S. HRG. 114–104

THE CONSUMER FINANCIAL PROTECTION BUREAU'S SEMIANNUAL REPORT TO CONGRESS

HEARING

BEFORE THE

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

ONE HUNDRED FOURTEENTH CONGRESS

FIRST SESSION

ON

EXAMINING THE CONSUMER FINANCIAL PROTECTION BUREAU'S SEMI-ANNUAL REPORT TO CONGRESS, REVIEWING THE BUREAU'S OPERATIONS AND ACTIONS SINCE THE LAST SEMIANNUAL REPORT WAS PUBLISHED

JULY 15, 2015

Printed for the use of the Committee on Banking, Housing, and Urban Affairs

Available at: http://www.fdsys.gov/

U.S. GOVERNMENT PUBLISHING OFFICE

97–399 PDF WASHINGTON : 2016

For sale by the Superintendent of Documents, U.S. Government Publishing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2104 Mail: Stop IDCC, Washington, DC 20402–0001

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS

RICHARD C. SHELBY, Alabama, *Chairman*

MIKE CRAPO, Idaho
BOB CORKER, Tennessee
DAVID VITTER, Louisiana
PATRICK J. TOOMEY, Pennsylvania
MARK KIRK, Illinois
DEAN HELLER, Nevada
TIM SCOTT, South Carolina
BEN SASSE, Nebraska
TOM COTTON, Arkansas
MIKE ROUNDS, South Dakota
JERRY MORAN, Kansas

SHERROD BROWN, Ohio
JACK REED, Rhode Island
CHARLES E. SCHUMER, New York
ROBERT MENENDEZ, New Jersey
JON TESTER, Montana
MARK R. WARNER, Virginia
JEFF MERKLEY, Oregon
ELIZABETH WARREN, Massachusetts
HEIDI HEITKAMP, North Dakota
JOE DONNELLY, Indiana

WILLIAM D. DUHNKE III, *Staff Director and Counsel*
MARK POWDEN, *Democratic Staff Director*

DANA WADE, *Deputy Staff Director*
JELENA MCWILLIAMS, *Chief Counsel*
BETH ZORC, *Senior Counsel*
JOHN V. O'HARA, *Senior Counsel for Illicit Finance and National Security Policy*
CHRISTOPHER FORD, *Senior Counsel, National Security Policy*

LAURA SWANSON, *Democratic Deputy Staff Director*
GRAHAM STEELE, *Democratic Chief Counsel*
COLIN MCGINNIS, *Democratic Policy Director*

DAWN RATLIFF, *Chief Clerk*
TROY CORNELL, *Hearing Clerk*
SHELVIN SIMMONS, *IT Director*
JIM CROWELL, *Editor*

C O N T E N T S

WEDNESDAY, JULY 15, 2015

WITNESS

Additional Material Supplied for the Record

THE CONSUMER FINANCIAL PROTECTION BUREAU'S SEMIANNUAL REPORT TO CONGRESS

WEDNESDAY, JULY 15, 2015

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

The Committee met at 10:02 a.m., in room SD–538, Dirksen Senate Office Building, Hon. Richard Shelby, Chairman of the Committee, presiding.

OPENING STATEMENT OF CHAIRMAN RICHARD C. SHELBY

Chairman SHELBY. The Committee will come to order.

Today the Committee will hear from Richard Cordray, the Director of the Bureau of Consumer Financial Protection. The Bureau has grown to over 1,450 employees and has been very active since Director Cordray's last testimony before this Committee.

Among other things, it has recently expanded enforcement actions to cover telecom companies and broadened its authority over the auto finance industry. These actions, like others undertaken by the Bureau since its formation, have not been without controversy. Many would say that some of them go beyond what Congress envisioned in Dodd-Frank.

For instance, the Bureau's regulation of auto lending now involves over 30 nonbank lenders not previously subject to its supervision. This move has been called into question given the specific exemption for auto dealers in Dodd-Frank.

In addition to concerns with recent regulatory actions, issues remain with the Bureau's lack of accountability. This has been demonstrated by concerns with the Bureau's budgeting process, including the rising costs of renovation for the CFPB's new headquarters.

According to the Federal Reserve Inspector General, the estimated cost of actual renovation increased from $40 million in February of 2012 to $145 million in December of 2013. This is over 3 ½ times the initial estimate. The Inspector General also estimated that the total cost is now closer to $216 million. The Administration has yet to explain who approved the renovation and what happened to the documentation involved.

Unfortunately, Congress does not have control over how the Bureau spends its funds because the CFPB operates outside of the appropriations process. Even the Federal Reserve, which funds the CFPB from its earnings, does not control the Bureau's budget.

Because Congress cannot tighten the financial reins when budgeting issues arise, the Bureau's current structure makes meaningful congressional oversight very difficult.

So-called independence is one reason cited by the authors of Dodd-Frank for the Bureau's structure. But other independent agencies, such as the Securities and Exchange Commission, the CFTC, the FTC, and the CPSC, are all subject to the appropriations process. Additionally, the Bureau does not even have its own Office of Inspector General, relying instead on the Inspector General of the Federal Reserve.

Some of us have urged the adoption of specific reforms to make the Bureau more accountable and more transparent. By putting the Bureau through the appropriations process and establishing a board of directors, I believe it would resemble other independent agencies and provide Congress with the ability to conduct meaningful oversight.

Unfortunately, calls for reform have been rejected in past Congresses. Therefore, the only remaining oversight tool available to Congress is to hold hearings and hope that any concerns expressed perhaps would be addressed.

Director Cordray, it would be like giving you the authority to implement Federal consumer financial laws but withholding the authority to enforce them. I think you would agree that would make you highly ineffective as an agency charged with implementing our consumer financial laws.

Congressional oversight of the Bureau is critical now more than ever because of the CFPB's growing reach over the practices of individuals and companies in the financial sector.

For the time being here, we will conduct hearings and submit respectful requests that may or may not be addressed. I am confident that the time will come when we will reassert our constitutional prerogative that the supporters of Dodd-Frank sacrificed 5 years ago in the name of bureaucratic independence. Only then, I believe, will the Bureau be truly accountable to the people's representatives.

Senator Brown.

STATEMENT OF SENATOR SHERROD BROWN

Senator BROWN. Thank you, Mr. Chairman.

Director Cordray, welcome back to the Senate Banking Committee. Next week marks, as we know, the 5-year anniversary of the Wall Street Reform Act which created the Consumer Financial Protection Bureau. The financial crisis, we should never forget—the worst this country has seen since the Great Depression—exposed many weaknesses in our financial regulatory system.

One of the most troubling before the crisis was that no one was looking out for consumers. Consumers were steered into mortgages they could not afford, often with terms that were not disclosed: high fees, abusive payment structures, and sudden interest rates increases. Five million Americans lost their homes in foreclosure. In the home State of the Director and my State alone, half a million homes were foreclosed upon between 2006 and 2011—one-half a million homes.

At the height of the crisis in 2009, one in three Ohioans with mortgages were underwater; one in every six mortgage holders was at least 30 days delinquent or in foreclosure.

Though the banking regulators were supposed to be enforcing consumer financial laws, too often they looked elsewhere. A number of industries developed in the shadows with no clear Federal oversight. More importantly, no Federal regulator was expressly tasked with ensuring that consumers were treated fairly in their financial transactions.

We created the CFPB to fill this void to make sure that never again would consumers be an afterthought in our Nation's financial system. The CFPB opened its doors just shy of 4 years ago. In these 4 years, the CFPB has proved over and over that its creation was one of the big success stories of Wall Street reform.

As the Chairman speaks of the CFPB's budget, I think it is important to note that the CFPB has returned $10 billion to the pockets of 17 million consumers. It has fined countless companies for egregious consumer abuses, including credit card companies secretly adding on unwanted products, phone companies cramming fees onto consumers' bills, or mortgage servicers and lenders illegally foreclosing on homeowners and servicemembers.

The agency has served as an important place where consumers can turn. Over 650,000 complaints have been filed with the Bureau. The CFPB is to be commended for these successes. The ongoing enforcement actions, though, show us that work is not done. Just last week, the CFPB, 47 States, and the District of Columbia took action against a bank for illegally robo-signing court documents in selling zombie credit card debt, or debt that had already been cleared. Today I will introduce a bill that will address zombie debt, along with several of my colleagues in the introduction, and I hope that CFPB will continue to address this issue.

Last week, the Fed published numbers showing that consumer borrowing is at a record high, $3.4 trillion dollars, led by steady increases in student loans, auto loans, and credit card loans. As consumers take on more debt, the opportunity for risky behavior increases.

I look forward to hearing from Director Cordray on what the CFPB views as areas to watch in the consumer market and what this agency will do moving forward. I look forward to hearing when Director Cordray expects to finalize rules on payday and installment loans, on auto title loans, and prepaid cards, on overdraft and debt collection. We have seen in State after State that predatory lenders are nimble. As soon as a State passes legislation to rein them in, the lenders morph into something else. We saw that in Ohio after a ballot issue passed. Six years ago, Ohio enacted a short-term lender law with strong bipartisan support. It was short-lived as payday lenders evaded this law by registering as mortgage lenders or by adding fees. This creativity at the State level necessitates continued vigilance by the Consumer Bureau, and I hope that the CFPB's rules governing short-term loans close these loopholes.

Much of the CFPB's most important work is centered on mortgage regulation. The agency's ability to repay rules ensure that consumers are not trapped in mortgages they cannot afford. The

CFPB's rule to streamline forms will help consumers understand what is happening at the table during closing.

All these actions speak for themselves as to why this agency is so, so important to millions of Americans. Yet opponents continue to work to undermine the agency by weakening its independence, by changing its structure. Lately, there have been attempts to chip away at actions the agency has taken on arbitration and small-dollar loans. They have argued the agency should not be able to collect data about markets that were formally nontransparent and unregulated.

I will continue to fight, as so many Members of this Committee will, all these attempts to destabilize the CFPB. Our consumers deserve a strong watchdog that can do its job independently, and it is our job to make sure that happens.

Thank you, Mr. Chairman.

Chairman SHELBY. Thank you, Senator Brown.

Without objection, at this time I would like to enter into the record statements from the Credit Union National Association and the National Association of Federal Credit Unions.

Chairman SHELBY. Director Cordray, welcome to the Committee again. Your written testimony will be made part of the record. You proceed as you wish.

STATEMENT OF RICHARD CORDRAY, DIRECTOR, CONSUMER FINANCIAL PROTECTION BUREAU

Mr. CORDRAY. Thank you, Mr. Chairman, Ranking Member Brown, Members of the Committee. Thank you all for the opportunity to testify today about our latest semiannual report to Congress. We appreciate your continued oversight and leadership as we work together to strengthen our financial system and ensure that it serves consumers, responsible businesses, and the long-term foundations of the American economy. And I would reiterate, Mr. Chairman, that we take very seriously the oversight that we get from Congress. These hearings in front of the Senate Banking Committee, which are required by law, are important oversight for us. We listen carefully to what is said, and we take it to heart as we go about our work.

Next week marks 5 years since the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act, as has been noted, and it is 4 years since the Consumer Bureau actually opened its doors. As you know, Congress created this agency in response to the financial crisis with the purpose and sole focus of protecting consumers in the financial marketplace. We understand our responsibility to stand on the side of consumers and ensure that they are treated fairly. Through fair rules, consistent oversight, appropriate enforcement of the law, and broad-based consumer engagement, the Consumer Bureau is working to restore people's trust and confidence in the markets they use for everyday financial products and services.

To date, the Bureau's enforcement activity has resulted in more than $10.1 billion in relief for over 17 million consumers. Our supervisory actions have resulted in financial institutions, correcting many sub-par and illegal practices, and providing almost $200 million in redress to over 1.6 million consumers. And we have now handled, as was mentioned, more than 650,000 complaints—a matter that is particularly important to us—from consumers that address all manner of financial products and services. These consumers are your constituents in each of your States. For example, one excerpt of a complaint narrative from a servicemember in Alabama reads:

> We opened an account . . . We paid as agreed until we became unable to pay the full amount . . . We made an agreement to pay a lesser amount per month and kept paying via allotment. [The company] got a judgment against us while I was training. I was not served with a judgment prior to court or after . . . I was informed of it when my wages began to be garnished . . . We have asked repeatedly to have this issue fixed . . . We have in total paid this company nearly $25,000 over the past 11 years for a couch and loveseat, computer hutch, table and chairs. The furniture has not lasted, however the payments and ruin continue . . . We need assistance as we have tried every other step possible to fix this without aid.

Another excerpt, from a consumer in my home State of Ohio, and the Ranking Member's home State, reads:

> [I] elected and agreed to a Reduced Rate Payment Plan with [a student loan servicer]. In addition to being charged incorrect interest rates, my monthly payment was incorrectly allocated which is resulting in late fees and a delinquency notice. After speaking with . . . customer service representatives and a call time of . . . hours, no resolution had been reached.

These are the stories that motivate us in our work.

In this, our most recent semiannual report to Congress and the President, we describe the Bureau's efforts to achieve our vital mission on behalf of consumers, including those in your home States and mine. During the timeframe covered by the report, we have helped secure orders through enforcement actions for millions of dollars in relief to consumers who fell victim to various violations of consumer financial protection laws, along with over $32 million in civil money penalties. For example, we took action against a company for illegal debt collections practices that resulted in $2.5 million in relief for servicemembers. We also stopped an illegal kickback scheme for marketing services, which resulted in $11.1 million in redress for wronged consumers. We worked with the Department of Education to obtain $480 million in debt relief to student loan borrowers who were wronged by Corinthian Colleges, a for-profit chain of colleges that violated the law and has since declared bankruptcy.

During the reporting period, the Bureau also issued a number of proposed and final rules. In October 2014, we issued a final rule to reduce burdens on industry by promoting more effective privacy disclosures from financial institutions to their customers. In November 2014, the Bureau issued a Notice of Proposed Rulemaking to provide strong new Federal consumer protections for the first time for prepaid cards and accounts that had no such protections. In December 2014, the Bureau issued a proposal to clarify various provisions of its mortgage servicing rules. In January 2015, the Bureau proposed further changes to some of our mortgage rules to facilitate mortgage lending by small creditors, particularly those in rural or underserved areas, community banks, and credit unions. This would increase the number of financial institutions able to offer certain types of mortgages in rural or underserved areas and help small creditors adjust their business practices to comply with the new rules.

As a data-driven institution, the Consumer Bureau published several reports during this reporting period that highlight important topics in consumer finance such as medical debt, arbitration agreements, reverse mortgages, and consumer perspectives on credit scores and credit reports. We also released a new "Know Before You Owe" mortgage toolkit that will help encourage consumers to shop for mortgages and better understand how to go about the important task of buying a home.

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

Thank you for the opportunity to testify today, Mr. Chairman. I look forward to your questions.

Chairman SHELBY. Thank you.

Director Cordray, you have said many times that you are accountable to Congress. However, you get to determine your budget and how to spend it. Neither Congress nor the Fed can tell you how to allocate taxpayers' money. Many Members of Congress have expressed strong disapproval of the Bureau's costly building renovations, which include a waterfall and a four-story glass staircase, and now stands at more than 3 1/2 times, it is my understanding, the original estimate.

Has this disapproval by people caused you to change your renovation plans in any way? And if so, tell us what changes you have made, if any?

Mr. CORDRAY. So two answers to that question.

First, on the overall issue of accountability and oversight, we are accountable to this Congress in numerous ways that are in our statute. The GAO does a regular audit of our financial statements and internal controls each year, which is not common to Federal agencies. We are subject to an independent audit also by our statute. We are subject to reviews by our Inspector General, which have been vigorous. I am required by law to testify in front of this Committee—that is where the Congress put the jurisdiction, which is appropriate, and you are vigorous in your oversight—twice a year and the House Financial Services Committee twice a year.

We have numerous other accountability mechanisms as well, and like the other banking agencies, we are not subject to the appropriation process. But that is not unique. It would be odd if we as a banking regulatory agency were different from the others in that respect.

As to the building project, that has been overhyped and misrepresented. The construction costs have remained essentially static from before we took on this building and the Office of Thrift Supervision had performed an audit that found that the building was in disrepair and needed an overhaul if it was going to remain a productive Government asset. The construction costs have been pretty steady at between $95 and $120 million, approximately. We recently awarded the contracts through competitive bidding, and they came in thus far under budget. And the GSA is managing the program, which feels appropriate to me. They know more about it than I do. And they have felt and have stated that this is an appropriate Government renovation project well within the cost estimates for similar projects. That is my understanding of that issue.

Chairman SHELBY. Thank you.

Yesterday, the Bureau announced the settlement of an enforcement action against American Honda Finance Corporation, one of the Nation's largest auto lenders. As part of this settlement, Honda, it is my understanding, must substantially reduce or eliminate entirely the ability of auto dealers to raise or lower the finance rate offered to consumers. A recent American Banker article quoted from a leaked CFPB memo, stating that the Bureau is seeking to accomplish "the significant limitation of dealer discretion."

Considering that auto dealers were explicitly exempted from the CFPB's jurisdiction in Dodd-Frank, can this be seen as anything other than a back-door effort to regulate the auto dealers, which were basically exempt from Dodd-Frank?

Mr. CORDRAY. So three things on that.

The first is we and the Justice Department—we are not alone in enforcing the Equal Credit Opportunity Act. We work together on that. We did resolve a matter with Honda yesterday, and it is to Honda's credit—I would commend them. They have taken far-reaching steps to constrain the discretionary markup which we think has led to discrimination for consumers and the Justice Department thinks has led to discrimination for consumers. But it was industry leadership that Honda demonstrated yesterday, and I commend them for that.

Second, in terms of our responsibility here, we have been very careful to observe a line that was not necessarily an obvious or logical line that Congress drew, which was to say that the Consumer Bureau has jurisdiction over auto lenders, but does not have jurisdiction over auto dealers. That jurisdiction, as I understand, is given to the Federal Trade Commission. We feel that means that the law has spoken clearly, that we have a responsibility to address any sort of issues of discrimination or other violations of the law by lenders, but not by dealers. You know, that may be illogical, but that is the line we have, and we have taken our responsibility seriously there. And as I say, we have a partner in this work, which is the Department of Justice, and we work together to address these issues.

I think that has been appropriate, but I am always willing to hear more from Members of this Committee and Members of Congress. We are simply looking to enforce the law and do it accurately and appropriately.

Chairman SHELBY. On March 26th, the Bureau released an outline of its proposed plans to end payday debt traps. Every State, it is my understanding, either regulates or outright prohibits payday lending. What analysis did the Bureau conduct of State laws and regulations prior to deciding it should preempt their regulations? And if you have it, could you provide that analysis to the company? Do you want to comment on it first?

Mr. CORDRAY. Sure. In our statute, there were four issues that were very explicitly given full jurisdiction to the Consumer Bureau: mortgage origination, mortgage servicing, payday lending, and private student lending. Those were specifically and explicitly called out in our statute.

We have been working on the issue of small-dollar lending for several years since we became an agency. We have published two extensive white papers that really detail our analysis of this market. They involved scrutiny of upwards of 15 million loans. It was the most comprehensive work that has ever been done on this industry. And what we concluded from that was that the problem of debt traps, rollovers of loans, was a very significant problem for consumers who are in the small-dollar loan market.

There is a representation that this is a product that people get a loan and repay it and they get in and get out and do not end up in a trap. And what we found was that well over half the loans are repeat loans in sequences of 6, 8, 10, 12 loans where people are living their lives off of 400 or 500 percent interest. That is the issue that we are looking at and working to address. It is a very complex issue, I will say. We want to preserve access to credit for people who need that credit, and we recognize there is a demand for that credit. At the same time, we do not want consumers to end up harmed by being stuck in a debt trap they cannot get out of and harming their finances further. That is the dilemma that we are trying to confront there.

