rule, Docket CFPB-2013-0021, amended 12 CFR Part 1073 and was published in the *Federal Register* on July 11, 2013. http://www.gpo.gov/fdsys/pkg/FR-2013-07-11/pdf/2013-16470.pdf.

[121] This final rule amended 12 CFR Part 1091 and was published in the *Federal Register* on July 3, 2013. http://www.gpo.gov/fdsys/pkg/FR-2013-07-03/pdf/2013-15485.pdf.

[122] This proposed rule with request for public comment, Docket CFPB-2013-0018, would amend 12 CFR Parts 1002, 1024, and 1026 and was published in the *Federal Register* on July 2, 2013. http://www.gpo.gov/fdsys/pkg/FR-2013-06-07/pdf/2013-13490.pdf.

[123] The final rule, Docket CFPB-2012-0022, amended 12 CFR Part 1026 and was published in the *Federal Register* on January 30, 2013. http://www.gpo.gov/fdsys/pkg/FR-2013-01-30/pdf/2013-00736.pdf. Subsequently, the Bureau proposed amendments to the final rule in April 2013, as Docket CFPB-2013-0002. http://files.consumerfinance.gov/f/201301_cfpb_concurrent-proposal_ability-to-repay.pdf. Finally, the Bureau published the final rule amending certain provisions of the January 30, 2013 final rule in the *Federal Register* on June 12, 2013. http://www.gpo.gov/fdsys/pkg/FR-2013-06-12/pdf/2013-13173.pdf.

- Final rule: Amendments to the 2013 Escrows Final Rule under the Truth in Lending Act (Regulation Z);[125]
- Final rule: Electronic Fund Transfers (Regulation E);[126]
- Proposed rule with request for public comment: Loan Originator Compensation Requirements Under the Truth In Lending Act (Regulation Z); Prohibition on Financing Credit Insurance Premiums; Delay of Effective Date;[127]
- Final rule: Consumer Financial Civil Penalty Fund;[128]
- Proposed rule with request for public comment: Consumer Financial Civil Penalty Fund;[129]
- Final rule: Truth in Lending (Regulation Z);[130]

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[124] This final rule, Docket CFPB-2013-0013, amended 12 CFR Part 1026 and was published in the *Federal Register* on May 31, 2013. http://www.gpo.gov/fdsys/pkg/FR-2013-05-31/pdf/2013-13023.pdf.

[125] This final rule, Docket CFPB-2013-0009, amended 12 CFR Part 1026 and was published in the *Federal Register* on May 23, 2013. http://www.gpo.gov/fdsys/pkg/FR-2013-05-23/pdf/2013-12125.pdf.

[126] This final rule, Docket CFPB-2012-0050, amended 12 CFR Part 1005 and was published in the *Federal Register* on May 22, 2013. http://www.gpo.gov/fdsys/pkg/FR-2013-05-22/pdf/2013-10604.pdf.

[127] This proposed rule with request for public comment, Docket CFPB-2013-0013, would amend 12 CFR Part 1026, and was published in the *Federal Register* on May 10, 2013. http://www.gpo.gov/fdsys/pkg/FR-2013-05-10/pdf/2013-11223.pdf.

[128] This final rule, Docket CFPB-2013-0011, added 12 CFR Part 1075 and was published in the *Federal Register* on May 7, 2013. http://www.gpo.gov/fdsys/pkg/FR-2013-05-07/pdf/2013-10320.pdf.

[129] This proposed rule with request for public comment, Docket CFPB-2013-0012, would amend 12 CFR Part 1075 and was published in the *Federal Register* on May 7, 2013. http://www.gpo.gov/fdsys/pkg/FR-2013-05-07/pdf/2013-10318.pdf.

[130] This final rule, Docket CFPB-2012-0039, amended 12 CFR Part 1026 and was published in the *Federal Register* on May 3, 2013. http://www.gpo.gov/fdsys/pkg/FR-2013-05-03/pdf/2013-10429.pdf.

- Proposed rule with request for public comment: Amendments to the 2013 Mortgage Rules Under the Real Estate Settlement Procedure Act (Regulation X) and the Truth in Lending Act (Regulation Z);[131]
- Proposed rule with request for public comment: Amendments to the 2013 Escrows Final Rule Under the Truth in Lending Act (Regulation Z);[132] and
- Final policy statement: Disclosure of Consumer Complaint Data.[133]

In the upcoming period, the Bureau also intends to propose or adopt the following rules and orders, and conduct the following initiatives:

- Rules finalizing the restatement of regulations implementing consumer financial protection laws transferred from other regulatory agencies to the Bureau by the Dodd-Frank Act;
- Continue work on possible regulatory streamlining and burden reduction efforts, including a proposal to facilitate more efficient delivery of annual privacy notices under the Gramm-Leach-Bliley Act;
- Continue work on a proposal to seek comment on whether to extend the sunset on a Dodd-Frank Act provision that allows depository institutions to estimate certain remittances disclosure information under certain circumstances;

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[131] This proposed rule with request for public comment, Docket CFPB-2013-0010, would amend 12 CFR Parts 1024 and 1026 and was published in the *Federal Register* on May 2, 2013. http://www.gpo.gov/fdsys/pkg/FR-2013-05-02/pdf/2013-09750.pdf.