Chairman SHELBY. Thank you.

Senator Brown.

Senator BROWN. Thank you, Mr. Chairman. Before I begin questions, I would like to comment on recent attempts to undermine the Consumer Bureau.

Last month, the House Appropriations Committee passed a bill that kills the CFPB's independence. Similar attempts have been made in the Senate, including the idea that CFPB's governance should be changed to a commission. The argument that CFPB would be better led by a commission is clearly designed to cripple the Bureau and set up one nomination fight after another.

We are, I believe, the only Committee in the Senate that has yet to hold a hearing on any of our nominees, most of whom were sent to the Committee in January. By contrast, in 2007, when Senator Tester and I joined this Committee, when we were in the seventh year of the Bush administration and the Democrats were in the majority in the Senate, this Committee had three nomination hearings and reported out a dozen or so nominees before the August recess.

We have important jobs open waiting for us to act from a Fed nominee to the Treasury Under Secretary for Terrorism and Financial Crimes. Changing the CFPB's governance would stop the agency in its tracks and again leave consumers without a Federal watchdog. And I would again point out with the criticism that we hear so frequently of the CFPB on budgets, on buildings, all that, that the CFPB has returned over $10 billion to 17 million Americans.

Now, my questions. I was encouraged, Director, to see the CFPB's release of its study on forced arbitration as we required in Wall Street reform. I am concerned, but not surprised, that the Bureau found no evidence that forced arbitration leads to lower prices for consumers and that three out of four consumers did not even know they were subject to an arbitration clause. A couple of months ago, a number of Members of this Committee sent a letter to the Bureau urging swift rulemaking to ban forced arbitration in consumer contracts.

What is the Bureau's thinking on this issue? When can we expect to see action?

Mr. CORDRAY. Thank you, Ranking Member Brown.

First of all, as to nominees, all I can say is I was very pleased to have the opportunity to be confirmed by the Senate in July 2013. It took awhile but ultimately was a strong vote, and I really appreciated the care with which the Senate considered that nomination. I cannot speak to the others you are talking about.

On the arbitration report, we did issue an arbitration report. The Congress required us to do that as part of the Dodd-Frank Act. What they said was—actually, Congress did a couple things that were interesting on arbitration in that law. They first said that they were going to ban outright any sort of arbitration clauses, predispute arbitration clauses, in any mortgage contracts. This was a significant shift away from the permissive attitude to the Federal Arbitration Act that had developed over decades.

They also said—and this is what we are getting to here—that as to the rest of consumer financial products and services, they required the Bureau, mandated that the Bureau perform a study and a report to Congress on the potential effects of arbitration agreements of that kind. We did that very carefully and deliberately. It took us a couple years of work, lots of research, and ultimately a significant report that looked into areas that had not been looked into before, comparing arbitration in the consumer context with judicial resolutions.

We did issue that report to Congress earlier this year. What the statute then says is, having done that, having performed that task, it was then for the Bureau to consider what might be done, consistent with the public interest and consistent with the results of that study, to either modify or address pre-dispute arbitration agreements for other consumer financial products and services.

We have determined at this point, having digested our own study and gotten a great deal of feedback from industry and others on it, that we will be moving ahead with rulemaking in this area, and we will be in due course here convening a small business review panel as the first step in considering what actions to take. So that is where it stands as of this morning.

Senator BROWN. Thank you. We hear from banks about issues related to coordination of exams with prudential regulators. I know the Inspector General recently reported that it has not found duplication of regulators' oversight responsibilities. I would like you to talk for a moment about your examinations. What is the value of your examination and supervision authority? What are you doing to improve coordination with other agencies of your exams, particularly of smaller institutions, so that—because obviously the exams can be costly to them, and we want to make sure there is not duplication.

Mr. CORDRAY. This is an area of real focus for us and one where we have made a tremendous amount of progress over the last several years. If you had asked me that question back in 2012, when we were just undertaking our examination program, we were only minimally staffed up. We were probably at about a third of what we needed in terms of manpower. The coordination was not as good as we would have liked it to be.

At this point I think the coordination has become quite good—not perfect but quite good. I would say in particular, on the nonbank side, we coordinate with the Conference of State Bank Supervisors who had primary responsibility in that area prior to the Consumer Bureau entering the scene, and we have done numerous coordinated exams with them, and we share information with them back and forth consistently.

With the other Federal banking agencies, which is also quite important because they have prudential safety and soundness authority, which is very significant, over these institutions and somewhat distinct from our consumer protection authority, the law mandates that we collaborate. The law mandates that we share drafts of examination reports, which we do back and forth. The law mandates that as we go about proposing rules that they have a lot of insight and input into those rules, which they have had. And I think that has improved enormously. Not to say that I do not still hear isolated instances now and then where it feels to me the coordination could be somewhat better, but I think certainly the leadership at those agencies—at the Federal Reserve, at the FDIC and the OCC—have been very committed to collaborating with the CFPB in understanding that we have distinct but related roles that need to be integrated so that institutions do not have to face what I would regard as a very unfair situation where they are hearing different things from different regulators; then they would not know how to proceed. I do not think we are hearing that. I tell institutions all the time, let us know about your complaints in this regard so we can fix them. And, again, I think there has been tremendous progress over the last 3 years.

Senator BROWN. Thank you.

Thank you, Mr. Chairman.

Chairman SHELBY. Senator Crapo.

Senator CRAPO. Thank you, Mr. Chairman.

Director Cordray, as you know, recently in Congress we have been debating the question of whether the NSA should be allowed to access telephone records of Americans, and I have been very concerned about the massive data collection that the CFPB has been engaged in.

Last Congress, again, as you know, I asked that the CFPB's data collection program be reviewed by the Government Accountability Office, and that GAO report established—and I would just like to confirm the facts with you, but that GAO report established, as I understand it, that the CFPB has an ongoing collection of up to 600 million credit cards that are being evaluated, the data is being collected on 11 million credit reports, 700,000 auto sales, 29 million mortgages, and 5 ½ million private student loans. I actually think the numbers are higher than that. But is that in the ballpark of the amount of data collection that the agency is engaging in?

Mr. CORDRAY. I certainly would agree with the figures that are set forth in the GAO report. They did a very careful evaluation of us over the better part of a year. We worked closely with them, and I have nothing to dispute in that report.

Senator CRAPO. And as you know, in several places the Dodd-Frank legislation prohibits the CFPB from collecting personally identifiable information. The CFPB claims it is not doing so because it is not collecting certain things, like the name, Social Security number, and address of the person whose credit card data, for example, they are collecting.

Could you tell me what data points the CFPB is not collecting on those credit card transactions?

Mr. CORDRAY. So you mentioned the fact that we have developed a credit card database. We are working on a national mortgage database, consumer credit panel. In all of those areas, this information, it is really significant to get this because it is often misunderstood. This is de-identified, anonymized information. As you noted, the personally identifiable information—name, address, Social Security number, account number—is not typically included in any of that material.

So it is actually pretty uninteresting data from the standpoint of, say, you or I being concerned about our privacy. Instead, what it does is it gives us a sense of patterns of consumer protection, consumer abuse, consumer service in the industry. That is what we are looking for. It is like a GDP or an unemployment rate analysis. It is not about what you or I do in our daily lives. I am not interested in that. I do not have any interest in that.

Senator CRAPO. And you and I have had this conversation before.

Mr. CORDRAY. Yes.

Senator CRAPO. One of the concerns that I have is that it is easy to say that data has been anonymized.

Mr. CORDRAY. Yes.

Senator CRAPO. It is also relatively easy to de-anonymize it. A recent study by the Massachusetts Institute of Technology found that just the dates and locations of four purchases are enough to identify about 90 percent of the people in a credit card data set.

So are you telling me that the information the CFPB collects cannot be de-anonymized?

Mr. CORDRAY. So it is not easy to do that. It would take a lot of time and effort to do that. I do not see that it would be worth anybody's while to try to do that. Certainly I have no interest in that. I do not think anybody at the Bureau does.

Personally identifiable information within the Federal Government agency is only a problem to us doing our work. It creates all kinds of issues, and we try to avoid it as much as possible so to avoid making extra work for ourselves on those issues.

Senator CRAPO. With regard to scope, just to get clear on the scope, my understanding is that you are collecting data on somewhere above 80, maybe even up to 90 percent of all credit cards. Is that correct?

Mr. CORDRAY. In that one—all the other areas, we do sampling. In that one we do not simply because industry has told us it is more efficient and less costly for them to simply do a data dump than to have to organize a representative sample. And this is consistent with other agencies' treatment of the same issues.

Senator CRAPO. Well, because of time, I am going to move on. I want to continue this conversation with you——

Mr. CORDRAY. That is fine, yes.

Senator CRAPO.——because I do believe that the protection for Americans is not adequate.

Mr. CORDRAY. I am happy to speak to you personally further, and your staff, in your office, wherever you would like, about this.

Senator CRAPO. The last question I want to get into with you is the Paperwork Reduction Act was designed, among other things, to ensure the greatest possible public benefit from and maximize the utility of information created, collected, maintained, used, shared, and disseminated by the Federal Government, and to improve the quality and use of Federal information, decisionmaking, and so forth.

It is my understanding that each of the 1022 orders issued to date by the CFPB, which is its orders to collect this data, has been sent to fewer than nine companies to avoid the review of the request by the Office of Management and Budget. Could you tell me, how many times has the CFPB utilized the exception for reviewing data requests by sending 1022 requests to fewer than ten companies?

Mr. CORDRAY. We have utilized it several times, and we have also gone through the full process several times. That is one way of characterizing what we have done. Another way of characterizing it is, as we are seeking data, if we can limit the number of institutions so that we do not have to burden other institutions, I assume that is what you would like us to do. It is another version of sampling, right? So rather than seeking the data from hundreds of institutions, if we can get a representative sample and it is fewer than nine, that is easier for us. But, also, it is easier for institutions, and——

Senator CRAPO. Well, could you clarify for me—and since my time is up, maybe you could do it in a written response. I would like to know the exact data rather than several times this way and several times that way.

Mr. CORDRAY. Sure.

Senator CRAPO. I would like to know, out of all of the data requests you have made, how many have avoided the OMB review?

Mr. CORDRAY. Fair enough. We will get you that, yes.

Senator CRAPO. All right. Thank you.

Chairman SHELBY. Senator Reed.

Senator REED. Well, thank you very much, Mr. Chairman, and thank you, Director Cordray. I am told today is Military Consumer Protection Day, so it is fitting that you should be here. And I think one of the—I will speak personally. One of the prouder achievements in the Dodd-Frank Act was the Office of Servicemember Affairs, which is in your organization, led by Holly Petraeus. So thank you for all you are doing to help protect our servicemen and -women.

The basic legal protection for these young Americans is the Servicemembers Civil Relief Act that goes back to the Civil War. Enforcement is scattered about. The Department of Justice has civil authority, civil actions. Banking regulators can go in and correct, but the enforcement is really lax. And I think you pointed out last week, when you did a report which indicated that servicemembers continue to report difficulty obtaining their Servicemembers Civil Relief Act protection of 6 percent on loans, the law going back a long time ago is that if you have prior existing debt and you entered the Armed Services, it is capped at 6 percent, and they are not getting that, particularly student loans. That was the focus of your report.

Mr. CORDRAY. Yes.

Senator REED. And I have put legislation in to give authority for enforcement to the CFPB, just as background.

Now, if Congress were to enact this legislation, how would the CFPB be equipped to better protect servicemembers from financial harm?

Mr. CORDRAY. I just think it stands to reason, Senator, if there are more cops on the beat to protect our troops in terms of potential abuses or problems in financial products and services, which for them are just a distraction from their ability to focus on their job, which is defending and protecting all of us, that would be a helpful thing.

I note that the Congress a couple years ago—and I think it was under your urging—did provide enforcement authority to the Consumer Bureau under the Military Lending Act. I thought that was a positive step forward.

What we do is we work with partners, particularly the Department of Justice, who has been active in this area. But, again, they only have so many resources. We only have so many resources. If there is ever an area where we should be training and focusing our resources on the problem, it is making sure that our servicemembers are treated appropriately and fairly in the financial marketplace so they do not have to worry about those problems.

Senator REED. Thank you very much. And you made reference to the Military Lending Act. That was passed in the fiscal year 2007 National Defense Act, and it gives you authority, but it puts the burden on the Department of Defense to create the framework, the rules and regulations. And they are trying to do that again. They had a series of regulations that were well intentioned but did not really fully address some of the problems that face servicemen and -women.

Can you briefly explain how these members remain vulnerable today in anticipation, we hope, of rules that will be forthcoming?

Mr. CORDRAY. Yes, and I particularly appreciate that you have had a very constant and sharp focus on these issues and have seen to it that progress moves along in this area. And I think we are very close to having a new set of Military Lending Act rules, and I commend the Department of Defense for the speed with which they have recognized the importance of working on this problem.

The difficulty is that the Military Lending Act, as you say, passed in 2007, there was originally a set of rules meant to implement it, but they were too narrow, and they were too easily circumvented. It is very much the problem that Senator Brown pointed out earlier of people being able to swim around some of the otherwise well-intentioned rules, and you still can see Web site after Web site of online lenders offering loans to servicemembers at triple-digit percentages and some of them 400, 500, 600 percent. And they are, gallingly, perfectly legal under the current set of rules, which is why Congress, as I understand it, has directed that this be redone.

The Department of Defense has taken that very seriously and, again, acted with great speed in addressing it, and I believe that very shortly we are going to have a new set of rules, and servicemembers will have new, important protections that they probably should have had several years ago.

Senator REED. Well, thank you very much. Again, you know, we are all, rightfully, appreciative of the service that these men and women render to the country, and we say that repeatedly. But if their rights cannot be adequately protected, then the rhetoric is nice, but it is better to have the access to the rules and protections. So I thank you for that.

Mr. CORDRAY. And I saw in preparing for the testimony today that a number of Members of this Committee can speak to this personally from their own experience of service. So I think it is quite important.

Senator REED. Thank you very much.

Chairman SHELBY. Senator Vitter.

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

Like a lot of Members and a lot of citizens, I am really concerned about the vast amounts of data that CFPB collects on all citizens related to financial transactions. I have a proposal to allow any citizen to see what personally identifiable data the CFPB has collected on them at least once a year. Would you support that concept?

Mr. CORDRAY. So, in general, our approach to this issue is we are not interested in personally identifiable data where we can at all avoid it because it only causes problems for us as an agency in our work. The data that we are collecting to be able to monitor the credit card market, the mortgage market, issues where you all will ask us from time to time whether laws have gone too far, whether they have gone far enough, how can we possibly answer those questions if we do not have data on the marketplace?

Now, that is very different from me wanting data on what Senator Vitter does in individual transactions or what Richard Cordray——

Senator VITTER. You do collect personally identifiable data, do you not?

Mr. CORDRAY. We have some personally identifiable data in two respects in particular: consumer response where consumers actually give us their data so that we can work on their complaint, the same way constituents go to your office and give you personal data——

Senator VITTER. Apart from complaints where you collect significant personally identifiable data?

Mr. CORDRAY. And then the second——

Senator VITTER. You do not?

Mr. CORDRAY. Except in a limited number of cases, we do not.

Senator VITTER. You do not collect any of that?

Mr. CORDRAY. We have no reason to do that, and the credit——

Senator VITTER. So you do not collect any of that?

Mr. CORDRAY. For example, our credit card data, we take—we do not have name, we do not have address, we do not have Social Security number, we do not have account number. We are not interested in that. We are interested in the pattern of what goes on in the market.

Senator VITTER. Do you collect it before you scrub it?

Mr. CORDRAY. We ask for the data to be scrubbed before it comes to us wherever possible.

Senator VITTER. Who gets it and who scrubs it?

Mr. CORDRAY. It depends on which database we are talking about. I would be happy to have a full briefing for you on this.

Senator VITTER. So somebody involved in the process has that.

Mr. CORDRAY. Well, typically it is scrubbed before it comes to the agency. So private companies have all this data. They care very much what you and I do in our personal transactions, and they are always marketing to us on that. I mean, that is where the focus should be. We typically do not have that data. We are trying to monitor markets as a whole. It is a big difference and a big distinction, and it is often misunderstood and misstated by people. So that is what I would say to that.

Senator VITTER. So what about these databases, the one-time collection of 100,000 to 500,000 deposit advance accounts that contain deposit account and transaction-level data? Did you all never collect that?

Mr. CORDRAY. So we have had particular collections from industry in order to work on particular reports. Again, we are typically not interested in transaction-level data or individual transactions.

Senator VITTER. So what I just referenced did include transaction-level data?

Mr. CORDRAY. Again, a number of different collections over different times. If you would like us to have people come to your office and speak very specifically about anything in particular you want to know more about, happy to do it.

Senator VITTER. OK.

Mr. CORDRAY. I do not think you will find it problematic, but I want you to be able to work it through. If you do see something problematic, I want to know about it because if it is a problem in your mind, it is a problem in my mind.

Senator VITTER. Well, there are big problems in my mind, and I have seen personally identifiable, transaction-related data that have been collected. However——

Mr. CORDRAY. You say you have seen that? How have you seen that?

Senator VITTER. I have read about at least three specific databases that you all have collected that contain that, number one. Number two——

Mr. CORDRAY. Give us a chance to come and brief you, and we can speak to the——

Senator VITTER. OK. Number two, there is all sorts of data you collect that involve that information at least before it gets to you. So, in any case, however large or small, in your opinion, this universe is, would you support citizens being able to see what data is being collected by or because of regulations of CFPB?

Mr. CORDRAY. So that sounds good in the abstract, but typically the data that we are collecting, we would not even be able to identify individuals, because you and I do not want us to know that, and we do not know it. And, therefore, in most instances we could not even answer that question.

Senator VITTER. Well, then what I am describing would not apply. It would only apply to what I am describing. Would you support citizens having access to that to understand what is being collected?

Mr. CORDRAY. Again, I would be glad to talk to you further about that. If it is consumer response information, they gave us the data so we could work their problem, the same way they do to your constituent services arms of your offices. If it is an enforcement or a supervisory action to get relief to people, we need to know who should get the relief and work with the institutions to accomplish that.

In terms of our general data gathering, we typically do not know it, and, therefore, we could not tell an individual anything about their data because we do not even know whose data it is. And that is the way you should want it, and that is the way I want it.

Senator VITTER. Thank you, Mr. Chairman.

Chairman SHELBY. Senator Menendez.

Senator MENENDEZ. Well, thank you, Mr. Chairman.

With the fifth anniversary of the Wall Street Reform Act this month, there has been a lot of discussion about what the law did well, where there might be room for improvement, and what challenges still remain on the financial landscape. And as we look back, I think without question that establishing the Consumer Financial Protection Bureau has been one of the cornerstone achievements of the law. Families now have an independent cop on the beat on their side to identify and stop predatory and deceptive practices. And the CFPB provides both consumers and policymakers with better information and research about financial products, risks, and trends of the market.

Now, I fought hard for the CFPB's creation as a Member of the Committee, as well as many of the protections it is charged with enforcing, such as strong mortgage servicing rules to stop foreclosure abuses and protections to end abusive and deceptive credit card practices. And I also fought hard for many of the Wall Street Reform Act's financial stability and corporate governance improvements. And while the law is not perfect and some important challenges remain, the last 5 years have shown that, overall, there is a lot it got right.