[132] This proposed rule with request for public comment, Docket CFPB-2013-0009, would amend 12 CFR Part 1026 and was published in the *Federal Register* on April 18, 2013. http://www.gpo.gov/fdsys/pkg/FR-2013-04-18/pdf/2013-09058.pdf.

[133] This final policy statement, Docket CFPB-2012-0023, was published in the *Federal Register* on April 10, 2013. http://www.gpo.gov/fdsys/pkg/FR-2013-04-10/pdf/2013-07569.pdf.

- Continue work to address issues in connection with implementation of the Dodd-Frank Act's mortgage requirements and implementation of the Bureau's January 2013 mortgage rules;
- Continue work toward a rulemaking to implement the Dodd-Frank Act amendments to HMDA;
- Continue work toward a rulemaking on general purpose reloadable prepaid cards;
- Continued expansion of the Bureau's capacity to handle consumer complaints with respect to all products and services within its authority;
- Enforcement of Nondiscrimination on the Basis of Disability in Programs and Activities Conducted by the Bureau of Consumer Financial Protection;
- Enforcement of Nondiscrimination on the Basis of Disability in Programs Receiving Financial Assistance from the Bureau;
- Procedures for Filing Claims against the Bureau under the Federal Tort Claims Act for loss of or damage to property or for personal injury or death;
- Propose additional rules to further define the scope of the Bureau's nonbank supervision program;
- Working jointly with the Federal Reserve Board, rules finalizing a Board proposal regarding the Expedited Funds Availability Act as implemented by Regulation CC.

The Bureau has issued the following bulletins and guidance documents over the past year:[134]

- Bulletin 2014-01 on the FCRA's requirement that furnishers conduct investigations of disputed information;[135]

[134] The past year is defined here as April 1, 2013 through March 31, 2014. The Bureau posts all bulletins and guidance documents on its website, consumerfinance.gov.

- FFIEC Guidance on Social Media;[136]
- Bulletin 2013-13 to provide guidance to lenders regarding the homeownership counseling list requirement finalized in High-Cost Mortgage and Homeownership Counseling Amendments to the TILA (Regulation Z) and Homeownership Counseling Amendments to the RESPA Housing Counselor Amendments Final Rule;[137]
- Interagency Statement on Fair Lending Compliance and the Ability-to-Repay and Qualified Mortgage Standards Rule;[138]
- Bulletin 2013-12 to provide implementation guidance in implementing certain of the 2013 RESPA and TILA Servicing Final Rules;[139]
- Bulletin 2013-11 on Home Mortgage Disclosure Act (HMDA) and Regulation C – Compliance Management; CFPB HMDA Resubmission Schedule and Guidelines; and HMDA Enforcement;[140]
- HMDA Resubmission Schedule and Guidelines to be used to verify the accuracy of institution-reported HMDA data during HMDA reviews and to describe when institutions should be required to correct and resubmit HMDA data;[141]

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[135] CFPB Bulletin 2014-01 was published to the Bureau's website on February 27, 2014. http://files.consumerfinance.gov/f/201402_cfpb_bulletin_fair-credit-reporting-act.pdf.

[136] http://files.consumerfinance.gov/f/201309_cfpb_social_media_guidance.pdf.

[137] CFPB Bulletin 2013-13 was published to the Bureau's website on November 8, 2013. http://files.consumerfinance.gov/f/201311_cfpb_bulletin_homeownership-counseling-list-requirements.pdf.

[138] This document was released on October 22, 2013. http://files.consumerfinance.gov/f/201310_cfpb_guidance_qualified-mortgage-fair-lending-risks.pdf.

[139] CFPB Bulletin 2013-12 was published to the Bureau's website on October 15, 2013. http://files.consumerfinance.gov/f/201310_cfpb_mortgage-servicing_bulletin.pdf.

[140] CFPB Bulletin 2013-11 was published to the Bureau's website on October 9, 2013. http://files.consumerfinance.gov/f/201310_cfpb_hmda_compliance-bulletin_fair-lending.pdf.

- Interagency Guidance on Privacy Laws and Reporting Financial Abuse of Older Adults;[142]
- Examination Procedures on Short-Term, Small-Dollar Lending Procedures under the Military Lending Act;[143]
- Bulletin 2013-10 to reiterate the application of the EFTA and Regulation E, which implements the EFTA, with respect to payroll card accounts;[144]
- Bulletin 2013-09 on the FCRA's requirement to investigate disputes and review "all relevant" information provided by consumer reporting agencies about the dispute;[145]
- Interim Procedures on RESPA – Home Ownership and Equity Protection, and Mortgage Servicing Requirements;[146]
- Interim Procedures on TILA – Higher-Priced Mortgage Loan Appraisals, Escrow Accounts, Loan Originator Compensation, Ability-to-Repay Qualified Mortgages, High-Cost Mortgages, and Mortgage-Servicing Requirements;[147]

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[141] This document was published on the Bureau's website on October 9, 2013. http://files.consumerfinance.gov/f/201310_cfpb_hmda_resubmission-guidelines_fair-lending.pdf.

[142] This was a joint effort between the Federal Reserve, the CFTC, the FTC, the NCUA, the OCC, the SEC, and the CFPB. The document was published to the Bureau's website on September 24, 2013. http://files.consumerfinance.gov/f/201309_cfpb_elder-abuse-guidance.pdf.