Director Cordray, the CFPB has been at the forefront of many of these gains, which is a testament to the work that you, Senator Warren, and the CFPB staff have put in to stand up the agency from scratch and continue its positive development. So I want to commend you for being a force for good.

There are two areas that I would like to get into in my questions. One is about mortgage servicers' evasion of the dual-tracking protections and some of the credit card reforms that I fought for in the 2009 Credit CARD Act, and I want to talk to you about those.

I am pleased that the Bureau has made these a priority. While our economy and housing market continue to recover from the crisis, there are still many parts of the country struggling with mortgage debt and foreclosure, including my home State of New Jersey, which has the highest rate in the country of homes currently in foreclosure.

Now, despite the CFPB's new rules, many homeowners behind on their mortgages continue to face obstacles to obtain modifications that can help. For example, until mortgage servicers mark applications as "Complete," homeowners are not eligible for dual-tracking protections, which prohibit a servicer from moving forward with a foreclosure while the homeowner is pursuing loss mitigation. While homeowners scramble to pull together document after document, they accumulate additional fees and burdens that make them even more likely to default. Some servicers request documents on a piecemeal basis and repeatedly request the same documents, making prompt and effective loss mitigation a pipe dream for distressed homeowners.

Do you have concerns that servicers are intentionally obstructing the loss mitigation process to favor foreclosure? And if so, what more can be done to correct misaligned incentives and protect consumers?

Mr. CORDRAY. We do and I do have concerns about that, and for me they go back to when I was a State treasurer and county treasurer at the local level in Ohio and saw the difficulties that mortgage servicing problems were creating for individual homeowners who really did not deserve to have that heaped on top of financial distress.

When we created our new mortgage servicing rules, which went into effect in January of 2014, we looked closely at those issues which we knew were pain points for consumers—we hear about it on our consumer complaint line frequently—and worked to address them. We have had further work that we are doing both in enforcement actions—we have had several enforcement actions against mortgage servicers where this has been part of the problem and part of the answers in orders that we had to impose, and also in supervisory work that we are doing with institutions that we highlighted in our supervisory highlights last edition so that all of industry could know again that this is a focus for us. It is a problem that has been persisting for years, and it is one that they need to clean up.

It is a complex problem, and as you noted, different States have different situations that they are in with underwater homeowners or with foreclosure processes that differ dramatically from judicial to nonjudicial foreclosure States. But this has been pretty much a constant across the country.

Senator MENENDEZ. Well, I would like to follow up with you——

Mr. CORDRAY. That is fine.

Senator MENENDEZ.——because there are many cases of this.

Mr. CORDRAY. That is fine.

Senator MENENDEZ. Finally, with the 2009 Credit CARD Act, we are pleased to see that an independent evaluation 4 years later shows that the Act's reforms are saving American consumers almost $21 billion per year. In 2013, the Bureau released its own report on the CARD Act that found similar successes, but also identified market practices that are a concern for consumers. Can you give us an update in that regard?

Mr. CORDRAY. I can. I will tell you that—and I go back to the State level where we saw the kinds of complaints people were making about credit cards. This is 2005–06, before the CARD Act, before the financial crisis. That market is considerably better today than it was 10 years ago, and I would say there are three reasons for that, and I want to give credit where it is due. I think the CARD Act and the Federal Reserve rules have made an enormous difference in correcting problems in late fees, universal default, other issues. Some of the real problems have been cleaned up.

Second, credit card companies themselves have done a better job on customer service. You can see it in the J.D. Power surveys. The net promotion score index, which they have used in handling credit card calls from customers, has been an enormous shift, putting financial incentives behind the way people handle those calls so that they are more consistent with what the customer is looking for rather than just trying to get them off the phone. I want to give the companies credit for that. I would ask them to think about using net promotion score index principles across their customer service in all of their financial products. That would be a good thing. They know how to do it. They should do it.

The third thing is consumers themselves. Coming out of the financial crisis, consumers have been more responsible about thinking about how to approach their credit card debt, whether to maintain long-term revolving credit card debt, what the interest rates are on that. People have been paying down debt. And I think when you are a consumer who is having a better experience in managing your own debt, you are going to have a better experience with your company, and you are going to have a better experience with the marketplace. That to me has been one of the success stories.

There are still issues that we are concerned about and we are looking at. Deferred interest is an issue of some concern for us. How the rewards programs are advertised, we just want to be careful about that. And the credit card add-ons obviously have been a point of particular focus for us through enforcement actions, and I think much of that has been cleaned up. But I would say the credit card industry is a hopeful sign for me that the financial institutions, when they come under pressure from Congress and others, and also when they understand the importance of doing it themselves, have the ability to clean up their act. And I would urge them to consider what they have done there and how they could do it elsewhere.

Senator MENENDEZ. Thank you, Mr. Chairman.

Chairman SHELBY. Senator Scott.

Senator SCOTT. Thank you, Mr. Chairman. Good morning.

Mr. CORDRAY. Good morning.

Senator SCOTT. As I am sure you are probably aware, South Carolina has become an automotive giant in the sector of transportation. I am very proud of my State's progress. Whether it is BMW, Volvo, Mercedes, Continental Tires, Bridgestone, Michelin, Sage Automotive, we certainly have seen a lot of jobs created by these manufacturers that depend on dealers in South Carolina and around the country being able to sell cars.

That is why I am particularly concerned by the CFPB's 2013 bulletin on indirect auto lending, which imposes one-size-fits-all, cookie-cutter regulations on lenders and dealers. As Chairman Shelby has already stated, CFPB has no jurisdiction over auto dealers, but it seems that your Bureau is regulating heavily the relationship between lenders and dealers.

My concern, however, I am not as concerned about the dealers or the lenders. I am really concerned about the consumers in South Carolina, and whether it is Greenville or Charleston, who will now perhaps pay a higher price for their vehicles because of the Government's involvement in trying to make things better.

Director Cordray, eliminating the ability for lenders and dealers to compete for a customer's business will mean that the customer, simply the customer, ultimately pays a higher interest rate. How do we explain back at home that CFPB's involvement effectively forces some South Carolinians shopping for vehicles to pay a higher interest rate on a car note? And how does that provide greater consumer protection?

Mr. CORDRAY. So a couple things, Senator, and thank you for that question.

First of all, just understand my background, too, is I come from a strong automotive State. Talk to Senator Portman, talk to Senator Brown. You know, GM, Ford, Chrysler, Honda have been very significant presences in that State. When I was the Ohio Attorney General, we had to deal with significant challenges in the automotive industry resulting from the financial crisis, first with Chrysler and then the General Motors bankruptcies, which were tremendously burdensome for everybody involved, but ultimately came to a good result—the result being that we understand the importance of employment in that industry, pensions and health care for people who work in that field, and its importance to our economy.

I am the Director of the Consumer Financial Protection Bureau. The last thing I want is to do things that hamstring important markets like auto lending, mortgage lending, and the like. And if I do that, it will be to the detriment of my agency and to the American public. And so I am very concerned about this.

In the last several years, we have had the hottest auto market. I believe in the history of this country. And that is at the same time that the Consumer Bureau was gathering its wings and coming into existence. I am pleased about that because I think consumers benefit when they have access to automotive transportation. Probably in your area as in mine, if you do not have the ability to get around through a car or truck, you are really in a lot of trouble in your life. So that is important.

Having said that, we also believe strongly that people should not be subject to higher prices or onerous terms based on their ethnic, racial, or gender background. And the Justice Department feels strongly about that as well, and they are our partner in this work.

The bulletin that you described was actually a bulletin that was a pretty straightforward restatement of the law—it was not a change in the law—several years ago which simply stated that if you are a lender and you have an automotive lending program, you are subject to the Equal Credit Opportunity Act—that is a undeniable proposition—and you need to think carefully about what your program is.

Senator SCOTT. Director Cordray, thank you. I hate to interrupt you.

Mr. CORDRAY. That is fine.

Senator SCOTT. However, I need to go to another question. But I will say that there is legislation being promulgated or working its way through the House with a large number of the CPC members on this specific topic. So I would suggest that perhaps the members of the CPC and myself and others as well are very concerned about discrimination, and perhaps your approach to the indirect lending market is inconsistent with the outcome that I think you sincerely desire to achieve.

My other question in some of the time that I have remaining is on our conversation before we started the panel as it relates to the TILA and the RESPA and heading toward TREA. I think Senator Donnelly and myself both submitted a letter back in May asking for a grace period or some time so that those good actors in the mortgage business who are trying to transition to the new forms would have more time than October to have less liability exposure as they move to the new forms. I would love to hear your response as we talked about earlier.

Mr. CORDRAY. Thank you for that. We have heard a tremendous amount from Members of Congress on both sides of Capitol Hill about TILA–RESPA, what we call our "Know Before You Owe" mortgage rule, which is something Congress required us to do. Just as a reminder, it is in the law. I am required to do this. And it is a good thing. It takes a regime that has grown up historically that did not make a lot of sense where the consumer had to get two different forms at the application stage from two different Government agencies—HUD and the Federal Reserve—and then two different forms at the closing stage. Very confusing to consumers: "Why am I getting two forms? How do they differ? What am I supposed to take from that?" It was impenetrable.

We were supposed to reduce that to one form at each stage, which we have done in this rule, and that is a good thing. And everybody recognizes that is a good thing. There is still pain always in any kind of transition.

So that requirement was in the law 5 years ago when it was passed. We worked on this very carefully over time, did a lot of consumer testing, very transparent about it. We finalized the rule in November of 2013. We gave a 21-month implementation date, a long implementation date, in response to what we heard from industry.

Nonetheless, as we get toward the end of it, some people are not ready. We heard from you and others back in the spring, and it is an example of the oversight, Mr. Chairman, you talked about. When we get congressional oversight, I take it seriously. I do not regard myself as able to blow off concerns that people raise to me. If you are raising a concern on behalf of your constituents, they are the people I am trying to serve as well.

So we did in the end—and it was due to an error on our part, in part, but we did back up the implementation date further out of the summer sales season, which was important to a number of people. It is now under consideration to put that in October. A lot of people do not like a date of something like January because when we did our first round of mortgage rules and we were under a requirement of timeframes from Congress, it was January, and there are so many systems changes that they do or systems freezes that they do at the end of the year that that is actually inconvenient for people.

The other thing we said, in specific response to your question, was that we went out and worked with the other agencies to get an agreement, which we have, that the early examination of this will be diagnostic and corrective. We do not think people are out there trying to exploit consumers on something like this. They are just going to be trying to get it right. And so for the first period, which may last many months, as we and other agencies look at this, if we see errors, we will point out what they are and how they should be corrected. We will not be looking to be punitive toward people. We have said that explicitly. I will say it again on the record here today to you. That is how it will be.

I can tell you that is what we said about the mortgage rules 2 years ago, and that is how it has been, and nobody has said otherwise or complained. And we have taken that to heart here as well.

So happy to talk further about it, but I think we have been trying to give a fair amount of leeway here while at the same time moving forward with an important change that is good for consumers and will help them be able to understand this transaction better.

Senator SCOTT. Thank you.

Chairman SHELBY. Senator Tester.

Senator TESTER. Thank you, Mr. Chairman. Thank you and Ranking Member Brown for having this hearing, and thank you for being here today, Richard. I appreciate what you are doing. And I also want to say, as Senator Scott did, we appreciate the extension you gave the TILA–RESPA. You did respond to a letter that I and many on this Committee have signed, with Senator Donnelly.

I want to talk a little bit about Native Americans. It is a little different ball game there than in other parts of the country because of the issues of sovereignty and the issues of consultation. You know well, because we have talked about it before, I have had some Montana tribes that have been very unhappy with the consultation process.

To be fair, I have also heard from an Oklahoma bank that thought that you are doing good things.

So the question comes up: Is the consultation process—is there a policy on what you do and how you do it that applies to every tribe across the country? And if that is true, can you give me an idea what it is?

Mr. CORDRAY. Yes. We—in fact, in response to the back-and-forth that you and I had had on this subject, and others from that area of the country in particular—but other parts of the country may have a tribe or two as well—we did put together a policy on consultation, and we formalized that and shared it and got input on it from the leading tribal organization. We have since then been asked to put together an MOU that would be more specific about some of the aspects of how this works, so we are working with the tribes on developing an MOU.

I do not want to have to get into having individual consultations to individual tribes because my understanding is there are more than 500 of them across the country.

Senator TESTER. There are.

Mr. CORDRAY. But we are trying to deal with them as a group.

They are very concerned about the small-dollar lending, potential regulations there. We have had two distinct consultations with them on that subject at their request at this point and had a considerable amount of input from them. And, of course, we are open—I want to emphasize this. We try to be as an agency very accessible to people at all times to be able to come and see us and tell us what they are concerned about and what they think. I always feel like that improves our work if we know it, and it does not help me not to know it.

Senator TESTER. I agree.

Mr. CORDRAY. So I would say that, too.

But I think we have been trying to be very fulsome in our approach to this, and I know you have emphasized that to me again and again. Happy to hear further from you as we go.

Senator TESTER. Yeah, and we will try to help where we can help. I appreciate that.

Earlier this year, the Bureau proposed several changes to facilitate mortgage lending in rural America. And while I still think there are a few things that we can keep working on, I am certainly appreciative of what the Bureau did and made some positive changes, one of which was expanding the definition of rural States; and now under those proposed changes, almost the entire State of Montana is considered rural—which is correct, by the way.

So my question is: Outside of Montana, are you still hearing from folks who think they are in rural areas that the CFPB has not defined very well?

Mr. CORDRAY. By the way, I still recall meeting in your office in which you impressed upon me that I thought—I said that I understand something about rural from parts of Ohio which are quite rural. And you said, "I do not think you really know what rural means in Montana." And you gave me a little schooling on that, and that led in part to our thinking about how to expand this definition.

To go back, the Federal Reserve first proposed a definition of rural under this rule before we came into being as an agency, and their definition would have covered about 2.2 percent of the American population, which was plausible but somewhat narrow. We looked at it, and we decided that it was too narrow. I looked at some maps of Ohio at the time. We came out with a different definition that was more like 9.9 percent of the population, so about quintupled it. And even after that, then people showed me maps of Ohio county by county, and Senator Brown and I could do this in our sleep. There were a whole bunch of counties that were clearly rural in my mind from what I know about them but were not covered under our definition. So we felt the need to go back in and do it again.

One of the things about the Bureau that I appreciate among the strong team there is we want to get it right, and if we did not get it right, we are typically not going to pretend like we did and just say we cannot change it. We are going to try to fix it. So we now have a definition of rural that is much broader, as you say, includes almost your entire State, covers about 22 percent of the American population. Whether it is too broad or not, I do not know, but it feels appropriate to me. We have had disagreements within the agency over it, but we are working to finalize rules on that, which we should do by the end of summer. And I think that for the most part they have been fairly well received, although once we hear from people, as they see how they work, we will think some more about it.

Senator TESTER. OK. One last point, and you do not have to answer this. I just want to make the point. I was very concerned before this hearing about the information you are collecting. And because of the data breach at OPM, the concern with it, maybe this database will be breachable, too. I would say I was very encouraged by the fact you are not collecting Social Security numbers, names, addresses, account numbers.

Mr. CORDRAY. Right.

Senator TESTER. I think we have to be careful as policymakers, if we were to pass a bill that tells you to release any personally identifiable data, that you would have to go back and put names and addresses and Social Security numbers to that data, which would take a ton of time and would make me very concerned about what is going on here.

Mr. CORDRAY. I really would not like to have to do that.

Senator TESTER. Yes. Thank you very much. Thank you, Richard, and thank you, Mr. Chairman.

Chairman SHELBY. Senator Kirk.

Senator KIRK. Director, I want to raise the issue, which several people have raised on a bipartisan level, of the cost of your building. From what I understand from your Inspector General, the total cost of this building, which used to be used by the Office of Thrift Supervision, is $216 million all in. This is a leased facility which you have gutted, and you are putting in a two-story waterfall and a glass staircase.

If you look at the number of employees in your Bureau, it is 1,459. That would lead to a per employee cost of headquartering them in Washington, DC, of $148,046 per employee. I would say that is a little—since this building was way OK with the Office of Thrift Supervision, how come you need $216 million in upgrades of what they already had?

Mr. CORDRAY. So several things. Number one——

Senator KIRK. Let me just follow up. How does a two-story waterfall help you do your job?

Mr. CORDRAY. Well, on that one in particular, I would say I do not begin to see how it helps us do our job, and probably we will not end up with a waterfall in this building, although any two-bit shopping mall in America you can probably find a waterfall in it somewhere, and I think that has been very overstated by people.

But, in any event, the Office of Thrift Supervision, which had this building before it went defunct in the Dodd-Frank Act, had already recognized and—had done an audit and recognized that the building was in deep need of fundamental repairs. We are talking about useful——

Senator KIRK. Let me just interrupt a little bit and follow on the line of Senator Tester by saying, as Ohio Attorney General, you certainly would be able to pick up the issue of the bulk collection that you are doing against the American people. As someone who was a reservist in the intelligence community for over 20 years, have you taken the specific action—I would ask you again: Have you taken the specific action to take members of Congress out of your data collection and members of the Supreme Court out of your data collection? Do you see the issue on separation of powers?

Mr. CORDRAY. So you have now kind of piled up two questions on me that I have not yet had a chance to answer. I would like to go back to the building first, if I may.

The Office of Thrift Supervision recognized that systems were reaching the end of their useful life——

Senator KIRK. If you would get back to my secondary question, have you made sure that you have not collected the credit card data of Supreme Court Justices? I will take——

Mr. CORDRAY. We have not collected credit card data on any Member of Congress or any Supreme Court Justice. I would note there would be no purpose for me to do so. But I do not consider that issue as more important than the privacy of individual consumers across the country where we are typically not collecting their data either.

Senator KIRK. Have you made sure that you have not collected Supreme Court Justice information?

Mr. CORDRAY. Why on Earth would I do that?

Senator KIRK. Because of the separation of powers.

Mr. CORDRAY. But why would I be collecting Supreme Court Justice data? Why would I——

Senator KIRK. I would assume that this scandal is a bit like the NSA scandal, that you have vacuumed up too much, that it gives you too much power.

Mr. CORDRAY. I cannot really even follow the question here.

Senator KIRK. I think any first-year law student would pick this up, a separation-of-powers argument. It gives you the ability to abuse this power and intimidate the Court.

Mr. CORDRAY. So—intimidate the Court. I do not really follow that at all. We are not doing anything—you are hypothesizing—nor would I want to do that, nor would it make any sense for me to do that. All it would do is discredit my agency.

Senator KIRK. I think Senator Tester also picked up on the issue. If you are collecting all this data, the only purpose of collecting data is to be able to access it. And the problem is, as you collect this——

Mr. CORDRAY. Not so. For private sector, the purpose of collecting this information——

Senator KIRK. My question——

Mr. CORDRAY.——is to access it. For us it is to monitor markets.

Senator KIRK. Does the Chinese intelligence service have it before you do, now that we have seen on the order of 10 or 200 million people compromised by OPM? The problem is we do not even trust you to keep this secure.

Mr. CORDRAY. I can see that you do not trust me. I think you are setting out a set of hypotheticals that have nothing to do with anything we are doing. I would be happy to have our staff brief you more to give you comfort on that score.

Do you want me to go back to the building, or are we just never going to answer that question?

Senator KIRK. Well, I would ask, why is $148,000 per employee absolutely necessary to your mission?

Mr. CORDRAY. OK. Those numbers are off.

Senator KIRK. They are actually the numbers of your Inspector General.

Mr. CORDRAY. Look, they are talking about things like other rents; they are talking about other services. The construction costs have remained actually fairly consistently constant. We have now let those contracts, and they are coming in under budget. And they are fairly consistent with what the OTS first opined was necessary 6 or 7 years ago before the CFPB even existed. So I think this is, again, vastly overdone. That is my view. But I am happy to talk further with you about it.

Senator KIRK. I would gently suggest that you probably ought to scrub the picture you are not collecting intel on members of the Supreme Court or the Congress.

Mr. CORDRAY. I will tell you what. I will be glad to take a look at that. I cannot imagine we are doing that. And if we were doing that——

Senator KIRK. I think that would reassure us all——

Mr. CORDRAY. OK.

Senator KIRK.——make sure that the Chinese do not have it before you do.

Mr. CORDRAY. OK. We will look to give you reassurance on that point.

Senator KIRK. Thank you.

Chairman SHELBY. Senator Warren.

Senator WARREN. Thank you, Mr. Chairman.

So since it has opened its doors 4 years ago, the CFPB has had a consumer complaint hotline where consumers can call in, they can go online, they can lodge a complaint about a financial product or service. And that is what consumers have been doing. They come in and they complain about sketchy fees on a checking account, errors on a credit report, harassment by a debt collector.

The agency then sends those complaints on to the company, who then has some time to respond to both the consumer and the CFPB, and to try to resolve the issue.

Now, the agency has received more than 650,000 complaints through the hotline. Could you give us a sense, Director Cordray—just a ballpark figure is fine—about how many of those complaints were resolved to the consumer's satisfaction and how much consumers have recovered financially through this process?

Mr. CORDRAY. Yeah, and I will say the arc of consumer complaints continues to increase in terms of volume, and I believe that is simply a function of there is still a lot of lack of visibility. People do not necessarily know what the CFPB is, and they will know more over time, I hope. And I hope they will see that we are providing value to them. That is what we aim to do.

I think we had something like 700-some credit card complaints in our first month, and we are now up to about 25,000 complaints per month across the entire range of financial services.

What happens then is we give the consumer a chance to tell us whether they were satisfied with the resolution of their complaint or, if not, what they continue to be concerned about, and we then prioritize issues for further investigation or perhaps enforcement action or supervisory activity. And the institutions know that, and I think that pushes them to be more thoughtful about how they try to resolve those complaints in the first instance. And I do not know the exact numbers on this, but it may be 20 percent of consumers continue to feel they have a dispute once we have worked through our process, and then we have, as I say, further steps that we can take.

In terms of how much resolution there has been for consumers, it has been many millions of dollars. It is hard to know exactly for sure. They do not always tell us how the matter was resolved, although many of them come back to our "Tell Your Story" line and tell us, you know, often with real gratitude, that they did get a resolution, and they could not get a resolution for months and months and months, but after speaking to us and us working it, they got one promptly. And that really thrills us when we hear that.

But the other thing is there is a lot of nonmonetary relief people get from those complaints. Getting something fixed on their credit report can loom very large for them and is hard to quantify.

Senator WARREN. Yes, although I take it it certainly does have financial ramifications to get your credit report fixed.

Mr. CORDRAY. Absolutely. And maybe they can get a mortgage then that they could not always get.

Senator WARREN. Yes.

Mr. CORDRAY. That may be worth thousands of dollars to them. It is hard to quantify. Debt collection issues are a constant source of irritation for consumers—the wrong debt or they are not the right person or whatever, and they cannot get people to stop calling their home. I do not know how to put a price on that, but getting 12 calls a day or calls in the workplace and it is not the right person or whatever it is, us being able to stop that looms large for people.

And another point you have made to me is it is sometimes easier to quantify—it is always easier to quantify the amount of relief we give back to people for things that happened to them before today, and we cannot easily quantify the benefit to them of things that will not happen to them tomorrow because of changes made today. You know, those go on into the future and accumulate extensively over time. We do not have any way of putting a price tag on that, but I have got to think it is very significant.

Senator WARREN. Great. So you have created this Web site. We are getting roughly about 25,000 people a month who come on the Web site——

Mr. CORDRAY. And rising.

Senator WARREN. And rising.

Mr. CORDRAY. Web site or phone.

Senator WARREN. Or phone, and gets some resolution. We say it looks like roughly about 80 percent get some kind of resolution here. So the agency also just recently went live with this consumer complaint database, and here you have a collection of thousands of narratives from real consumers about problems they are having with financial products or with companies, and it is all sortable now online. So it is possible to go online and see it by product, by date, by where the consumer lives. For example, just this morning I went to the database and looked for all the complaints from Massachusetts about mortgages. So it is a powerful way to see what kinds of issues are cropping up in the communities that all of us represent.

Now, I know it has only been online for just a few weeks, but I wondered if you could describe how you think this will help improve the market for financial products.

Mr. CORDRAY. So the database has actually been online longer, although it was really broken into very generic categories which I think were less insightful for people than hearing in the consumer's own words what the problem was as they saw it. I think that is incredibly important. We have described the narrative as really the heart and soul of the complaint.

I mean, for me to make a complaint and then have it be categorized as somehow "debt collection," "wrong amount," one of a number of complaints, and that is all you know about it, it is just not nearly as insightful as to be able to hear exactly "what happened to me," "the calls I got at home," "the effect on my life." It is just tangible. It is real. It is the difference between statistics and actual stories, and to me that is very significant.

The database, I think, is really causing institutions to have to compete on customer service, which is a good thing. And the good ones are competing very well on customer service, and others are having to improve, and that is a kind of pressure that I think is a positive pressure.

I will also mention that there are many Members of Congress, many Members of this Committee, who are now referring complaints over to us when they come to their office, and we encourage you to do that. We are supposedly the experts, and we are happy to work those complaints, and then you can see and keep track of how they go. We want every American who has a problem to potentially know to come to us and see if we can get it resolved for them. We cannot always, but we are always going to try.

Senator WARREN. Well, I really appreciate that, and I see this as a prime example of how Government can take small steps that will have a very positive impact on the market. There is now a bit more accountability for companies that mistreat or just plain cheat their customers. On the other hand, there is some public acknowledgment for the companies who treat their customers well and resolve their complaints quickly.

Mr. Chairman, if I can, I just want to slip in one little follow-up to the point that Senator Brown made earlier.

Chairman SHELBY. Go ahead.

Senator WARREN. And that is about forced arbitration clauses. As Senator Brown highlighted, the report that the CFPB recently released contains some damning findings about how forced arbitration clauses fundamentally tilt the process against consumers and keep them from effectively fighting back even when they have been cheated.

Now, it is clear that the biggest banks and some of their Republican friends in the House of Representatives see the writing on the wall here, and that is that a rule is coming. So they are pushing legislation that would force the CFPB to redo the report before you issue any new rules. I think this is a stall tactic, plain and simple. The report took 3 years and 728 pages to complete. It carefully documents a wide range of problems. It is thorough and extensive.

I just want to ask you very briefly, because the Chairman is indulging and I am over time here, but can we get on the record the steps the agency took to ensure that this study was complete and accurate, including soliciting and considering comments from the financial services industry?

Mr. CORDRAY. Sure. First of all, we did a request for information at the very outset to ask people how we should go about doing the study, so we really broadly solicited people's thoughts and heard a lot from both industry and different kinds of markets, and also from consumer groups and others, and we erred toward the side of being very comprehensive about what they told us we should do in the study and trying to do as much of it as we possibly could.

We found that in many areas this was breaking brand-new ground. There was not necessarily data easily accumulated on that. We did go to the American Arbitration Association and were able to get significant data about the arbitration process, which really shed light on that and people had not had that before.

We looked at a number of different ways of trying to get judicial resolutions of similar matters. We were helped in part because there was some class actions involving certain institutions who at one point had stopped doing their arbitration agreements, so you could actually see what the before and after was. Did it actually save consumers money for them to have this forced arbitration process? And we were able to map that and discern that. We looked at enforcement actions as another means of affecting the marketplace, and people talked more about our consumer complaint process as a new element here.

It was a very comprehensive report. I honestly do not think we could think of a single thing we could have done that we did not do. We are always happy to hear more. And we have had tremendous input all along, and now since we have given roundtables and other opportunities to digest the report, talk to us about it, and that is an ongoing process. And as we now embark on a rulemaking process, there will be small business review panels. We have found that useful. And there will be notice-and-comment process on that. Everybody will have their say. We will listen to it all, digest it as best we can, and do what we are supposed to do as Congress told us to do: act in the public interest consistent with the results of that report to determine what to do about this.

Senator WARREN. Thank you, and thank you, Mr. Chairman, for your indulgence on this. I really appreciate it. It is an important issue.

Chairman SHELBY. Thank you, Senator.

Senator Rounds.

Senator ROUNDS. Thank you, Mr. Chairman.

Director Cordray, earlier several of the other Members of the panel requested information concerning the collection of data. Probably the reason why it is really an item of real interest is because of OPM and the loss of the data there. A lot of our employees have come in, and they have been very concerned about the loss of their personal data. So I think when we talk about the collection process that you use and that you utilized to collect the data that you want to do the market analysis with, I think the question comes to really are the organizations that are required to submit data to you, are they submitting from them through perhaps a third party that scrubs it? Or are they providing data to you that has been scrubbed by the organization itself? Are you aware of how that works in terms of how you actually scrub the data or how it gets scrubbed to begin with?

Mr. CORDRAY. I am generally aware of it, and we have people who are very carefully focused on that, and it depends on the data collection. Some of it is negotiating with industry because that is who we are getting the data from—they have all this data, by the way. They know everything you are doing. They know everything I am doing. They use it to market to us. I do not myself object to that. Some privacy folks do. It can be positive, it can be negative. But, you know, there are repositories of data that are much more troublesome than anything we have.

Where we can get the data on a sampling basis and ask specifically for certain fields and not for other fields, then it comes to us in that form. The credit card database I believe is vetted through Experian, which is a credit reporting—one of the leading credit reporting companies that scrubs the data before it comes to us and removes certain fields.

We are trying very hard to make sure our employees do not have access to personally identifiable information. That only causes me trouble in our work. And let me just say the OPM breaches, they affect my employees as well as your employees, and we are very sensitive to that. And it is something that we are now dealing with to make sure employees know what their rights are, what is available to them, and I am sure you are, too. The notion we would contribute to that ourselves is not something we ever want to happen.

Senator ROUNDS. What it did, though, was it brought to light the fact that when we collect data, we have an additional obligation to protect that data.

Mr. CORDRAY. I think that is right.

Senator ROUNDS. What I was curious about is whether you actually received the data and then scrubbed it or if it was delivered to you by a third party who would then have that responsibility. It sounds like what you have indicated is that in the case of some of the larger bulk data amounts, it is being scrubbed by a third party before it gets to you.

Mr. CORDRAY. A credit reporting agency that has access to all this kind of data, anyway, typically. But I would be happy to have our folks come and present to you on each individual thing just to—I want you to have comfort on this. I think we are trying to be very careful about it. I want you to know that we are trying to be very careful about it. I read and see the stories about the NSA.

I am an American citizen. I have the same concerns that I think you do about that. I think that is very distinct from what we are talking about here. But I am happy to have our folks come and spend some time giving——

Senator ROUNDS. Thank you.

Mr. CORDRAY.——And if you remain concerned, to know your concerns.

Senator ROUNDS. I think that is a good way to leave it, and we will request that.

Mr. CORDRAY. All right.

Senator ROUNDS. Let me just move on to rural appraisals. I am from South Dakota. We have had challenges. I am not sure how deep into this you have gotten personally, but rural appraisals have been really tough to get. I am not sure how they are in a lot of the more urban areas, but in rural South Dakota, trying to get an appraisal has been very difficult. Two things.

Number one, I know that you tried to set it up so that we could identify rural locations, and I am asking, is there another way in which we can get a third or a fourth look at it? Because we have got some communities in western South Dakota that are clearly rural in nature, but they are not identified that way. Is there a process in place today where we can get the challenge set up to get them placed in the appropriate category?

Mr. CORDRAY. When we first opened our doors, we had a number of mortgage rules we were required to do by law, and one of them had to do with appraisals, and another one was an interagency rule with the Federal Reserve on appraisals. And I have always been somewhat concerned as to whether we got that right. One of the big issues, as you are describing—and I am familiar with it—is in rural areas there are just fewer comparables.

Senator ROUNDS. Correct.

Mr. CORDRAY. It is more difficult. Appraisers might have to come from a greater distance, so they are not as accessible. So just barriers to being able to make rural transactions.

I think we have been working at trying to alleviate that, but I would encourage you to continue to press on that. You are pressing on it with me here, so I will be taking it back. We will talk to the Federal Reserve about it, if there is more relief we can give on that, because it is a peculiar circumstance of the few and far between areas, and we want people to be able to get mortgages there just as they can in the dense areas of the country.

Senator ROUNDS. I think it is two different things. Number one, it is the appraisals themselves and what is expected of them, and comps with regard to rural areas, which in many cases do not exist. And along with that, I think you are seeing legislation proposed right now that would actually create the ability for some of the banks who are literally holding those mortgages because they cannot qualify on the secondary market. They are holding them inside. And yet we want to make sure that those are still considered an appropriate asset for those banks that end up doing that.

If I could, Mr. Chairman, I have just got one more question. I know when you work through the qualified—or the consolidated statements, and the goal was to perhaps simplify some of it. Last year, as I was moving around South Dakota, one of my community bankers said, look, I just got a copy of the most recent release or the qualification statement. And he said the new disclosure statement as proposed is 164 pages. That was the PDF.

Now, the only reason why I bring this up is if that is actually the case and if he is accurate in his definition and his explanation——

Mr. CORDRAY. He is not, but——

Senator ROUNDS. OK.

Mr. CORDRAY. Yeah.

Senator ROUNDS. Look, we have got to have disclosures that people will actually read.

Mr. CORDRAY. So, look, that is not correct. What he was talking about is the regulation, the rule that actually implemented these forms is lengthy. I wish it were not, but it is lengthy. But the actual forms themselves, they are not 164 pages. I mean, that would be ridiculous. They are shorter than they were before when you had the two forms. They are not as short as my friend over here, Senator Warren, really wanted it to be—one page at the application stage, one page at the closing stage. We were not able to achieve that. But I think it is five pages and three pages.

Senator ROUNDS. We might find something that we agree on.

Mr. CORDRAY. Yeah, well, so, look, if Congress legislates, Congress legislates. But we are at five and three pages. It is the key information. To me it is the executive summary of the whole transaction, and we are looking to try to do electronic closings and push the industry in that direction, which is where they want to go anyway, so that a lot of the paper gets taken off and you can really focus on the key form here.

We have tested those forms with consumers, and they have found them to be much easier and more accessible and more understandable. That is the key thing for us. Whether it is two pages or three pages, you know, might matter in some sense in the abstract, but these are not lengthy forms. They are meant to be key summarized forms, and that is what we are doing.

Again, on the rural and underserved, I would be glad to hear more from you. I heard a lot from Senator Johnson when he was Chair of this Committee about South Dakota, and I hear from Senator Tester and others about Western States that are—the population is more spread out. We have been working to give more latitude toward community banks and credit unions to portfolio mortgages in their own portfolio and have them be given all the protections of the rule. I think we are getting to a good place on that, but we will hear more from them as we go. And what I would say there is——

Senator ROUNDS. My time is up, and the Chairman has been very kind——

Mr. CORDRAY. Community banks are increasing their market share in the mortgage market, which I am glad of, and it is a good thing.

Senator ROUNDS. Thank you, sir.

Thank you, Mr. Chairman.

Chairman SHELBY. Senator Warner.

Senator WARNER. Thank you, Mr. Chairman. Director Cordray, great to see you again. I have got two or three areas I want to touch on. I will try to be brief.

One, when we started to see all the hacking, obviously I have huge concerns about OPM as well, and I am hopeful that Acting Director Cobert, who I have had a couple conversations, is going to move aggressively. But one of the areas that when we started seeing this on the private sector side early on in terms of credit card and debit card hacking was generally an area that I was not even that familiar with of the differential consumer protections between credit cards and debit cards.

Mr. CORDRAY. Yes.

Senator WARNER. And, you know, I know as—and I think particularly about so many young people using debit cards rather than credit cards. I know they have different business models, but how do we kind of lean in this a little bit to make sure at least consumers—one, Senator Kirk and I have got some legislation that would try to harmonize the protections for consumers. But would you speak to that for a moment, how we kind of better inform particularly our—as a parent of daughters that use debit cards rather than credit cards all the time, how we equalize these protections?

Mr. CORDRAY. I will, and actually this is interesting because some of the regulation grows up through sort of historical circumstances that do not necessarily make logical sense. So credit card protections were developed at a different time and for different purposes than debit card protections. And, by the way, another example of this is prepaid cards, which is yet another card people have in their wallet, that currently have no consumer protections. Most people are unaware of that, and that is why we have been working to get that rule finalized so that we cover that gap.

But what you are saying is credit cards and debit cards, I think they started out as being seen as very distinct. You know, credit cards were about credit and a way to get away from just store cards and give you credit generally. But debit cards were seen as having to do with ATMs and other things. They have kind of merged more together as just payment mechanisms, and I think people often now may pull out one card or the other and not think that carefully about them, although some people are quite careful. But there are differential protections. I believe that the fraud protection on a credit card is $50 limit of exposure, and on debit cards I believe it is $500.

Senator WARNER. Right, it is much——

Mr. CORDRAY. That may have made more sense when debit cards were really only about the ATM and you might be taking out a fair amount of cash. I do not know if it makes sense today. It is something that I would invite Congress to think about, and you may have guidance for us on that. Whether we could fix it ourselves or we would have to have a statutory fix, I am not clear on that.

Senator WARNER. And, Mr. Chairman, I would just say that this is an area where I have found even within the industry I think there is some interest in harmonization, and at least folks ought to know that there are very different protections.

Let me move to another subject. One of the areas that I have spent some time on in the last 8 or 9 months is looking at this dramatic growth in the gig economy or the sharing economy or the on-demand economy, particularly amongst Millennials. There are good sides and bad sides to that. Obviously, there is a lot of freedom that comes with these kind of new work environments. For some folks it is quite lucrative to cobble together these different revenue sources. There are a whole host of questions around the fact that there is a lack of a social safety net in terms of unemployment, workmen's comp, and disability, areas not necessarily from your purview but something I think we will have to work through, maybe not with a top-down solution but with public, private, opt-in, and opt-out models. But one area that, Richard, would really fall in your area is we have been starting to hear, as more and more—there are some estimates that as much as a third of the workforce falls at least somewhere along this continuum of contingent workers. But as we think about qualifying for mortgages within QM, we have got some concerns—or we have heard some concerns that this emerging new kind of 1099 or contingent workforce, you know, the traditional banking system does not record their income in an appropriate way so their ability to qualify for QMs are somewhat undermined. My understanding is that Appendix Q is the section within QM that includes guidance for verifying and documenting borrower income.

Is this an area that you have taken a look at? If not, I understand because there is not a lot of policymakers taking a look at it. But it far and away is the fastest growing sector of our economy, and we ought to get ahead of it a little bit.

Mr. CORDRAY. Anytime anybody asks a question that includes the phrase "Appendix Q," I know they are commendably in the weeds.

Senator WARNER. Well, let me acknowledge on the front end that I did not know about Appendix Q until my staff——

Mr. CORDRAY. All right. But, in any event, the point you raise is a very interesting one and a good one, and it is something that I have become increasingly aware of and concerned about. So there are different aspects of this—I would say several aspects.

We are moving to an economy in which we have fewer full-time, full-salary employees in the old model, just as we have moved over time away from defined benefit pension systems to defined contribution pension systems. This is happening. Interestingly, I read that the health care law is actually pro-liberty as a piece of legislation in the sense that it does not cause people to have to be stuck in a job to get their health care. They can actually consider being an independent contractor or other things and still now get health care.