[143] This document was released on September 17, 2013. http://files.consumerfinance.gov/f/201309_cfpb_payday_manual_revisions.pdf.

[144] CFPB Bulletin 2013-10 was published to the Bureau's website on September 12, 2013. http://files.consumerfinance.gov/f/201309_cfpb_payroll-card-bulletin.pdf.

[145] CFPB Bulletin 2013-09 was published to the Bureau's website on September 4, 2013. http://files.consumerfinance.gov/f/201309_cfpb_bulletin_furnishers.pdf.

[146] This document was released on August 15, 2013. http://files.consumerfinance.gov/f/201308_cfpb_respa_narrative-exam-procedures.pdf.

- ECOA Baseline Review Procedures to be used by examiners during ECOA Baseline reviews to identify and analyze risks of ECOA violations, to facilitate the identification of certain types of ECOA and Regulation B violations, and to inform the Fair Lending prioritization process in order to make decisions for future CFPB reviews;[148]
- Bulletin 2013-08 on Representations Regarding Effect of Debt Payment on Credit Reports and Scores;[149]
- Bulletin 2013-07 on the Prohibition of Unfair, Deceptive, or Abusive Acts or Practices in the Collection of Consumer Debts;[150]
- Bulletin 2013-06 on Responsible Business Conduct: Self-Policing, Self-Reporting, Remediation, and Cooperation;[151]
- ECOA Interim Procedures- Appraisal and Valuation Requirements;[152] and
- Bulletin 2013-03 about the SAFE Act – Uniform State Test for State-Licensed Mortgage Loan Originators.[153]

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[147] This document was released on August 15, 2013. http://files.consumerfinance.gov/f/201308_cfpb_tila-narrative-exam-procedures.pdf.

[148] ECOA Baseline Review Procedures was published on the Bureau's website on July 19, 2013. http://files.consumerfinance.gov/f/201307_cfpb_ecoa_baseline-review-module-fair-lending.pdf.

[149] CFPB Bulletin 2013-08 was published to the Bureau's website on July 10, 2013. http://files.consumerfinance.gov/f/201307_cfpb_bulletin_collections-consumer-credit.pdf.

[150] CFPB Bulletin 2013-07 was published on the Bureau's website on July 10, 2013. http://files.consumerfinance.gov/f/201307_cfpb_bulletin_unfair-deceptive-abusive-practices.pdf.

[151] CFPB Bulletin 2013-06 was published on the Bureau's website on June 25, 2013. http://files.consumerfinance.gov/f/201306_cfpb_bulletin_responsible-conduct.pdf.

[152] ECOA Interim Procedures was published on the Bureau's website on June 4, 2013. http://files.consumerfinance.gov/f/201306_cfpb_laws-and-regulations_ecoa-combined-june-2013.pdf.

[153] CFPB Bulletin 2013-05 was published on the Bureau's website on May 20, 2013. http://files.consumerfinance.gov/f/201305_cfpb_bulletin_safeactuniformtestguidance.pdf.

The Bureau has issued the following orders over the past year:[154]

- *In the Matter of: 1st Alliance Lending, LLC*;[155]
- *In the Matter of: Fidelity Mortgage Corporation and Mark Figert*;[156]
- *In the Matters of: American Express Centurion Bank, et al.*;[157]
- *In the Matter of: Ally Financial Inc.; and Ally Bank*;[158]
- *In the Matter of: GE Capital Retail Bank, CareCredit LLC*;[159]
- *In the Matter of: 3D Resorts-Bluegrass, LLC*;[160]
- *In the Matter of: Cash America International, Inc.*;[161]

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[154] April 1, 2013 - March 31, 2014.

[155] File No. 2014-CFPB-0003. Consent order filed on February 24, 2014. http://files.consumerfinance.gov/f/201402_cfpb_consent-order_first-alliance.pdf.

[156] 2014-CFPB-0001. Consent order filed on January 16, 2014. http://files.consumerfinance.gov/f/201310_cfpb_hmda_compliance-bulletin_fair-lending.pdf.

[157] Files 2013-CFPB-0011, http://files.consumerfinance.gov/f/201312_cfpb_consent_amex_centurion_011.pdf, 2013-CFPB-0012, http://files.consumerfinance.gov/f/201312_cfpb_consent_amex_FSB_012.pdf, and 2013-CFPB-0013, http://files.consumerfinance.gov/f/201312_CFPB_Consent_AETRS_013.pdf were entered on December 24, 2013.

[158] File 2013-CFPB-0010. Consent order filed on December 20, 2013. http://files.consumerfinance.gov/f/201312_cfpb_consent-order_ally.pdf.

[159] File 2013-CFPB-0009. Consent order filed on December 10, 2013. http://files.consumerfinance.gov/f/201312_cfpb_consent-order_ge-carecredit.pdf.

[160] File 2013-CFPB-0002. Consent order filed on December 2, 2013. http://files.consumerfinance.gov/f/201312_cfpb_consent-order_3dresorts-bluegrass.pdf.