But I would say several things. It does create more complications for people qualifying for a mortgage because it is harder to document their income. Their income may be more fluctuating. But, I mean, you start adding up who are intermittent employees, who are contract employees, who are temporary employees, who are seasonal employees, you know, it is a huge portion of the American population. So I think we need to look again at our mortgage rules in light of that. It is not an easy thing to figure out how to handle, but it is something we need to go back and think more about.

I would also say that from a standpoint of wealth and retirement accumulation for Americans, this is going to be increasingly a big problem because pension plans and even 401(k) contributions tend to be limited, even in companies that have multiple types of workforces, to the full-time, full-salary people. And everybody else does not have access to the ability to put away savings for retirement or get a match by an employer, and we are going to have to think hard about what we do about that. Treasury is developing a myRA account that may be an example in this area. I think Illinois just did something legislatively. It is something we need to think about because, otherwise, people are going to be possibly falling behind in income disparity, but also very much falling behind in wealth and retirement disparity.

Senator WARNER. Thank you, Mr. Chairman. I would love to work with you on that.

Mr. CORDRAY. Yes.

Chairman SHELBY. Thank you.

Senator Corker.

Senator CORKER. Thank you, Mr. Chairman. Mr. Cordray, thanks for being here.

In our office, we talked a little bit about QM, and I know we were all working on this issue way back when in the bad old days when so much was happening. We were all concerned about a 5-percent risk sharing, if you remember. That was where everybody's focus was and trying to figure out a way to get that right.

One of the things that we have looked at in legislation is dealing with qualified mortgages, and there seems to be this focus to only deal with it at community banks, only smaller institutions. And I guess if you look at a qualified mortgage that is held on portfolio, that means the institution is keeping 100 percent of the risk. And I guess I have wondered why we have tried to differentiate, if you will, between smaller institutions holding qualified mortgages but larger institutions being unable to do so. And I know we have talked a little bit about it, but I just wondered if you might address that. And I have one other question.

Mr. CORDRAY. That is fine, and, obviously, we do not have as much time to talk about it today as we did, and I am happy to talk about it more with you.

We generally are trying to find ways to continue to encourage community banks and credit unions to do mortgage lending because if you look at the data going through the crisis, they had lower defaults than anyone else. They are the most responsible lenders we have, and the more lending they do in accordance with their traditional underwriting models, the better it is for consumers, the better it is for our economy. So that is why we have focused portfolio provisions to benefit them.

I am concerned about it at upper levels because I do not—the logic of it, you know, may or may not attain at larger levels. But we had—just experientially I am aware we had a number of institutions that did a lot of portfolio lending and that blew up, did not get it right: Washington Mutual, Countrywide, AmeriQuest, some of these companies that really threatened the economy because they made such a mess of things, and they were doing portfolio lending. So portfolio lending is not always a cure-all in terms of I am bearing the risk so I am responsible about it, although it feels to me that community banks and credit unions who have borne the risk have been highly responsible about it, and we are looking to encourage them. And as I say, I am pleased to see that the community banks' share of mortgage lending seems to be on the increase. That is good for America, I think.

Senator CORKER. So it just seems to me that—and I agree with much of what you just said. But it seems to me, on the portfolio lending component, there is something different than just stopping it at $2 billion or whatever, and then people just going whole slog into it at certain levels. There ought to be some——

Mr. CORDRAY. Maybe.

Senator CORKER. There ought to be something that is different than just that stark line, and I think we ought to try to explore that together.

On manufactured housing, look, I live in a State here we have a lot of people that have difficulty affording housing. Senator Brown lives in a State where there are a lot of people that have difficulty affording housing. Many of us are in the same—I know Senator Cotton does. No offense. But the fact is that, you know, for some of the lower-income citizens that we represent, manufactured housing is an outlet. I know Senator Brown and I sponsored legislation back in 2012 that actually was more expansive than what was in the Shelby bill this time. And yet we have these rules that are in place that really make it difficult. I mean, you and I talked about the fact that on a smaller loan, a $20,000 loan or a $30,000 or $40,000 loan, the costs that are associated with doing that up front end up bumping up against some of the regulations we have. And I just wondered if you might address that, and at least address the fact that you understand that is a problem, and I am wondering if we might collectively generate a solution for that.

Mr. CORDRAY. So, to me, the problem I am concerned about—and it is a very real problem, and it is not limited to manufactured housing. It is that as you go to the lower end of the spectrum in terms of the size of loans, the smaller the loan, there is still a certain amount of costs that have to be incurred in order to make that loan. And so, you know, at a loan that is $200,000, $300,000, $400,000, I guess in California maybe $800,000, the costs are spread over a big base. At $25,000 or $50,000—a lot of houses in my States are of that kind, and manufactured homes, very much of that kind—the costs start to get larger.

The law as it now currently exists and that we implemented does provide for that, and it says under $100,000, the 3-percent points and fees cap can rise to 4 and then to 5, and at lower levels to be a hard dollar amount. Whether those numbers are set exactly at the right spot is a point worthy of attention. Again, that is not specific to manufactured housing, but manufactured housing falls very much at that end of the spectrum. And I want to know that people at the lower end of the cost spectrum can get access to mortgages and are not blocked from that by something in the Administration or just costs of this. Just as automobile lending actually is going farther down the spectrum, people need their cars, and to me that is a good thing.

So I am happy to talk further about it. We have been trying to look at the data on manufactured housing to understand. People have been raising this problem. Is it really a problem or is not really a problem? What we do see is that every month of last year from the Census Bureau survey data, manufactured housing lending was up from the month the year before. And some of the leading manufactured housing manufacturers are quite profitable. So I do not know what to make of some of the concerns people are raising to me, but I will say that this issue of costs on a smaller loan I think is a universal issue and problem and one that maybe we should be thinking further about whether the thresholds are exactly right.

Senator CORKER. Mr. Chairman, thank you for the time, and I would just close by saying I appreciate you looking at that data. And I understand that in a growing economy you are likely to see more people doing these types of things. We have seen some data that shows that numbers of these people are unable to be served, and they are ending up paying more for rental housing than they could be paying for actually purchasing, again, a lower-cost home of either type, whether it is conventional or manufactured. So I hope we will continue——

Mr. CORDRAY. That does not sound optimal from anybody's standpoint.

Senator CORKER. I agree. Thank you.

Thank you, Mr. Chairman.

Chairman SHELBY. Senator Heitkamp.

Senator HEITKAMP. Thank you, Mr. Chairman.

At the risk of going down this rabbit hole one more time, I just want to kind of begin with where we are with data collection, because I have listened and I think in some ways I feel like we are ships passing through the night here and not really hearing.

You do not require the transfer of personally identified information other than to do consumer services based on a complaint. Is that what I am hearing?

Mr. CORDRAY. That is generally correct, although in enforcement and supervision matters where we are going to be getting money back to consumers, we ultimately will need to have information to get the money back to consumers.

Senator HEITKAMP. These would not be individual complaints. This would be kind of a broad, sweeping kind of investigation where you then would require individual information?

Mr. CORDRAY. So, for example—and I could name names of institutions, but they are public, where we had credit card add-on matters, ultimately we have to get money back to consumers.

Senator HEITKAMP. Right.

Mr. CORDRAY. Now, either we can work with the institution to do that, or we may have to pull the data ourselves.

Senator HEITKAMP. I think my point is, in terms of your data collection, the only way you would have personally identified data would be if it were necessary to serve the consumer either in a broad complaint or an individual complaint.

Mr. CORDRAY. I believe that is generally correct. And there is typically no purpose for me having it otherwise. It just gets in my way and my team's way in terms of doing our work.

Senator HEITKAMP. OK. And do institutions send you a bulk amount of data that actually has that information with it requiring you to scrub it, or do you always get information that has been scrubbed and where Social Security numbers and personally identified information has been removed?

Mr. CORDRAY. So on that, what I would like to do is have our staff come and brief your staff on all of our data collections——

Senator HEITKAMP. I think there is enough interest here that maybe just a report back to the Committee would be very helpful.

Mr. CORDRAY. That is fine. OK. We can do that. That is typically our aim, and I believe it is true in all circumstances. But I am always hesitant to say "all" without making sure my staff tells me that that is correct.

Senator HEITKAMP. And I want to make one final point on this, which is interesting to me, and that is, where we are deeply concerned about what you have, we should be equally deeply concerned about the cybersecurity of the information where it resides, which is with the companies that you access every day. And so they are going to have—any breach of their data is much more damaging than access to your data that is being used for market analysis.

Mr. CORDRAY. Sure. Target, Home Depot, I mean, that is account information, Social Security numbers, those kinds of things, very problematic.

Senator HEITKAMP. I think another thing that would be helpful—and, obviously, we have found great response from your agency on what is rural and what is not. We think that you probably have made the right decisions in North Dakota. But I am curious as to the percentage of land mass in this country that you have determined is, in fact, rural. So if you could get that to me, that would be great.

Also, I would reiterate Senator Tester's concern about consultation and would be interested in follow-up on consultation with tribes as well.

Mr. CORDRAY. OK.

Senator HEITKAMP. That is part of the overall scheme in a government-to-government relationship. We need all agencies to appreciate what that means.

Mr. CORDRAY. And I know you have got me promising to come visit you, so we will make sure that we do that.

Senator HEITKAMP. I know. I was going to mention that.

Mr. CORDRAY. OK.

Senator HEITKAMP. And I do have to say that where we can disagree, I think your personal integrity is unimpeachable.

Mr. CORDRAY. Thank you.

Senator HEITKAMP. And I think you are doing a very difficult job, Director.

Mr. CORDRAY. I hope that is the case.

Senator HEITKAMP. And I want to thank you for your service. Someone with your credentials having, I believe, clerked for the Supreme Court at one point, with your great academic background, is someone who is extraordinarily valuable, and I, of course, am partial to past AGs, so we are all good.

Mr. CORDRAY. That is very kind of you. Thank you.

Senator HEITKAMP. I want to reiterate some of the points that you have been hearing about where we are at with the people we are trying to protect. And I think what we are all trying to get at is how do you balance protecting the consumer against access to necessary credit, whether it is small-dollar lending, whether it is in manufactured housing, whether it is just access to rural communities or Native American communities to the market. I think there is a balance there, and I know I have told you frequently my story. I was probably one of the first people who got beat up by trying to shut down payday lending and predatory lending, and I learned something in that process, which is, you know, sometimes people need diapers and sometimes they need gas and they have a flat tire and they cannot fix it. And these are folks that are living on the margin. So I understand the need to protect people, but I also understand the need to have some form of small-dollar, short-term lending.

What do you think those products—and this will be my last question. What do you think those products should look like? And how do we achieve that balance? And how do you as the Director, you know, address the concerns that we have—which is let us give people access to credit, it helps build their credit, it helps build America, but let us also protect them. And that is a tough balance with this population.

Mr. CORDRAY. It really is. And, by the way, we first saw this issue with our mortgage rules where we—in the Dodd-Frank Act they passed certain things that we were required to do on mortgages at a time when the mortgage market was all overheated and quite irresponsible and the underwriting had deteriorated. And by the time we came to actually write the rules, things had crashed, the mortgage market was now frigid, credit was very tight. It was a hugely different situation.

And so as we wrote those rules, we really became very keenly aware, face to face with this problem of how do you balance protections, which we want, with access to credit, which we do not want to choke off. And that is something we tried to balance in the mortgage rules, and I think we did pretty well with it, but it is something we are constantly monitoring and trying to think about.

The same thing now in these small-dollar rules. We know people have a demand for small-dollar credit. They have had it for over 100 years, and they get that demand served in various ways, and some products are more responsible and some are less responsible, but people have a demand. And we cannot choke off a supply to them, but at the same time, we are concerned about this issue of the debt trap, people ending up thinking they are getting in and getting out, but many of them end up rolling over and getting stuck at a very high cost over a long period of time. And that is the issue we are trying to address.

Now, whether the industry business model relies on that to subsidize the single-demand loans, I am not entirely clear on that. They say they do not, but maybe they do. It is something we are trying to figure out as we are working on these rules.

But I have the same objective in mind that you describe. People need to have access to money, and not everybody has an uncle or a sister or mother-in-law that they can go to for $300 or $500, and if they have done it once or twice, they may not be able to go to it a third time. And so we get that. At the same time, we do not want people to end up in products that harm them further.

I do not know that I am the right person to say what all the right products are. What we are trying to identify is that there are certain wrong products that we want to try to rein in a bit while still leaving access to credit. That is the right answer in that marketplace. How to get there, though, is a complex, as you say, difficult issue, and I am hopeful, and we are working hard to try to understand enough to get it right.

Senator HEITKAMP. Thank you, Mr. Chairman.

Chairman SHELBY. I think Senator Heitkamp raised a real important issue, and we have talked about this before, Mr. Cordray. We do not want to drive the small, marginal consumer underground where there is no regulation, because that is what we have had before. And I believe that goes right to the thrust of her question. You know, how do we do this without overregulating this? And how do we have access to some type of credit for—because there will be credit. It is a question of is it going to be legal or illegal.

Now we have Senator Cotton coming up. We can have that Ivy League debate with Mr. Cordray that you referred to. Senator Cotton?

Senator COTTON. Thank you, Mr. Chairman. Thank you, Director, for appearing before us.

I want to return to a topic that Senator Corker touched upon: affordable housing. Census and HUD indicates that there may not be a single county in this country that currently has enough affordable housing. This is particularly acute in the kind of rural State that I represent or rural county where I live. There are not a lot of new single-family homes being built. There is not a large stock of multi-family rental units, which is why many families find manufactured housing to be the most affordable option they have, as Senator Corker described. They end up paying less on a mortgage for a manufactured home than they would pay for a very limited supply of rental stock.

As you describe, there is a basic math problem. It takes a certain amount of time and resources to process any loan, whether the loan is $40,000 or $400,000 or $4 million. And over a bigger loan, that cost is spread out across a bigger base and, therefore, the percentage costs do not appear to be as high. Over a smaller loan, like you have for manufactured housing, it is a much smaller base to spread out, so it appears to be much higher, even though that is the preference of the consumer, and you have many financial institutions who are willing to make those loans.

You have regulatory flexibility under the Dodd-Frank Act, under Section 1431, to address this, to raise those percentage rates, yet you have not used that yet. Could you explain why you have not used that and maybe if you are looking ahead to using it to grant some relief for these families and lenders?

Mr. CORDRAY. Yes, we did consider this, and pretty carefully, with a lot of input at the time we adopted our mortgage rules, our big set of mortgage rules, in 2013. And this issue was raised, and the 3 percent was not seen as appropriate for loans under

$100,000. And it went to 4 at certain levels; it went to 5 at lower levels; and it went to a dollar figure at the lowest levels.

Now, that was an effort to try to address the issue that you are raising that I see as a very legitimate issue. Whether we have got those numbers right, whether we should reconsider them and think further about them, just as we have reconsidered and thought further about the rural and underserved issue, is a fair point, and it is one that I will take back from this hearing.

I do remain concerned that credit at the lower dollar end of the spectrum is tight. It is tight. It is tight for people who also often have lower credit scores and more difficult to access the credit. I do not want to try to pretend to redo underwriting that is being done by these institutions on that. But whether those numbers are set at the right level, whether $100,000 is the right level are things that I am not entirely clear on. I think we should be looking at it some more. You should be looking at it some more. We should have a fruitful discourse on whether there maybe should be changes there.

Senator COTTON. Well, thank you for that, and you referenced in your answers to Senator Corker that you have seen some encouraging data, which I have seen as well. I do think that is, though, limited to the sale of new manufactured housing. I believe that——

Mr. CORDRAY. I see, as opposed to used——

Senator COTTON. So, yes, there is still a robust market also for refinancing and for secondary sales. Manufactured housing obviously does not have the same lifetime that single-family housing does, but oftentimes families need manufactured housing at a time in their life when they are going through a lot of change, when they are newly married, when they have new children. They are also going through economic change, hopefully getting higher wages, moving up the economic ladder, and ready to move into a different kind of home when there is another family who would be willing to buy their manufactured home.

Director, I would like to turn to another question now. Last year, you brought an enforcement action against a mortgage lender, PHH. You did not file a lawsuit. You went in front of an administrative law judge, and that judge ruled for the CFPB and issued a judgment of $6.4 million. You overturned that judgment and imposed a fine of $109 million. Could you explain your thinking, both why you pursued an administrative law judge as opposed to an Article III court? And then what evidence and thinking went into your decision to overturn your own ALJ and impose a fine 17 times his initial judgment?

Mr. CORDRAY. Yes. So the use of an administrative law judge as opposed to a court under the statute is a discretionary decision. We have used administrative law judges fairly sparingly, except for consent orders. We have been in court, and we are in court in many, many matters. One difference is that the ALJ route can be faster and can be more streamlined. You know, whether that is a good or bad thing is often in the eye of the beholder. That happened to be the approach that was used in this particular matter.

As for the decision, that decision is published, and the reasons for it are set out on their face. I think it was like maybe a 36-page decision, so it is lengthy. The particular point that you are getting at had to do with whether under the law—and this is not an obvious point, and the administrative law judge saw it one way; I saw it another way. Maybe a court will see it a different way. We will see. Under the law, whether if you violate the RESPA statute, is the right relief only contracts that violated the RESPA statute after a certain date? Or is it payments made after a certain date on contracts that violated the RESPA statute before that date? It has to do with the limitations period here.

Not an obvious point, but it is a point that, once you decide it one way or the other, makes this huge difference in this matter in terms of the amount of relief. That is the sole reason for it. I thought the law pretty clearly was one way. Others may see it differently. But we tried to come to the right result as we understood the law.

Senator COTTON. Thank you for that explanation, Director. You are right that the implication of my question and the concern I am driving at is not necessarily even about that specific decision, but just about the structure of decisionmaking, not only within your own Bureau but within independent agencies as a whole. Your own Bureau has certain features that exacerbate the problem, the fact that your budget is not subject to annual appropriations and that you are single Director as opposed to a five-member commission. This is not a reflection on you or any future Director. These are concerns I have about the nature of this Bureau. Madison said in *Federalist No. 47* that, "The accumulation of all powers, legislative, executive, and judiciary, in the same hands . . . may justly be pronounced the definition of tyranny."

So independent of your judgment in this single case or in any other cases, or future Directors' judgments, I am going to continue to have these concerns about——

Mr. CORDRAY. That is fine, and having said that, I am here in front of you consistently and happy to be speaking to you anytime. I regard that legislative oversight as very meaningful and very vigorous. That decision is subject to appeal. It is being appealed to a court. I hope that they will see the case the same way I did and think that I did things right. If they disagree, they will tell us so, and we will comply and abide by that ruling. So we are subject to judicial review in that respect as well.

Senator COTTON. And we are glad to have you here, and we are glad to have judicial review, but original fact finders without life tenure and salary protections are different from fact finders at agencies and bureaus, not just yours.

Mr. CORDRAY. True, although State court judges are not subject to life tenure as well.

Senator COTTON. Or regulators issuing rules that provide standards of conduct under which the force of law can impose penalties who are not elected are different from people up here making those, and we have to answer to people that we serve back home for the wisdom of those rules.

Mr. CORDRAY. Fair enough.

Senator COTTON. Not a specific commentary on a particular case or any particular thing you have done, but I have real reservations about the structure of this Bureau.

Chairman SHELBY. Senator Merkley.