- *In the Matter of: Washington Federal;*[162]
- *In the Matter of: Mortgage Master;*[163]
- *In the Matter of: JPMorgan Chase Bank, N.A.; and Chase Bank USA, N.A.;*[164]
- Orders to secure sample sets of consumer agreements for an arbitration study of standard form checking account agreements;[165]
- *In the Matter of U.S. Bank National Association;*[166]
- *In the Matter of Dealers' Financial Services;*[167]
- *In the Matter of Paul Taylor, Paul Taylor Homes Limited, and Paul Taylor Corp.;*[168] and
- Electronic Fund Transfers; Determination of Effect on State Laws (Maine and Tennessee).[169]

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[161] File 2013-CFPB-0008. Consent order filed on November 20, 2013. http://files.consumerfinance.gov/f/201311_cfpb_cashamerica_consent-order.pdf.

[162] File 2013-CFPB-0005. Consent order filed on October 9, 2013. http://files.consumerfinance.gov/f/201310_cfpb_consent-order_washington-federal.pdf.

[163] File 2013-CFPB-0006. Consent order filed on October 9, 2013. http://files.consumerfinance.gov/f/201310_cfpb_consent-order_mortgage-master.pdf.

[164] File 2013-CFPB-0007. Consent order filed on September 19, 2013. http://files.consumerfinance.gov/f/201309_cfpb_jpmc_consent-order.pdf.

[165] Pursuant to Section 1022(c)(4) of the Dodd-Frank Act. These orders were issued in September 2013.

[166] File No. 2013-CFPB-0003. Consent order entered June 27, 2013. http://files.consumerfinance.gov/f/201306_cfpb_enforcement-order_2012-0340-02.pdf.

[167] File No. 2013-CFPB-0004. Consent order entered June 27, 2013. http://files.consumerfinance.gov/f/201306_cfpb_enforcement-order_2013-0589-02.pdf.

[168] File No. 2013-CFPB-0001. Consent order entered May 17, 2013. http://files.consumerfinance.gov/f/291305_cfpb_consent-order-0001.pdf.

[169] This notice was published in the *Federal Register* on April 25, 2013. http://www.gpo.gov/fdsys/pkg/FR-2013-04-25/pdf/2013-09751.pdf.

APPENDIX D:

Actions taken regarding rules, orders, and supervisory actions with respect to covered persons which are not credit unions or depository institutions

Section 1016(c)(6) requires a report on "the actions taken regarding rules, orders and supervisory actions with respect to covered persons which are not credit unions or depository institutions." Between April 1, 2013 and March 31, 2014, the Bureau has taken the following actions with respect to such covered persons:

- *In the Matter of: Mortgage Master, Inc.* (File No. 2013-CFPB-0006) (consent orders entered October 9, 2013);
- *In the Matter of: Cash America International, Inc.* (File No. 2013-CFPB-0008) (consent order entered November 20, 2013);
- *In the Matter of GE Capital Retail Bank, CareCredit LLC* (File No. 2013-CFPB-0009) (consent order entered December 10, 2013);
- *In the Matter of: Fidelity Mortgage Corporation and Mark Figert* (File No. 2014-CFPB-0001) (consent order entered January 16, 2014);

- *In the Matter of: 3D Resorts-Bluegrass, LLC*, File No. 2013-CFPB-0002 (notice of charges filed June 14, 2013) (consent ordered entered December 2, 2013);
- Final rule defining "larger participants" of the student loan servicing market;[170] and
- Final rule establishing procedures to implement section 1024(a)(1)(C) pursuant to which the Bureau may bring under its supervisory authority certain nonbanks the Bureau has reasonable cause to believe are or have engaged in activities posing risks to consumers in connection with the offering or provision of consumer financial products or services.[171]

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[170] http://www.gpo.gov/fdsys/pkg/FR-2013-12-06/pdf/2013-29145.pdf.

[171] http://www.gpo.gov/fdsys/pkg/FR-2013-07-03/pdf/2013-15485.pdf.

APPENDIX E:

Significant state attorney general and regulator actions

Dodd-Frank Section 1016(c)(7) requires "an assessment of significant actions by State attorneys general or State regulators relating to Federal consumer financial law."

For purposes of the Section 1016(c)(7) reporting requirement at this early period in the Bureau's development, the Bureau has determined that any actions asserting claims pursuant to the Dodd-Frank Act are "significant." The Bureau is not aware of any such actions that have been filed by State regulators in the year preceding this report (April 1, 2013 through March 14, 2014). The Bureau is aware of the following State Attorney General actions that asserted Dodd-Frank Act claims:

- *State of New Mexico ex rel., Gary King, Attorney General v. Bank of America Corporation and FIA Card Services, N.A.*, No. 1:13-cv-00478-KBM-LFG (D.N.M. July 2, 2013);
- *State of New Mexico ex rel., Gary King, Attorney General v. Capital One Bank (USA) N.A. and Capital One Services, LLC*, No. 1:13-cv-00513-KBM-RHS (D.N.M. July 2, 2013);
- *State of New Mexico ex rel., Gary King, Attorney General v. JPMorgan Chase &Co., and Chase Bank USA, N.A.*, No. 1:13-cv-00472-LAM-KMB (D.N.M. July 2, 2013);
- *State of New Mexico ex rel., Gary King, Attorney General v. Citigroup Inc., Citibank, N.A., and Department Stores National Bank*, No. 1:13-cv-00580-MV-KBM (D.N.M. July 2, 2013);
- *State of New Mexico ex rel., Gary King, Attorney General v. Discover Financial Services, Inc., Discover Bank, DFS Services, L.L.C., Assurant, Inc., and American Bankers Management Corporation, Inc.*, No. 1:13-cv-00503-LFG-ACT (D.N.M. July 2, 2013);
- *State of New Mexico ex rel., Gary King, Attorney General v. GE Capital Retail Bank f/k/a GE Money Bank*, No. 1:13-cv-00497-LFG-ACT (D.N.M. July 2, 2013);