Senator MERKLEY. Thank you very much, Mr. Chairman, and thank you, Director Cordray, for your testimony. But I want to thank you in particular for your leadership of finally having a watchdog fighting for consumers and fairness in financial transactions.

In your testimony, you note that the Bureau enforcement activities resulted in more than $10.1 billion in relief for 17 million consumers. Is it my understanding this is specific funds that come from addressing predatory practices that has been returned to 17 million families across America?

Mr. CORDRAY. Yeah, and it takes different forms. Some of it is direct restitution. Some of it is uncompensated victims that get compensated out of a civil penalty fund. Some of it is, say, mortgage relief. Some of it is debt that they otherwise would be required to pay and might be subject to further costs and court proceedings that is forgiven and wiped from the books. But, yes, it is meaningful relief for American consumers.

And the other point that Senator Warren has made to me that is worth making, which is every time we then correct practices, the same things do not happen going forward, and you can expect that the same money is being saved each year in the future, but it is very hard to quantify that.

Senator MERKLEY. It is hard to quantify, but every time a consumer gets a fair mortgage loan rather than a predatory one, a great deal of help has been created in terms of a wealth-building enterprise versus a wealth-stripping one, and your agency is critical to that.

I wanted to turn to the subject of payday loans. You are now engaged specifically in laying out a policy framework, not yet a draft regulation, and taking feedback on it. In Oregon, we proceeded to establish a pretty rigorous framework, reestablishing a usury cap on the full range of loans—consumer loans, title loans, payday loans—because we had seen the migration from one area to another where States had tried to tackle the 500 percent interest rate in payday loans.

But we see aggressive outreach by payday loan companies to solicit people online and to do so outside the framework of State law. And in that regard, about once a week I get a text message like this one that came the other day: "Dylan"—I do not know who Dylan is, but whoever Dylan is, he is one click away from a predatory payday loan. "Dylan, do you need some extra dollars? Bad credit is OK. Approved in 4 minutes. Click here."

Now, I am absolutely convinced this is not a payday lender operating under State law. It is probably offshore, as most online payday lenders are. And the challenge is that with the ability to reach out to folks through text messages in this case—I also receive phone calls for Dylan. If Dylan is out there anywhere and wants his phone messages, well, please contact me. So folks then respond to this and say, "OK, great. This is convenient. I do not have to go down to the brick and mortar payday loan store." And, by the way, we still have those stores in Oregon, even though they now operate at 36 percent interest rate. They are still providing credit as they have in every State that has cracked down on the 500 percent interest rate. So citizens still have access to credit when they need it at a fair rate, but they are getting ensnared by these online solicitations.

The reason this works is because these companies are able to use electronic fund transfers or remotely generated checks to essentially access accounts, and once they have the number of the account of the individual, they simply reach in and grab the money, even though their loan is in violation of the law. How are we going to stop this?

Mr. CORDRAY. First of all, you may need a better spam filter on your phone, although maybe you are picking up some good intel this way.

Second, the online lending is a particularly acute problem for any enforcement regime. I saw it as Attorney General in Ohio. I hear about it from our colleagues at the Justice Department who battle with it and help us especially when we are trying to deal with something that is international in scope. Like a scam we dealt with earlier this year, some of the folks were based in Kansas City, but they were incorporated in Turks and Caicos. I do not even know where that is, someplace in the Pacific maybe. Maybe it is in the Caribbean. I do not know.

Chairman SHELBY. The Caribbean.

Mr. CORDRAY. The Caribbean? All right. In any event, the enforcement of that is quite difficult but important.

Also, one might have thought that online lending would end up being more efficient because you would not have to have the brick and mortar. But the default rates are so high, they are paying lead generators $300 to $400 to acquire customers. What does that tell you about a customer they are acquiring if they think it is worth paying $300 to $400 to get that fish on the line for then the lending they are going to do to them, particularly in small-dollar loans? It is going to be astronomic interest rates, and they are—540 percent, 720 percent, even more. And that is a major concern.

In terms of the small-dollar lending rules that we are working on now, that is a big piece of it. The account access where they can just take the money directly from your account creates all kinds of risks. That was the case with that Kansas City outfit. They were called the Hydra Group that we shut down earlier last year. These are things we are wrestling with because the account access particularly creates vulnerability for consumers and can cause them to be trapped in these loans, and they may or may not appreciate what is happening when it is in the fine print.

So it is something we are trying to think very carefully about, but we are aware of and very sensitive and concerned about the same problem that I think you just described as we are trying to work through these issues.

Senator MERKLEY. Well, thank you for your efforts to wrestle with this issue. It matters a lot to a family whether or not they acquire a payday loan in Oregon under a 36 percent interest rate cap or whether they respond to the text message or the phone call and end up with a 500 percent interest loan from a group that is operating with no accountability and reaches in and takes money without authorization. There has to be a solution to this. I have suggested several in my Stopping Abuse and Fraud Electronic Lending Act, the SAFE Act, in 2013. I continue to look for a way for fair lending to happen to help families succeed and to stop these predatory practices. And I know that is the business you are in, and you are doing an excellent job of it, and thank you for the work you do.

Mr. CORDRAY. Thank you.

Chairman SHELBY. Thank you, Senator Merkley.

Director Cordray, thank you for appearing again before the Banking Committee, and we appreciate your testimony and your frankness.

Mr. CORDRAY. Thank you, Mr. Chairman.

Chairman SHELBY. The Committee is adjourned.

[Whereupon, at 12:10 p.m., the hearing was adjourned.]

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

PREPARED STATEMENT OF RICHARD CORDRAY

DIRECTOR, CONSUMER FINANCIAL PROTECTION BUREAU

JULY 15, 2015

Chairman Shelby, Ranking Member Brown, and Members of the Committee—thank you for the opportunity to testify today about our latest Semi-Annual Report to Congress. We appreciate your continued oversight and leadership as we work together to strengthen our financial system and ensure that it serves consumers, responsible businesses, and the long-term foundations of the American economy.

Next week marks 5 years since the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act and 4 years since the Consumer Bureau opened its doors. As you know, Congress created this agency in response to the financial crisis with the purpose and sole focus of protecting consumers in the financial marketplace. We understand our responsibility to stand on the side of consumers and ensure they are treated fairly. Through fair rules, consistent oversight, appropriate enforcement of the law, and broad-based consumer engagement, the Consumer Bureau is working to restore people's trust and confidence in the markets they use for everyday financial products and services.

To date, the Bureau's enforcement activity has resulted in more than $10.1 billion in relief for over 17 million consumers. Our supervisory actions have resulted in financial institutions providing more than $178 million in redress to over 1.6 million consumers. And we have now handled more than 650,000 complaints from consumers addressing all manner of financial products and services. These consumers are your constituents in each of your States. For example, one excerpt of a complaint narrative from a servicemember in Alabama reads:

> We opened an account . . . We paid as agreed until we became unable to pay the full amount . . . We made an agreement to pay a lesser amount per month and kept paying via allotment. [The company] got a judgment against us while I was training. I was not served with a judgment prior to court or after . . . I was informed of it when my wages began to be garnished . . . We have asked repeatedly to have this issue fixed . . . We have in total paid this company nearly $25,000 over the past 11 years for a couch and loveseat, computer hutch, table and chairs. The furniture has not lasted, however the payments and ruin continue . . . We need assistance as we have tried every other step possible to fix this without aid.

Another excerpt, from a consumer in my home State of Ohio, reads:

> [I] elected and agreed to a Reduced Rate Payment Plan with [a student loan servicer]. In addition to being charged incorrect interest rates, my monthly payment was incorrectly allocated which is resulting in late fees and a delinquency notice. After speaking with . . . customer service representatives and a call time of . . . hours, no resolution had been reached.

In this, our most recent Semi-Annual Report to Congress and the President, we describe the Bureau's efforts to achieve our vital mission on behalf of consumers, including those in your home States and mine. During the timeframe covered by the report, we have helped secure orders through enforcement actions for more than $19 million in relief to consumers who fell victim to various violations of consumer financial protection laws, along with over $32 million in civil money penalties. For example, we took action against a company for illegal debt collections practices resulting in $2.5 million in relief for servicemembers. We also stopped an illegal kickback scheme for marketing services, which resulted in $11.1 million in redress for wronged consumers. We also worked with the Department of Education to obtain $480 million in debt relief to student loan borrowers who were wronged by Corinthian Colleges, a for-profit chain of colleges that violated the law and has since declared bankruptcy.

During the reporting period, the Bureau also issued a number of proposed and final rules. In October 2014, we issued a final rule to reduce burdens on industry by promoting more effective privacy disclosures from financial institutions to their customers. In November 2014, the Bureau issued a Notice of Proposed Rulemaking to provide strong new Federal consumer protections for prepaid cards and accounts. In December 2014, the Bureau issued a proposal to clarify various provisions of its mortgage servicing rules. In January 2015, the Bureau proposed further changes to some of our mortgage rules to facilitate mortgage lending by small creditors, particularly in rural or underserved areas. This would increase the number of financial institutions able to offer certain types of mortgages in rural or underserved areas, and help small creditors adjust their business practices to comply with the new rules.

As a data-driven institution, the Consumer Bureau published several reports during this reporting period that highlight important topics in consumer finance such as medical debt, arbitration agreements, reverse mortgages, and consumer perspectives on credit scores and credit reports. We also released a new "Know Before You Owe" mortgage toolkit that will help encourage consumers to shop for mortgages and better understand how to go about buying a home.

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

Thank you for the opportunity to testify today. I look forward to your questions.

RESPONSE TO WRITTEN QUESTIONS OF CHAIRMAN SHELBY FROM RICHARD CORDRAY

Q.1. During the hearing, I expressed concerns with the Bureau's costly headquarters renovations. These concerns are not new. For example, during the June 2014 semiannual hearing, Senator Coburn asked you whether the renovations could "be done for less," and you replied "that is fair, and I am responsible to you for that, and this is meaningful oversight." However, when I asked whether congressional disapproval led you to change your renovations plans in any way, you defended the project but did not answer the question.

a. Has congressional disapproval led you to change your renovation plans in any way since your last semiannual testimony before this Committee?

b. If so, please provide a detailed explanation on each change, including estimated cost savings resulting from such changes.

c. If no changes have been made, please explain why.

A.1. As a result of congressional oversight, the Office of the Inspector General of the Consumer Financial Protection Bureau reviewed and evaluated the Bureau's headquarters renovation project, including an audit of renovation expenses. The Inspector General released the audit report in August 2015 stating, "We determined that construction costs appear reasonable based on comparisons to an independent cost estimate and the costs of two comparable building renovations identified by the U.S. General Services Administration (GSA). We also determined that potential renovation costs are below the amount previously budgeted and obligated for the renovation."[1]

As with all expenditures and major investments, the Bureau is committed to cost-effective management of our resources. The Bureau is working with the GSA to ensure the headquarters renovation is completed in a manner that minimizes cost while maximizing the value of the investment. For example, the Bureau's renovation process will include a value engineering process.

Value engineering is an approach used to analyze the functions of building systems, equipment, facilities, and services for the purpose of designing and building systems that functionally perform as needed—meeting all reliability, quality, and safety requirements—while minimizing the life cycle costs (*i.e.,* costs incurred over the next 10–50 years for installation, maintenance and replacement) imposed on the building's owner and operator. The approach takes into account short-term and long-term expenses and performance to

[1] Office of Inspector General, Board of Governors of the Federal Reserve System, Consumer Financial Protection Bureau, CFPB Report: 2015–FMIC–C–012, "CFPB Headquarters Construction Costs Appear Reasonable and Controls Are Designed Appropriately,' July 21, 2015 available at: *http://oig.federalreserve.gov/reports/cfpb-headquarters-construction-costs-jul2015.htm.*

ensure the building will last, while identifying opportunities to do so as cost effectively as possible.

For this project, the GSA brought in a third-party value engineering consultant who will hire experts from various trades (mechanical, electrical, *etc.,*) to analyze the current design and provide recommendations to the team for system, equipment, and other material substitutions that are representative of the above criteria to maximize value while minimizing lifecycle costs. We held a workshop in September, and the Bureau hopes to have value engineering changes and the associated cost savings estimates completed this spring.

Q.2. During the hearing, I asked what analysis the Bureau has conducted of State laws and regulations prior to publishing its proposal to regulate payday lending. While you provided a broad overview of the Bureau's work on payday lending, you did not answer this question.

- What analysis has the Bureau conducted of State laws and regulations prior to publishing the proposal?
- Please provide a copy of the analysis conducted of State laws and regulations that relate to payday lending, including explanations and any related assessments as to why such State laws and regulations are insufficient.

A.2. The Bureau continues to carefully consider existing State laws and regulations, as we have throughout our research and development of options to address potential consumer harm. In April 2013 the Bureau released a report entitled, *Payday Loans and Deposit Advance Products: A White Paper of Initial Data Findings,*[2] which references how variations in State laws may impact how products are structured. In March 2014 the Bureau released, *Data Point: Payday Lending,*[3] which presents findings on the impact of State laws and regulations on loan rollover rates. In addition, in March 2015, the Bureau published the *Outline of Proposals Under Consideration and Alternatives Considered.*[4] as part of the Small Business Review Panel process, which also includes analysis relative to State laws and regulations. Moreover, the Bureau has met with representatives of State and local governments from around the country to hear directly about their experiences related to payday lending regulations and impact.

Q.3.a. In a 2013 bulletin posted on its Web site, the Bureau stated that the compensation policies of some auto lenders lead to the "significant risk" of illegal pricing disparities on the basis of race. In September of 2014, the CFPB published a report explaining its methodology for measuring racial disparities in the auto lending market. The Bureau uses a proxy method called *Bayesian Improved Surname Geocoding* to estimate the race of different borrowers based on last names and zip codes. In November 2014, Charles Rivers Associates published a study demonstrating that the CFPB's methodology was substantially flawed. For example, the study

[2] Available at *http://files.consumerfinance.gov/f/201304_cfpb_payday-dap-whitepaper.pdf.*
[3] Available at *http://files.consumerfinance.gov/f/201403_cfpb_report_payday-lending.pdf.*
[4] Available at *http://files.consumerfinance.gov/f/201503_cfpb_outline-of-the-proposals-from-small-business-review-panel.pdf.*

found that only 24 percent of African Americans were correctly identified by the methodology employed by the CFPB.

Is the Bureau still using this methodology?

A.3.a. Yes. On September 17, 2014, the Bureau published a white paper, entitled Using Publicly Available Information to Proxy for Unidentified Race and Ethnicity,[5] that details the methodology the Bureau uses to calculate the probability that an individual is of a specific race and ethnicity based on his or her last name and place of residence. The Bureau's analysis demonstrates that its proxy is more accurate at approximating the overall reported distribution of race and ethnicity than other available methods using publicly available data. The Bureau's proxy assigns an individual probability of inclusion in a prohibited basis group based on both geography and surname, whereas other proxies use geography or surname alone in predicting individual applicants' reported race and ethnicity.

The Bureau and the paper you cite both agree that there are racial and ethnic disparities in pricing resulting from discretionary dealer markup and compensation policies, and that a proxy can be used to estimate both pricing disparities and the number of consumers potentially harmed. The disagreement is regarding how many borrowers were harmed and by how much.

The Bureau's approach is designed to arrive at the best estimate of the total number of harmed borrowers and to accurately identify the full scope of harm. The Bureau makes final determinations regarding discriminatory outcomes and their scope in consultation with individual lenders, and carefully considers every argument lenders make about alternative ways to identify the number of banned borrowers and the amount of harm. In some instances, the Bureau has adopted changes and reduced our estimates in response to specific alternatives offered by individual lenders with regard to their specific loan portfolios.

As we stated in our white paper, the Bureau is committed to continuing our dialogue with other Federal agencies, lenders, advocates, and researchers regarding the Bureau's methodology, the importance of fair lending compliance, and the use of proxies when self-reported race and ethnicity is unavailable. We expect the methodology will continue to evolve as enhancements are identified that further increase accuracy and performance.

Q.3.b. What, if anything, has the Bureau done to address the issues raised by the Charles Rivers Associates study?

A.3.b. The paper you reference does not undermine either the importance of the Bureau's anti-discrimination work in indirect auto lending or the Bureau's confidence in its use of the *Bayesian Improved Surname Geocoding* (BISG) methodology. That paper does not provide reassurance that the fair lending risk presented by discretionary dealer markup is less significant than the Bureau—and other regulators and consumer advocates—believe. Rather, the paper takes issue with the manner in which its authors think the Bureau is assessing that risk, using the BISG methodology, in order to determine whether violations have occurred. The authors

[5] Available at *http://files.consumerfinance.gov/f/201409_cfpb_report_proxy-methodology.pdf.*

do not reject the use of a BISG methodology itself, they simply offer a variety of recommendations based on their beliefs regarding the Bureau's use of the BISG proxy. These beliefs reflect a potential misunderstanding of how the Bureau conducts its analysis, which is based on the specific business practices of individual lenders.

The paper you cite presumes the Bureau applies the same analysis to all lenders, in all contexts, including recommending statistical controls the Bureau should use in every case, regardless of whether those controls apply to an individual lender's business model. At the Bureau, each supervisory examination or enforcement investigation is based on the particular facts presented. In analyzing lending data for statistical disparities on a prohibited basis, examination teams typically construct regression models based on the particular institution's specific policies and practices, which vary from institution to institution and may also vary by product and channel. For this reason, for each institution subject to review, examination teams may construct multiple regression models by including controls that reflect the institution's various policies, practices, products, and channels, as well as any additional factors identified by the examination team or the institution.

The Bureau engages with individual lenders to better understand their policies and products. As such, the Bureau has considered, on a case-by-case basis, many of the controls and recommendations listed in the paper you cite. Many of the controls and recommendations are already incorporated into our analysis, both to test the robustness of the results and to anticipate (and respond to) lender concerns. This process is an ongoing dialogue between specific institutions and the Bureau.

Once the Bureau has found disparities in outcomes by race, ethnicity, or another prohibited basis under the Equal Credit Opportunity Act for a particular lender, the Bureau will consider whether these disparities result from legitimate business needs that are actually incorporated in the lender's pricing policies and practices. Where lenders have demonstrated this, the Bureau has incorporated controls into our analysis, and as a result the disparities may be reduced or eliminated altogether. However, where lenders simply offer up controls without justification or proof that these factors in fact reflect legitimate business needs and are actually incorporated into decisions about discretionary markup, it is not appropriate for the Bureau to include these factors in our analysis. That determination is one that the Bureau will make on a case-by-case basis and based on actual evidence.

Q.4. At the hearing, when asked about the Bureau's March 2015 report on arbitration, you stated, "It was a very comprehensive report. I honestly do not think we could think of a single thing we could have done that we did not do." The arbitration report submitted to Congress by the Bureau states, "Although a relatively large number of empirical studies have examined employment and securities arbitration, relatively few such studies have examined consumer arbitration in detail."

a. Did the Bureau study arbitration in areas outside of consumer products in which the use of arbitration is more developed, such as the FINRA arbitration system?

b. If not, please explain why not and provide a list of other arbitration systems that the Bureau believes would be useful in understanding the costs and benefits of arbitration relative to other forms of dispute resolution.

c. If so, what conclusions were drawn, and how did such analysis inform the Bureau's study of arbitration in consumer financial disputes? Also, please provide a list of other arbitration systems that the Bureau evaluated during the course of its study.