- *State of New Mexico ex rel., Gary King, Attorney General v. HSBC Bank Nevada, N.A., HSBC Card Services, Inc., and HSBC Bank USA, N.A.*, No. 1:13-cv-00504-RHS-KBM (D.N.M. July 2, 2013); and
- *People of the State of Illinois, by Lisa Madigan, Illinois Attorney General, v. CMK Investments, INC d/b/a All Credit Lenders, Inc., an Illinois Corporation*, No. 2014CH04694 (Cir. Ct. Cook Cnty. Mar. 18, 2014).

APPENDIX F:

Reports

The CFPB published the following reports from April 1, 2013 through March 31, 2014, which may be found at consumerfinance.gov/reports/:

April 18, 2013: Senior Designations for Financial Advisors: Reducing Consumer Confusion and Risks;

April 24, 2013: Payday Loans and Deposit Advance Products: A White Paper of Initial Data Findings;

April 30, 2013: Transforming the Financial Lives of a Generation of Young Americans: Policy Recommendations for Advancing K-12 Financial Education;

May 8, 2013: Student Loan Affordability: Analysis of Public Input on Impact and Solutions;

May 13, 2013: Feedback from the financial education field;

June 11, 2013: CFPB Study of Overdraft Programs: A white paper of initial data findings;

July 9, 2013: Consumer Response: A Snapshot of Complaints Received;

July 18, 2013: Financial Literacy Annual Report;

July 22, 2013: CFPB Plain Writing Act compliance report;

August 1, 2013: Mid-year snapshot of private student loan complaints;

August 21, 2013: Supervisory Highlights: Summer 2013;

August 27, 2013: Public Service and Student Debt: Analysis of Existing Benefits and Options for Public Service Organizations;

September 18, 2013: Financial empowerment training for social service programs: A scan of community-based initiatives;

October 1, 2013: CARD Act Report: A review of the impact of the CARD Act on the consumer credit card market;

October 16, 2013: Annual Report of the CFPB Student Loan Ombudsman;

November 5, 2013: Semi-Annual Report of the Consumer Financial Protection Bureau;

November 5, 2013: Consumer Financial Protection Bureau Independent Audit of Selected Operations and Budget;

November 14, 2013: Empowering low income and economically vulnerable consumers: report on a national convening;

November 18, 2013: Navigating the Market: A comparison of spending on financial education and financial marketing;

November 22, 2013: Understanding the Effects of Certain Deposit Regulations on Financial Institutions' Operations: Findings on Relative Costs for Systems, Personnel, and Processes at Seven Institutions;

December 12, 2013: Arbitration Study Preliminary Results: Section 1028(a) Study Results to Date;

December 13, 2013: 2013 CFPB Annual Employee Survey;

December 16, 2013: Financial Report of the Consumer Financial Protection Bureau;

December 17, 2013: College Credit Card Agreements: Annual Report to Congress;

December 30, 2013: Report of the Consumer Financial Protection Bureau Pursuant to Section 1017(e)(4) of the Dodd-Frank Act;

January 13, 2014: Growing Our Human Capital: Human Capital Annual Report to Congress;

January 24, 2014: Rigorous evaluation of financial capability strategies: Why, when and how. Perspectives from the field;

January 30, 2014: Supervisory Highlights: Winter 2013;

February 27, 2014: Credit reporting complaint snapshot;

March 5, 2014: Complaints received from servicemembers, veterans, and their families. A snapshot by the Office of Servicemember Affairs;

March 12, 2014: Annual FOIA Report of the Consumer Financial Protection Bureau;

March 12, 2014: Chief FOIA Officer Report of the Consumer Financial Protection Bureau;

March 20, 2014: Fair Debt Collection Practices Act: CFPB Annual Report 2014;

March 25, 2014: CFPB Data Point: Payday Lending;

March 28, 2014: No FEAR Act Annual Report FY 2013. Pursuant to Notification and Federal Employee Antidiscrimination and Retaliation Act of 2002; and

March 31, 2014: Consumer Response Annual Report: January 1 – December 31, 2013.

APPENDIX G:

Congressional testimony

Senior CFPB staff has testified before Congress a total of 46 times since it began in 2011, including on the following 15 occasions between April 1, 2013 and March 31, 2014, which may be found at http://www.consumerfinance.gov/newsroom/?type=testimony:

April 23, 2013: Richard Cordray before the Senate Committee on Banking, Housing, and Urban Affairs, "The Consumer Financial Protection Bureau's Semi-Annual Report to Congress";

May 7, 2013: Corey Stone before the Senate Subcommittee on Consumer Protection, Product Safety, and Insurance, "Credit Reports: What Accuracy and Errors Mean for Consumers";

May 16, 2013: Gail Hillebrand before the House Energy and Commerce Committee, "Fraud on the Elderly: A Growing Concern for a Growing Population";

May 21, 2013: Peter Carroll and Kelly Cochran before the House Committee on Financial Services, "Qualified Mortgages: Examining the Impact of the Ability to Repay Rule";

June 18, 2013: Steven Agostini before the House Financial Services Committee, "CFPB Budget Review";

June 25, 2013: Rohit Chopra before the Senate Committee on Banking, Housing, and Urban Affairs, "Private Student Loans: Regulatory Perspectives";

July 9, 2013: Steven L. Antonakes before the House Committee on Financial Services, "Examining How the Consumer Financial Protection Bureau Collects and Uses Consumer Data";

July 17, 2013: Corey Stone before the Senate Committee on Banking, Housing, and Urban Affairs' Subcommittee on Financial Institutions and Consumer Protection, "Shining a Light on the Consumer Debt Industry";

July 23, 2013: Hollister K. Petraeus before the Senate Committee on Homeland Security and Governmental Affairs, "The 90/10 Rule: Improving Educational Outcomes for Our Military and Veterans;

July 24, 2013: David Silberman before the Senate Special Committee on Aging, "Payday Loans: Short-term Solution or Long-term Problem";

July 31, 2013: Hollister K. Petraeus before the Senate Committee on Veterans' Affairs, "Preserving the Rights of Servicemembers, Veterans, and their Families in the Financial Marketplace";

September 12, 2013: Richard Cordray before the House Committee on Financial Services, "The Semi-Annual Report of the Consumer Financial Protection Bureau";

November 12, 2013: Richard Cordray before the Senate Committee on Banking, Housing, and Urban Affairs. "The Consumer Financial Protection Bureau's Semi-Annual Report to Congress";

November 20, 2013: Hollister K. Petraeus before the Senate Committee on Commerce, Science, & Transportation. "Soldiers as Consumers: Predatory and Unfair Business Practices Harming the Military Community"; and

January 28, 2014: Richard Cordray before the House Committee on Financial Services. "The Semi-Annual Report of the Consumer Financial Protection Bureau".

APPENDIX H:

Speeches

Director Richard Cordray or Deputy Director Steven Antonakes spoke at the following public events between April 1, 2013 and March 31, 2014:[172]

April 16, 2013: Remarks by Steve Antonakes at a meeting of the American Bankers Association in Washington, DC;

April 17, 2013: Remarks by Richard Cordray at the Federal Reserve Bank of Chicago VISA Inc. Financial Literacy and Education Summit in Chicago, IL;

April 30, 2013: Remarks by Richard Cordray at the Investing in Our Future Conference in Washington, DC;

May 2, 2013: Remarks of Steve Antonakes at the GMU Attorneys General Education Program at George Mason University School of Law;

May 7, 2013: Remarks of Richard Cordray at the Southern District of New York Press Conference in New York, NY;

May 8, 2013: Remarks by Richard Cordray at a Field Hearing on Student Loan Debt in Miami, FL;

May 14, 2013: Remarks by Richard Cordray at the National Association of Realtors in Washington, DC;

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[172] All speeches by CFPB senior staff are available at: http://www.consumerfinance.gov/newsroom/?type=speech-2.

May 15, 2013: Remarks by Richard Cordray at the Consumer Advisory Board Meeting in Los Angeles, CA;

May 29, 2013: Remarks by Richard Cordray at the FINRA Investor Education Conference in Washington, DC;

June 6, 2013: Remarks by Steve Antonakes at "Life of a Debt: Data Integrity in Data Collection", a CFPB/FTC Debt Collection Roundtable in Washington, DC;

June 12, 2013: Remarks by Richard Cordray at the Philadelphia Residential Mortgage Diversion Program Anniversary Celebration in Philadelphia, PA;

June 14, 2013: Remarks by Richard Cordray at the Clinton Global Initiative Conference in Chicago, IL;

June 19, 2013: Remarks by Richard Cordray to the Exchequer Club in Washington, DC;

July 10, 2013: Remarks by Richard Cordray at the CFPB Debt Collection Field Hearing in Portland, ME;

July 11, 2013: Remarks by Richard Cordray at the NAFCU Annual Conference in Boston, MA;

September 5, 2013: Remarks by Richard Cordray at The National Baptist Convention, USA, Inc. in Charlotte, NC;

September 11, 2013: Remarks by Richard Cordray at the American Mortgage Conference in Raleigh, NC;

September 18, 2013: Remarks by Richard Cordray at the Consumer Advisory Board Meeting in Itta Bena, MS;

September 24, 2013: Remarks by Richard Cordray at the American Banker Regulatory Symposium in Arlington, VA;

September 25, 2013: Remarks by Richard Cordray at the Financial Literacy and Education Commission Field Hearing in Madison, WI;

September 30, 2013: Remarks by Richard Cordray at the CFPB Banking on Campus Forum in Washington, DC;

October 2, 2013: Remarks by Richard Cordray at the CARD Act Field Hearing in Chicago, IL;

October 3, 2013: Remarks by Richard Cordray at the Annual Financial Literacy and Economic Education Conference in Baltimore, MD;

October 9, 2013: Remarks by Steve Antonakes at the FDIC Advisory Committee on Economic Inclusion in Washington, DC;

October 21, 2013: Remarks by Richard Cordray at the American Bankers Association Annual Convention in New Orleans, LA;