A.4. In conducting the study, the Bureau reviewed scholarship and associated data relating to arbitration in areas outside of consumer products, such as the arbitration of employment claims and the Financial Industry Regulatory Authority (FINRA) arbitration system. (See for example §§ 3.2, 4.9, 5.3, 5.6.12, and 10 of the Arbitration Study,[6] as well as §4.7 of the preliminary results released in December 2013).[7]

The Bureau ultimately did not include an empirical comparison of these systems in the Bureau's March 2015 report on arbitration for several reasons. Congress's direction to the Bureau, set forth in Section 1028(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, was that the study address pre-dispute arbitration, "in connection with the offering or providing of consumer financial products or services." In addition to the statutory instruction, the Bureau determined that employment and FINRA arbitration disputes are qualitatively different than arbitration disputes concerning consumer financial products and services. As the Bureau found in the March report, most pre-dispute arbitration agreements relating to consumer financial products and services prohibit consumers from seeking relief in class action litigation. This is not the case with FINRA disputes, where FINRA rules prohibit the arbitration of class action claims.[8] Similarly, claims in employment and FINRA arbitration disputes can involve claims worth tens or even hundreds of thousands of dollars. Consumer financial claims, by contrast, are typically significantly smaller. However, the Bureau did include several empirical analyses regarding other forms of dispute resolution involving claims relating to consumer financial products and services, such as class action litigation in Federal and State court, as well as small claims courts.

RESPONSE TO WRITTEN QUESTIONS OF SENATOR BROWN FROM RICHARD CORDRAY

Housing/OM

Q.1. Director Cordray, the Semiannual Report showed that 20 percent of consumer complaints received by the Bureau were about mortgages. With the largest percentage of first-time home buyers since 2009 entering the market this year, how do the Bureau's

---

[6] Available at *http://files.consumerfinance.gov/f/201503_cfpb_arbitration-study-report-to-congress-2015.pdf.*

[7] Available at *http://files.consumerfinance.gov/f/201312_cfpb_arbitration-study-preliminary-results.pdf.*

[8] *See, e.g.,* Financial Industry Regulatory Authority Press Release, Board Decision Finds Charles Schwab & Co. Violated FINRA Rules by Adding Waiver Provisions in Customer Agreements Prohibiting Customers From Participating in Class Actions; Reverses FINRA Hearing Panel Decision (April 24, 2014), *https://www.finra.org/newsroom/2014/board-decision-finds-charles-schwab-co-violated-finra-rules-adding-waiver-provisions.*

"know before you owe" initiatives and ability-to-repay rule inform and protect those borrowers?

A.1. Home buyers now benefit from important protections that did not exist in Federal law before the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). Two essential new protections, mandated by the Dodd-Frank Act and implemented by the Consumer Financial Protection Bureau, include the Ability-to-Repay rule and the "Know Before You Owe" mortgage disclosures.

Ability-to-Repay

The Ability-to-Repay rule informs and protects consumers by requiring that creditors make reasonable and good faith determinations that borrowers have the financial ability to repay the loan. Prior to the rule, consumers throughout the United States experienced unprecedented foreclosure rates. At least some of those foreclosures likely were the result of inadequate underwriting of loan applicants. The ability-to-repay requirement is an important bulwark to prevent a recurrence of problematic lending practices that gave rise to the crisis.

The Ability-to-Repay rule also helps maintain borrowers' access to responsible, affordable mortgages by creating a presumption of compliance with the rule when creditors make "qualified mortgages" that meet certain reasonable, prescribed underwriting standards and do not contain certain risky features. Despite arguments that these straightforward and commonsense requirements would have deleterious effects on the mortgage market, we have seen no evidence that the availability of responsible, affordable mortgage credit has been reduced as a result of these requirements.

Know-Before-You-Owe Mortgage Disclosures

The new mortgage disclosures provide information that the consumer needs to understand the costs and terms of the mortgage, and these disclosures do so in a simpler and more easily understood manner than the previous disclosures. In developing the new mortgage disclosures, the Bureau conducted extensive qualitative and quantitative testing, including over 10 rounds of qualitative testing to test prototypes and a large scale quantitative study to validate the effectiveness of the Bureau's new disclosures and evaluating their performance compared to the previous disclosures. The study showed that the "Know Before You Owe" disclosures had on average statistically significant better performance than the previous disclosures. This advantage was consistent, regardless of the level of consumer sophistication, the complexity of the loan product, or whether the loan had a fixed rate or an adjustable rate.

The validation study also showed that new mortgage disclosures also outperformed the previous disclosures in ways that are essential to a consumer's ability to shop for and understand a mortgage loan. For example, when consumers used the disclosures to compare two competing loan offers, the new mortgage disclosures outperformed the previous disclosures by about 24 percentage points. For understanding a single loan's projected costs and terms, the difference was about 10 percentage points for the initial disclosures received upon an application; about 17 percentage points when consumers compared those early disclosures to the later disclosures they receive before closing; and about 29 percentage-points in understanding the final loan terms and costs using only the closing disclosures.

Participants in the study were also asked to select between two loans using the application disclosures, and then asked in an open-ended question to provide reasons for their selection. In response to the open-ended question, participants using the "Know Before You Owe" integrated disclosures on average provided a greater total number of reasons for their selection of a particular loan, and this difference was statistically significant and consistent across the variables of the study. This result suggests that participants using the new disclosures could better articulate and explain the reasoning behind their choice.

In addition to the ability-to-repay and "Know Before You Owe" mortgage disclosure rules, the Bureau has accomplished other important work to inform and protect consumers looking to buy a home or refinance their mortgage. For example, after conducting a study, the Bureau recently completed a pilot program concerning eClosings, which the Bureau believes may help consumers understand their mortgages even better in the future. The Bureau also has developed a suite of materials to help educate consumers about mortgages and the process of obtaining one. The materials, called "Owning a Home," are publicly available on the Bureau's Web site.[1] The Bureau also has posted a series of questions on its "AskCFPB" Web site, where home buyers can get answers to common questions about buying a home and getting a mortgage. The Bureau has issued a revised settlement cost or special information booklet, "Your Home Loan Toolkit,"[2] to be used in conjunction with the new mortgage disclosures. The Toolkit is available in both English and Spanish. The Toolkit was developed through several rounds of consumer feedback. The Bureau believes it will provide significant benefits to first-time home buyers and other consumers purchasing a home.

The Bureau understands that, for many consumers, purchasing a home represents the largest financial transaction of their lives. The Bureau will continue to actively seek out ways to help consumers obtain the information they need to shop for and succeed at obtaining the best mortgage that fits their needs. Notably, home purchase mortgage applications were up 22 percent year-over-year in October after our rule had taken effect.

Small Lender

Q.2. Director Cordray, in January the Bureau proposed several changes to the Qualified Mortgage rule's "small lender" definition. We've heard a lot about the need for relief for small lenders.

Can you discuss how these changes will benefit small lenders? More generally, what has the Bureau done to streamline regulations, particularly as they relate to small lenders?

A.2. The proposal finalized in September would expand the definitions of "small creditor" and "rural area" and thereby increase the

[1] Available at *http://lwww.consumerfinance.gov/owning-a-home/*.

[2] Available at *http://files.consumerfinance.gov/f/201503__cfpb__your-home-loan-toolkit-web.pdf*.

number of small creditors that are eligible for regulatory exemptions and that are able to offer certain types of mortgages. These changes will also help creditors adjust their business practices in the event they grow to exceed the small creditor thresholds. Instead of having an abrupt end to small creditor status on January 1 of the year after first exceeding the small creditor criteria, creditors could continue to operate as small creditors for mortgage applications they receive through the first quarter of that year, providing additional time to adjust systems and train staff.

There are a variety of special provisions and exemptions in the Bureau's rules that affect small creditors, including small creditors that operate predominantly in rural or underserved areas (notwithstanding changes made by the Fixing America's Surface Transportation Act (P.L. 114–94)).

- A provision in the Ability-to-Repay rule extends Qualified Mortgage status to loans that small creditors hold in their own portfolios, even if a consumer's debt-to-income ratio exceeds 43 percent and without requiring the use of Appendix Q.
- A Qualified Mortgage made by a small creditor also provides a higher annual percentage rate (APR) threshold for a safe harbor from ability-to-repay claims. A small creditor has a safe harbor if the mortgage's APR does not exceed the applicable Average Prime Offer Rate (APOR) by 3.5 or more percentage points. In contrast, general Qualified Mortgage loans provide safe harbors if their APRs do not exceed the applicable APOR by 1.5 or more percentage points.
- Small creditors operating predominantly in rural or underserved areas can originate Qualified Mortgages and high-cost mortgages with balloon payments even though balloon payments are otherwise not allowed on such mortgages.
- Small creditors operating predominantly in rural or underserved areas are not required to establish escrow accounts for higher-priced mortgage loans.

The Bureau continues to believe that responsible lending by community banks and credit unions did not cause the financial crisis, and our mortgage rules reflect the fact that small institutions play a vital role in many communities and anecdotal evidence suggests that smaller lenders' loans performed better than larger lenders loans through the crisis.

Credit Reporting/Zombie Debt

Q.3. Earlier I mentioned the CFPB's action last week on debt collection. I have heard that millions of Americans are faced with "zombie debt," or debt that continues to negatively impact their credit reports after it has been paid off or discharged in bankruptcy.

Can you discuss how this happens? Aren't financial institutions required under the Fair Credit Reporting Act to ensure that debt is reported to CRAs accurately?

A.3. "Zombie debt" occurs when credit reports are not properly updated to reflect that a debt has been paid off or discharged in bankruptcy. Negative information remains on a consumer report for a period of time because creditors consider a consumer's past payment behavior to be predictive of a consumer's future payment behavior. While debts that have been paid off or discharged in bankruptcy can continue to appear on credit reports, the reports should also indicate that they have been discharged in bankruptcy or paid off.

The Bureau is aware of allegations that some financial institutions have failed to report accurately the status of certain accounts that have been discharged in bankruptcy, in violation of Federal bankruptcy law. For example, several large banks currently face lawsuits accusing them of deliberately failing to update accounts to reflect that they have been discharged.

Under the Fair Credit Reporting Act (FCRA}, consumer reporting agencies are required to follow reasonable procedures to assure maximum possible accuracy of the information they report. A financial institution that regularly furnishes information to a consumer reporting agency has a variety of obligations under the FCRA and Regulation V, including the obligation to correct and update information that it has determined is incomplete or inaccurate. As part of its supervision program, the Bureau conducts examinations of the furnishing practices of many of the largest creditor and debt collector furnishers. Although the Bureau cannot comment on whether specific practices violate the law, the Bureau will take appropriate action, including enforcement action, in cases where it concludes that there is a statutory or regulatory violation.

Credit Reporting/Specialty CRAs

Q.4. We have heard repeatedly that credit reporting is a major issue for many consumers, with 1 in 5 Americans facing an error on his or her credit reports. This is particularly concerning due to the importance of credit scores on consumers' ability to access credit and, increasingly, employment or housing. Nearly 50 million people saw their scores fall by more than 20 points during the crisis.

Many of us are aware of the big 3 credit reporting bureaus, and I understand the Bureau has begun examining those 3 and 27 other companies in this market. However, the Bureau has also noted that there are approximately 400 consumer reporting agencies in the country, some of which are known as "specialty consumer reporting agencies."

What do these specialty CRAs do? Does the CFPB have authority to supervise these companies?

A.4. There are numerous specialty consumer reporting agencies, some of which may also qualify as a "nationwide specialty consumer reporting agency," as defined in Section 1681a(x) of the FCRA. In general, specialty consumer reporting agencies collect and share information about a consumer's history using a specific product or service and other transactions with certain types of businesses. The information specialty consumer reporting agencies collect, which may also include public records on bankruptcies, liens, arrests and convictions, depends on the agency and its specialty industry. Specialty consumer reporting agencies may collect information and produce reports on your history of:

- Opening or using bank accounts (including account abuse or fraud);[3]
- Apartment rental payments;[4]
- Car insurance claims;[5]
- Homeowners and renters insurance claims;
- Payday lending;
- Utility payments;[6]
- Phone bill payments;
- Employment;[7] and
- Medical records or payments.[8]

Under the Bureau's larger participant rule for consumer reporting agencies, the Bureau has supervision authority over entities engaging in or offering consumer financial products or services only if they (or their parent company) have more than $7 million in annual receipts from consumer reporting activities. The Bureau also has other tools it can use to help consumers with specialty consumer reporting agencies that don't fall within the Bureau's supervision authority. If appropriate, the Bureau can take enforcement actions. The Bureau can also engage in consumer education about specialty consumer reporting agencies, which it has done numerous times.

Credit Reporting/Credit Invisibility

Q.5. In May, the consumer agency published a report that 26 million Americans are "credit invisible," and that 1 in 10 adults do not have any credit history with a nationwide consumer reporting agency.

Can you discuss the impact of not having a credit score on access to credit?

A.5. As reported in the Bureau's recent release *Data Point: Credit Invisibles,*[9] 26 million adults in the United States do not have a credit record maintained by one of the Nationwide Credit Reporting Agencies (NCRAs) and an additional 19 million adults have NCRA credit records that could not be scored by a widely used commercially available credit scoring model. Because credit scores are widely used in underwriting and pricing credit to assess the creditworthiness of applicants, these consumers may face substantially reduced access to credit. Without the information about creditworthiness that credit scores provide, lenders may deny loan applicants outright, require more collateral or co-signers, or charge higher interest rates. As a result, many of these consumers may

[3] For more information, see *http://www.consumerfinance.gov/askcfpb/1819/do-bounced-checks-and-overdrafts-go-my-credit-report.html.*

[4] For more information, see *http://www.consumerfinance.gov/askcfpb/1815/could-late-rent-payments-or-problems-landlord-be-my-credit-report.html.*

[5] For more information, see *http://www.consumerfinance.gov/askcfpb/1821/do-auto-and-homeowners-insurance-companies-share-my-information-about-claims-and-policies.html.*

[6] For more information, see *http://www.consumerfinance.gov/askcfpb/1817/does-my-history-paying-utility-bills-telephone-cable-electricity-or-water-go-my-credit-report.html.*

[7] For more information, see *http://www.consumerfinance.gov/askcfpb/1823/ive-been-looking-iob-what-do-employers-see-when-they-do-credit-checks-and-background-checks.html.*

[8] For more information, see *http://www.consumerfinance.gov/askcfpb/1837/how-can-i-find-out-whats-my-medical-payment-history.html.*

[9] Available at *http://files.consumerfinance.gov/f/201505_cfpb_data-point-credit-invisibles.pdf.*

have to rely more heavily on "nontraditional" sources of credit, such as payday lenders or pawnshops, which either do not require credit checks or use credit history information from non-NCRA sources to assess creditworthiness. Since these nontraditional sources of credit generally do not report information to the NCRAs, borrowing from these sources does not help establish a credit history at the NCRAs and thus may prolong the problems associated with having an unscored credit record.

Student Loans

Q.6. The student loan market stands at $1.3 trillion, with many predicting a long drag on our economy due to this debt.

What are the top complaints that you hear from consumers about student loans?

A.6. As noted in the 2014 Annual Report of the CFPB Student Loan Ombudsman,[10] the single most common issue reported by private student loan borrowers is the inability to negotiate alternative repayment options with lenders and servicers when facing distress. A substantial share of private student loan borrowers graduated in a time of extremely challenging labor market conditions and found the economic landscape meaningfully different than when they first made the decision to borrow. Although the labor market has recovered since the recession, job prospects for many young graduates remain limited. One recent analysis estimated that more than one in four recent college graduates was either unemployed or underemployed. While market participants have addressed some of the root causes of consumer complaints, the lack of availability of transparent loan modification options and complicated enrollment procedures persist as pain points in the market.

As noted in the 2014 Report, the most common broad category of complaints the Bureau receives from borrowers with private student loans generally relates to the student loan repayment process, identified in our intake form as "dealing with [a] lender or servicer," and broadly defined by consumers as problems related to "making payments, getting information about [a] loan, managing [an] account." Consumers submitting complaints about these issues comprised 57 percent of all private student loan complaints received by the Bureau between October 1, 2013 and September 30, 2014.

In May 2015, the Bureau, in coordination with leaders from the Department of the Treasury, launched a public inquiry into student loan servicing practices. In support of this initiative, the Bureau published a notice in the *Federal Register* soliciting input on potential solutions to improve the delivery of service to student loan borrowers in repayment.

RESPONSE TO WRITTEN QUESTIONS OF SENATOR CRAPO FROM RICHARD CORDRAY

Q.1. Last month, the CFPB sent a data collection request under its section 1022 market monitoring authority to a number of financial

[10] Available at *http://files.consumerfinance.gov/f/201410_cfpb_report_annual-report-of-the-student-loan-ombudsman.pdf.*

institutions seeking input on consumer use of deposit advance products. I have been told that the request sought information about specific transfers from consumer accounts and requires these institutions to scan customer accounts line by line for their financial behavior dating back years. According to market participants, this could involve hundreds of thousands, if not millions, of customer's transaction level data to the CFPB.

How many 1022(c)(4) orders under the CFPB's market monitoring authority have been issued to date and what is the process for a recipient of an order to challenge or limit the breadth of the order?

A.1. As of October 31, 2015, the Consumer Financial Protection Bureau has issued eight mandatory orders under the Bureau's 1022(c)(4) market monitoring authority. The Bureau's practice is to consult with financial institutions in advance of issuing 1022(c)(4) orders to minimize compliance burden. Although there is no formal process to challenge an order, the Bureau welcomes input from recipients, even after they receive the orders. When appropriate, the Bureau also sends voluntary requests for information to financial institutions.

Q.2.a. The Paperwork Reduction Act was designed, among other things, to "ensure the greatest possible public benefit from and maximize the utility of information created, collected, maintained, used, shared and disseminated by or for the Federal Government" and to "improve the quality and use of Federal information to strengthen decisionmaking, accountability, and openness in Government and society." It is my understanding that each of the 1022 orders issued to date was sent to fewer than 9 companies, which effectively avoids the review of the request by the Office of Management and Budget and circumvents the opportunity for public comment on the information request.

How many times has CFPB utilized the exception for reviewing data requests by sending 1022 request to fewer than 10 companies?

A.2.a. To date, all of our mandatory 1022 orders have been for one-time collections to help understand a particular financial product, market, or business practice. When researching financial markets to protect consumers, the Bureau consistently works to reduce burden on industry by working with existing available data where possible. Bureau staff supplements existing data by requesting new data when necessary, and then works in those cases to minimize how many firms we request data from. As of October 31, 2015, the Bureau has issued six mandatory 1022 orders to fewer than 10 companies. Most of these orders involved 3 to 5 companies.

Q.2.b. Given the CFPB's use of the exemption by only sending the request to fewer than 10 companies, how is the public informed about their transaction level data being sent to the CFPB and what privacy protections do they have?

A.2.b. The Bureau is interested in how consumer financial markets behave rather than individual consumers' transactions. In general, the Bureau studies market behavior by observing aggregated information or anonymized account level statistics. In compliance with section 1022(c)(4)(C) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Bureau does not use its market monitoring authority to obtain data from covered persons or service providers for purposes of gathering or analyzing consumers' personally identifiable financial information.

In April 2013, the Bureau released a study, *Payday Loans and Deposit Advance Products: A White Paper of Initial Data Findings.*[1] The Bureau believes deposit advance products as currently structured raise serious consumer protection concerns related to the sustained use of a high-cost product. This concern has been echoed by the other banking regulators. To further study this market, the Bureau recently issued a one-time 1022(c)(4) order for additional aggregate data from five financial institutions.

Your first question refers to this recent 1022 order for aggregate data. The Bureau will receive no individual account or transaction history as a result of this request. For this request, the Bureau will only receive aggregate statistics about groups of accounts.