October 23, 2013: Remarks by Richard Cordray at the Financial Literacy and Education Commission Meeting in Washington, DC;

October 28, 2013: Remarks by Richard Cordray at the Mortgage Bankers Association Annual Convention in Washington, DC;

November 14, 2013: Remarks by Richard Cordray at the CFPB Auto Finance Forum in Washington, DC;

November 20, 2013: Remarks by Richard Cordray at the "Know Before You Owe" Mortgage Field Hearing in Boston, MA;

November 21, 2013: Remarks by Richard Cordray at The Clearing House Annual Conference in New York, NY;

December 5, 2013: Remarks by Richard Cordray at the Consumer Federation of America;

December 12, 2013: Remarks by Richard Cordray at the Field Hearing on Arbitration in Dallas, TX;

January 7, 2014: Remarks by Richard Cordray at the National Association of Realtors in Washington, DC;

January 10, 2014: Remarks by Richard Cordray at the Fielding Hearing on Mortgages in Phoenix, AZ;

January 22, 2014: Remarks by Richard Cordray at the U.S. Conference of Mayors in Washington, DC;

February 12, 2014: Remarks by Richard Cordray at the Financial Literacy and Education Commission in Washington, DC;

February 19, 2014: Remarks by Steve Antonakes at the Mortgage Bankers Association in Orlando, FL;

February 25, 2014: Remarks by Richard Cordray at the Financial Literacy and Education Commission Field Hearing in Atlanta, GA;

February 26, 2014: Remarks by Richard Cordray at the National Association of Attorneys General Winter Meeting in Washington, DC;

February 27, 2014: Remarks by Richard Cordray at the Consumer Advisory Board Meeting in Washington, DC;

March 3, 2014: Remarks by Steve Antonakes at Protecting Nevada's Consumers: A Common Ground Conference in Las Vegas, NV;

March 10, 2014: Remarks by Richard Cordray at the President's Advisory Council Meeting in Washington, DC;

March 12, 2014: Remarks by Steve Antonakes at the National Community Reinvestment Coalition Annual Conference in Washington, DC;

March 18, 2014: Remarks by Richard Cordray at the National Association of State Treasurers Legislative Conference in Washington, DC;

March 19, 2014: Remarks by Steve Antonakes at the U.S. Chamber of Commerce in Washington, DC; and

March 25, 2014: Remarks by Richard Cordray at the Payday Field Hearing in Nashville, TN.

APPENDIX I:

Financial budget reports
Financial and budget reports

The CFPB has published the following financial reports from January 1, 2012 through March 31, 2014, which are all available at consumerfinance.gov/budget:

January 20, 2012: CFO update for the first quarter of FY 2012;

May 11, 2012: CFO update for the second quarter of FY 2012;

July 27, 2012: CFO update for the third quarter of FY 2012;

November 15, 2012: Financial Report of the CFPB – FY 2012;

December 15, 2012: CFO Update for the fourth quarter of FY 2012;

February 15, 2013: CFO Update for the first quarter of FY 2013;

May 15, 2013: CFO Update for the second quarter of FY 2013;

August 15, 2013: CFO Update for the third quarter of FY 2013;

December 15, 2013: Financial Report of the CFPB – FY 2013;

December 15, 2013: CFO Update for the fourth quarter of FY 2013;

February 14, 2014: CFO Update for the first quarter of FY 2014; and

May 15, 2014: CFO Update for the second quarter of FY 2014.[173]

The CFPB has published the following Budget Documents, which are all available at consumerfinance.gov/budget:

- Fiscal Year 2012 Budget in Brief;
- Fiscal Year 2012 Congressional Budget Justification;
- Fiscal Year 2013 Budget in Brief;
- FY 2013 Budget Justification;
- FY 2014 CFPB Strategic Plan, Budget, and Performance Report; and
- FY 2015 CFPB Strategic Plan, Budget, and Performance Report.

The CFPB has published the following funding requests to and funding acknowledgements from the Federal Reserve Board, from January 1, 2012 through March 31, 2014, which are all available at consumerfinance.gov/budget:

January 6, 2012: Funding Acknowledgement from the Federal Reserve Board;

March 30, 2012: Funding Request to the Federal Reserve Board;

April 5, 2012: Funding Acknowledgement from the Federal Reserve Board;

July 2, 2012: Funding Request to the Federal Reserve Board;

July 9, 2012: Funding Acknowledgement from the Federal Reserve Board;

October 2, 2012: Funding Request to the Federal Reserve Board;

October 18, 2012: Funding Acknowledgement from the Federal Reserve Board;[174]

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[173] While this update is outside of the reporting period for this report, it became available before publishing, and so is included.

January 7, 2013: Funding Request to the Federal Reserve Board;

January 16, 2013: Funding Acknowledgement from the Federal Reserve Board;

April 2, 2013: Funding Request to the Federal Reserve Board;

April 8, 2013: Funding Acknowledgement from the Federal Reserve Board;

October 7, 2013: Funding Request to the Federal Reserve Board;

October 15, 2013: Funding Acknowledgement from the Federal Reserve Board;

January 7, 2014: Funding Request to the Federal Reserve Board; and

January 22, 2014: Funding Acknowledgement from the Federal Reserve Board.

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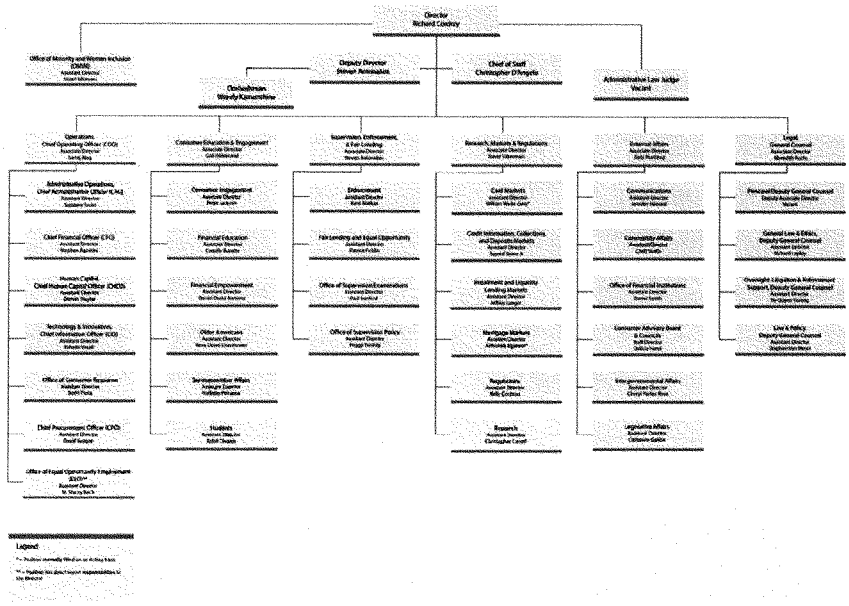
[174]Additional quarterly funding requests to the Federal Reserve Board and the corresponding funding acknowledgements from the Federal Reserve Board will be made available at consumerfinance.gov/budget.

APPENDIX J:

CFPB organizational chart



Last updated: April 9, 2014

APPENDIX K:

Defined terms

ACRONYM	DEFINED TERM
ADSS	American Debt Settlement Solutions
ALLY	Ally Financial, Inc. and Ally Bank
ANPR	Advance Notice of Proposed Rulemaking
ARC	The CFPB's Academic Research Council
BUREAU	The Consumer Financial Protection Bureau
CAB	The CFPB's Consumer Advisory Board
CARD ACT	The Credit Card Accountability, Responsibility, and Disclosure Act
CBAC	The CFPB's Community Bank Advisory Council
CE	The CFPB's Office of Consumer Engagement
CEE	The CFPB's Division of Consumer Education and Engagement
CFPB	The Consumer Financial Protection Bureau
COMMISSION	The U.S. Financial Literacy and Education Commission
CONSUMER RESPONSE	The CFPB's Office of Consumer Response
CUAC	The CFPB's Credit Union Advisory Council
DEP	Delayed Entry Program
DFS	Dealers' Financial Services

DODD-FRANK ACT	The Dodd-Frank Wall Street Reform and Consumer Protection Act
DOJ	The U.S. Department of Justice
ECOA	Equal Credit Opportunity Act
ECP	Examiner Commissioning Program
EFTA	Electronic Fund Transfer Act
EMPOWERMENT	The CFPB's Office of Empowerment
FAIR LENDING	The CFPB's Office of Fair Lending and Equal Opportunity
FDIC	The U.S. Federal Deposit Insurance Corporation
FEDERAL RESERVE BOARD	The U.S. Board of Governors of the Federal Reserve System
FFIEC	The U.S. Federal Financial Institutions Examination Council
FHFA	The U.S. Federal Housing Finance Agency
FOIA	Freedom of Information Act
FRB	The U.S. Board of Governors of the Federal Reserve System
FTC	The U.S. Federal Trade Commission
FY	Fiscal Year
GAO	The U.S. Government Accountability Office
GPR	General Purpose Reloadable Prepaid Cards
HMDA	Home Mortgage Disclosure Act
HUD	The U.S. Department of Housing and Urban Development
ICP	Interim Commissioning Policy
MILES	Military Installment Loan & Education Services

MOU	Memorandum of Understanding
NCUA	The National Credit Union Administration
NLHC	National Legal Help Center
NMLSR	National Mortgage Licensing System and Registry
OA	The CFPB's Office of Older Americans
OAA	The CFPB's Office of Administrative Adjudication
OCA	The CFPB's Office of Community Affairs
OCC	The U.S. Office of the Comptroller of the Currency
ODEP	The U.S. Department of Labor's Office of Disability Employment Policy
OEEO	The CFPB's Office of Equal Employment Opportunity
OFE	The CFPB's Office of Financial Education
OHC	The CFPB's Office of Human Capital
OIG	Office of the Inspector General
OJT	On-the-Job Training
OMWI	The CFPB's Office of Minority and Women Inclusion
OSA	The CFPB's Office of Service Member Affairs
OTS	The U.S. Office of Thrift Supervision
PLDS	Payday Loan Debt Solutions
PROCUREMENT	The CFPB's Office of Procurement
RESPA	Real Estate Settlement Procedures Act
SL&D	Supervision Learning and Development

T&I	The CFPB's Office of Technology and Innovation
TILA	Truth in Lending Act
TREASURY	The U.S. Department of the Treasury
VITA	Volunteer Income Tax Assistance