In the limited cases where the Bureau does receive personally identifiable information, the Bureau reduces the privacy risk of information it maintains by redacting and restricting access to personally identifiable information, providing training to personnel on the appropriate use and disclosure of that information, and maintaining the information in secure environments in accordance with applicable law. To inform the public about situations in which the Bureau does collect individual-level data, the Bureau complies with the Privacy Act requirements and publishes System of Record Notices (SORNs) in the *Federal Register* and on our public Web site. The Bureau publishes privacy impact assessments on our public Web site as well.

Q.3. Data security is a growing concern and the breaches at the Office of Personal Management highlights the importance of privacy concerns and the sensitive data that is collected. In the case of OPM we are now being told that more than 21 million Social Security numbers, 1.1 million fingerprint records, and 19.7 million forms with data like someone's mental-health history were stolen as part of the breach.

Has CFPB detected any attempts to breach its systems and, if so, what is the frequency/number of attempts to gain unauthorized access to CFPB systems?

A.3. The Bureau has designed and implemented layers of proven defense mechanisms and safeguards for its systems and data. This work is continuously refined to keep pace with emerging threats, tactics, and techniques. The Bureau coordinates with other agencies and cross-sector groups to maintain awareness of and improve defenses against individuals and organizations that might attempt an attack. The Bureau's adherence to security practices such as monitoring, patching, building security into new services, and requiring end-user training reduces the likelihood that any attempt to gain unauthorized access would succeed.

As of December 11, 2015, the Bureau has confirmed 34 attempts to gain unauthorized access. Incident analysis of these attempts did not identify any leakage or breach of sensitive data. The Bureau

[1] Available at *http://files.consumerfinance.gov/f/201_304_cfpb_payday-dap-whitepaper.pdf.*

continuously monitors its network and investigates any anomalies or issues.

RESPONSE TO WRITTEN QUESTIONS OF SENATOR VITTER FROM RICHARD CORDRAY

Q.1. Mr. Cordray, as you know, the Dodd-Frank law requires your Bureau to reach out to small businesses and solicit their input prior to drafting regulations. The purpose of that requirement is for the Bureau to benefit from the experience of small business owners prior to writing a Federal regulation. This exercise is designed to prevent unintended negative consequences on the small business community. As you know your agency recently conducted a Small Business Advocacy Review for an upcoming rule on the small dollar lending industry. The panel offered an essential opportunity for small businesses impacted by a proposed rule to voice their concerns about it, which your agency must fully consider and incorporate into the final rule.

Can you explain what changes you made to this rule based on the feedback from small businesses? How do you expect these changes to benefit the numerous small businesses that might be affected by your upcoming rule? Why are you keeping that report secret and not making it public? Isn't this another example of how the CFPB does not operate in an open and transparent fashion, unlike the standard you impose on regulated entities?

A.1. Under the Regulatory Flexibility Act (RFA), the Consumer Financial Protection Bureau (Bureau) is required to convene a Small Business Review Panel when it is considering a proposed rule that could have a significant economic impact on a substantial number of small entities. In April, the Bureau convened such a panel with the Small Business Administration Office of Advocacy and Office of Information and Regulatory Affairs in the Office of Management and Budget to obtain feedback from small businesses about the proposals under consideration for payday, vehicle title, and similar loans. Through the Small Business Review Panel process, the Bureau received important feedback from small businesses about the potential economic impact of the proposals. The Bureau is carefully considering this feedback as we refine the proposals to develop a proposed rule. The Bureau will make public the Panel's report in its entirety when we publish a Notice of Proposed Rulemaking.

Q.2. It is my understanding that those small business owners who volunteered their time to help the CFPB come up with workable consumer protections were frustrated that the CFPB could not answer how the Bureau's approach would work with State consumer protection laws.

Will you re-start the required Dodd-Frank small business process once you are able to tell the small business owners how your regulatory approach will work with State laws?

A.2. The Bureau's proposals under consideration for payday, vehicle title, and similar loans, if implemented, would establish a Federal baseline for regulation of these markets. The Federal rules would coexist with stricter consumer protection laws and regulations at the State and local level and States would continue to regulate aspects of the market that are not impacted by the Bureau's rule. The Bureau continues to carefully analyze the ways in which State regulation of this market would be affected by the Bureau's proposals. We continue to receive and consider feedback from small businesses, other industry participants, consumers, State government officials, and other interested parties on this and all parts of the proposals under consideration and will do so throughout the rulemaking process.

Q.3. It has been estimated that the proposed rules to the payday lending industry will result in 70 percent of small dollar lending operators out of business. I do not see how any small business can survive the overwhelming loss of revenue that even you predict. I am sure you recognize that hard working Americans have their life savings invested in these business, which are completely lawful in the States in which they exist.

- Do you believe the regulations you have proposed will have a disproportionate impact on small businesses?
- Will you take into account the cost of compliance when creating your rule?
- What alternatives have you considered to these Rule Proposals that might avoid this destruction of small businesses and loss of millions of dollars of capital investment and hundreds of thousands of jobs?
- Will you be comfortable with only large payday lenders dominating the market?

A.3. The Bureau expects that the proposals under consideration for payday, vehicle title, and certain other similar loans would have a significant economic impact on a substantial number of small entities. Therefore, in accordance with the RFA, the Bureau convened a Small Business Review Panel to obtain feedback from small entities and consider these impacts. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Bureau is also required to consider the potential benefits and costs of a potential rule to consumers and covered persons of a potential rule. As part of this assessment, we consider the cost of compliance with the potential regulation. As not in the *Outline of Proposals Under Consideration and Alternatives Considered* released in March 2015, the Bureau is considering numerous alternatives to components of the regulatory framework. Some of these alternatives may have a greater or lesser impact on small businesses.

Throughout the rulemaking process, the Bureau seeks feedback from small businesses and other industry participants. In developing the proposed rule on payday, vehicle title, and certain other similar loans, the Bureau is carefully considering the feedback provided by small businesses and the findings of the Small Business Review Panel. Following publication of a Notice of Proposed Rulemaking, we hope to receive robust public comment, including from small businesses, about the potential impacts and costs associated with the proposal and any alternatives. The Bureau will then carefully consider such comments and consider ways to reduce the burden associated with compliance, while still fulfilling the purpose of the rulemaking.

RESPONSE TO WRITTEN QUESTIONS OF SENATOR SASSE FROM RICHARD CORDRAY

Q.1. The CFPB has proposed a rule on prepaid debit cards that also applies to digital wallets, despite the fact that these products have a different function and a different structure. For prepaid debit cards, a customer loads money onto a prepaid card and is charged a fee if they exceed the balance. A digital wallet helps consumers make purchases online, by helping them access other payment options. Fees are generally not charged on digital wallets. Why is the CFPB treating these dissimilar products the same way?

A.1. The Consumer Financial Protection Bureau (Bureau) believes it is appropriate to cast a wide net in including products within the proposed definition of prepaid account in its prepaid rulemaking. The Bureau crafted the definition of prepaid account after reviewing the comments received on its May 2012 Advance Notice of Proposed Rulemaking[1] (ANPR) on general purpose reloadable cards and conducting significant outreach to aid its understanding of the scope and diversity of the prepaid product marketplace, including digital wallets. The Bureau received a wide range of comments on the ANPR as to what types of products its proposed rule should cover. Industry commenters disagreed, for example, over whether the Bureau should limit its proposed rule to products represented by physical cards or whether it should also include other types of prepaid products such as those that are entirely online (and might use a barcode or QR code displayed on a mobile device such as a smart phone or other online means to interact with a payment network).

Some commenters specifically urged the Bureau to distinguish between digital wallets that simply store payment credentials for other accounts and both cards and noncard products that store funds themselves.

The Bureau's proposed definition of "prepaid accounts" would encompass only those digital wallets that are capable of storing funds. With such digital wallets, a consumer can maintain a balance in the wallet account through transfers from sources such as the consumer's own bank account or a transfer received from another user of the digital wallet system—in other words, the consumer loads money into the digital wallet account in the same way that a consumer might load funds onto a prepaid card. To the extent that a digital wallet merely stores payment credentials (*e.g.,* a consumer's bank account or payment card information), rather than storing the funds themselves, the digital wallet would not be considered a prepaid account under the proposed rule.

The Bureau received extensive feedback from commenters on the scope of the proposed definition of prepaid accounts and is continuing to evaluate the appropriate scope for a final rule.

Q.2. Customers must link their bank account or a credit card to use their digital wallet, because the wallet is merely an "agent" to facilitate a payment. But, the CFPB's Prepaid Rule prohibits link-

[1] Among other things, the Bureau asked: "How should the CFPB define GPR cards in the context of Regulation E? Should certain prepaid products not be included in this definition, such as cards that may serve a limited purpose (*e.g.,* university cards or health spending cards)? Why or why not?" 77 FR 30923 (May 24, 2012).

ing credit products to prepaid accounts. Given that the digital wallet's purpose is to merely facilitate payments, should the prohibition of "linking" apply to digital wallets? If so, how does the CFPB expect that digital wallets will work under the rule?

A.2. The Bureau's prepaid accounts proposal covers virtual wallet products that, among other things, are capable of storing funds. The Bureau understands that consumers can fund digital wallets in a variety of ways, including, in some cases, by linking the wallet to a consumer's existing credit card. The Bureau is also aware that digital wallet issuers may provide consumers with the option to link their digital wallet to a line of credit provided by the issuer or its financial institution partner. The credit portions of the Bureau's proposal do not prohibit these methods of linking credit products to digital wallets. Under the proposal, overdraft services and credit features offered on prepaid accounts would be subject to provisions within the Truth in Lending Act and Regulation Z that govern open-end credit and credit cards, as well as provisions in Regulation E. This proposal would ensure greater consistency of treatment even where the linked type of credit would otherwise be subject to different regulations.

As the Bureau reviews the many comments received on the prepaid proposal, the Bureau is continuing to examine whether revisions to its proposed approach to overdraft and credit features on prepaid accounts would be appropriate.

Q.3. Last week, the CFPB released its "Guiding Principles for Faster Payment Networks." At the same time, the Federal Reserve has established a "Faster Payments Task Force" and a "Safer Payments Task Force." These task forces are working on issues that affect the broader payments industry. How does the CFPB plan on working with the Federal Reserve to ensure that efforts to protect consumers do not harm innovation?

A.3. The Bureau published *Consumer Protection Principles: CFPB's Vision of Consumer Protection in New Faster Payment Systems* [2] to inform and spur, rather than harm, innovation. The Bureau recognizes, based in part on discussions with industry stakeholders, that system developers can best and most efficiently ensure consumer protection in new payment systems during system conceptualization and design. Thus, the principles are intended to ensure consumer interests remain top of mind throughout system development and to facilitate the integration of consumer interests into these developing systems.

Bureau staff works closely with Federal Reserve counterparts in this vein. Bureau staff participates in the Federal Reserve's Secure Payments Task Force and on the Steering Committee of the Federal Reserve's Faster Payments Task Force. In this capacity, the Bureau has assisted the Federal Reserve and its task forces in the ongoing development of a broader set of new payment system objectives that will further inform and hopefully accelerate industry innovation. More generally, as a member of the Steering Committee for the Faster Payments Task Force, Bureau staff helps to cultivate input from a broad set of industry stakeholders and develop a

[2] *http://files.consumerfinance.gov/f/201507_cfpb_consumer-protection-principles.pdf.*

shared understanding of consumer needs and vulnerabilities, technological and other concerns, and market opportunities. Bureau staff also meets frequently outside of the task force with Federal Reserve staff and representatives of various industry stakeholders.

RESPONSE TO WRITTEN QUESTIONS OF SENATOR ROUNDS FROM RICHARD CORDRAY

Q.1. According to the U.S. Treasury, it costs $1.03 to issue a paper check and only 10.5 cents to issue an electronic payment.

Currently, however the CFPB is proposing that agencies that provide government benefit cards include a statement at the top of a required disclosure that reads "You do not have to get your payments on this prepaid card. Ask about other ways to get your payments."

This statement appears designed to drive people away from government benefit cards and a payment system that will cost taxpayers 10 times as much as a prepaid card.

- Before the CFPB proposed this language, did the Bureau calculate how much these proposed disclosures would cost taxpayers?
- If so, how much? If not, why not?

A.1. The proposed disclosure statement and underlying regulatory provisions in the Consumer Financial Protection Bureau's rulemaking on prepaid accounts [1] were not intended to discourage use of government benefit cards or to mandate disbursement of government benefits via paper check. Accordingly, the Bureau did not conduct the type of analysis you describe. Rather, as explained in the proposal, the statement was designed to inform consumers of their rights under the Electronic Fund Transfer Act, given that Congress expressly prohibited any person from requiring a consumer to establish an account for receipt of electronic fund transfers with a particular financial institution as a condition of employment or receipt of a government benefit.[2] For instance, where a government institution chooses to deliver benefits by direct deposit, recipient have a right to decide which financial institution will receive the direct deposits on their behalf.

The Bureau believes that informing consumers that they have a statutory right to choose something other than a government-selected payment product will ensure that consumers can benefit from market competition for their business, including potentially a prepaid card from another financial provider. The Bureau is considering all feedback on the proposed language and conducting additional consumer testing on the best way to convey this information.

Q.2. The CFPB has been collecting detailed information on over millions of credit card accounts including the credit card users balances, the account holder's other relationships with the issuing bank, and the account holder's income, FICO score, and payment history.

---

[1] 79 FR 77102 (Dec. 23, 2013).

[2] EFTA section 913, 15 U.S.C. 1693k(2); *see also* 12 CFR 1005.10(e)(2) (implementing this provision in Regulation E).

The CFPB has claimed that this data is anonymous, but when asked if it could be reverse-engineered to reveal individual identities, you said the answer was "complicated."

- Should the CFPB's credit card database be hacked, will the Bureau notify any individual consumers or Congress of that breach?

A.2. The Bureau is conscious of the many, and variety of, threats to information security and the associated privacy risks. As threats become more sophisticated, it is not possible to suggest that any system or particular dataset is unhackable or could never be reverse-engineered, though we take all precautions to prevent the type of hack you reference. Due to the Bureau's awareness of the complicated nature of security threats and privacy concerns, the credit card information you reference consists solely of de-identified records and does not include information that directly identifies individuals, such as name, address, or account number. The information also does not contain purchase level information. The Bureau cannot identify and thus cannot contact individuals associated with the data. Therefore, unauthorized access of the information you reference would grant visibility only to de-identified information.

The Bureau's information security and privacy programs continue to evolve to keep pace with emerging threats. The Bureau strives to refine and automate risk management, continuous monitoring, analysis, and response capabilities. Our efforts include ongoing refinements to the Bureau's internal processes and risk assessment methodology, performing proactive or 'red-team' assessments of systems, and implementing dynamic technologies and services to better detect vulnerabilities and respond to threats. The Bureau is committed to reducing the information security and privacy risks of any information it maintains by restricting access as necessary, providing training to personnel on the appropriate use and disclosure of information, and maintaining information in secure environments in accordance with applicable law.

Q.3. I have heard repeatedly from small community bankers in South Dakota that the CFPB's new rules and red tape are making it harder and harder for them to make loans to their customers.

These banks aren't predatory lenders and they certainly didn't cause the financial crisis.

- To give these small banks some relief, can you list three regulations small banks have to comply with that you think are duplicative and that the CFPB can cut to reduce their compliance burden?

A.3. Congress, in mandating rules to address the abuses that lead up to the financial crisis, recognized the important role that small banks play in providing access to credit in their communities. The Bureau has adjusted its rules in several places to reduce burden on small banks. For example, the Bureau's 2013 mortgage rules provide small creditors with a broader safe harbor from ability-to-repay liability. The 2013 rules also provide a safe harbor for small lenders operating in predominantly rural or underserved areas, which allow these lenders to continue to offer balloon loans to consumers.[3] In response to feedback about the 2013 rules from small lenders, the Bureau finalized a change to the criteria for what constitutes a small creditor, so that more small lenders can get the broader safe harbor from ability-to-repay liability. The Bureau will also allow more lenders to qualify as serving rural or underserved areas, which would allow more small lenders to continue offering balloon loans that they have traditionally offered without adversely impacting consumers. Similarly, the Bureau has exempted small mortgage servicers from several provisions of the Bureau's 2013 mortgage servicing rules. We also modified the provisions on annual privacy notices to reduce the burdens on smaller institutions.[4]

RESPONSE TO WRITTEN QUESTIONS OF SENATOR MORAN FROM RICHARD CORDRAY

Q.1. Director Cordray, the first goal identified in the CFPB's strategic plan is to prevent financial harm to consumers while promoting good practices that benefit them. I have heard anecdotes from financial market participants and industry groups that CFPB's enforcement actions often attempt to remedy so-called consumer harm that is only theoretical, when no actual financial harm to consumers took place. Should not the CFPB's enforcement actions be focused on cases where real financial harm occurred rather than merely supposed harm?

A.1. The Consumer Financial Protection Bureau's enforcement work is indeed focused on remedying real consumer harm. We also seek to level the playing field and ensure that those institutions operating legally are able to enjoy a market that is fair. The Bureau's Office of Enforcement has obtained $11 billion in relief for over 25 million consumers.[1]

For example, we have taken action against a company for illegal debt collection practices resulting in $2.5 million in relief for servicemembers. We have stopped an illegal kickback scheme for marketing services, which resulted in $11.1 million in redress for wronged consumers. The Bureau worked with the Department of Education to obtain $480 million in debt relief to student loan borrowers who were wronged by a for-profit chain of colleges that violated the law and has since declared bankruptcy. The Bureau has also worked with the Department of Justice to settle a historic redlining case against a company engaging in discriminatory practices. Remedying real consumer harm to servicemembers, students, older Americans, targeted and vulnerable populations, and any consumers throughout the country is central to our mission.

Q.2. The CFPB's enforcement actions seem focused on the largest participants in financial markets, even though those are the companies likely to devote the most resources to training, quality control and compliance. In fact, the Bureau's press releases often boast

[3] These actions were taken prior to the enactment of the Fixing America's Surface Transportation Act (P.L. 114–94).

[4] These actions were taken prior to the enactment of the Fixing America's Surface Transportation Act (P.L. 114–94).

[1] *http://team.cfpb.local/wiki/images/f/f3/2015-07-21__CFPB__Supervision__and__Enforcement__Factsheet.pdf,* October 2015.

of having taken action against "one of the largest" in a particular market. Doesn't the Bureau's focus on a company's market share risk that those who actually engage in the most egregious practices go overlooked if they are not large enough to generate a headline?

A.2. As noted above, the Bureau takes a number of factors into consideration in our enforcement work. Since its creation, the Bureau has taken numerous actions against entities and individuals within its jurisdiction that have harmed consumers through illegal actions in the financial marketplace. Our actions have addressed the conduct of some of the largest players in given markets, as well as smaller companies and individuals engaged in violations of the law. Through our enforcement work, we seek to level the playing field and ensure that those institutions operating legally are able to enjoy a market that is fair.

RESPONSE TO WRITTEN QUESTIONS OF SENATOR MENENDEZ FROM RICHARD CORDRAY

Q.1. As we discussed, I'm concerned with reports that mortgage servicers may be taking steps to evade the CFPB's protections against "dual tracking" by unfairly subjecting distressed homeowners to prolonged documentation collection processes. By keeping a homeowner's application from being marked "complete," a servicer may prevent the homeowner from becoming eligible for the protections, which prohibit the servicer from moving forward with a foreclosure while the homeowner is pursuing loss mitigation.

- Do you have concerns that servicers are intentionally obstructing the loss mitigation process to favor foreclosure? And if so, what must be done to correct misaligned incentives and protect consumers?
- Why aren't servicers able to identify, shortly after receiving an application for loss mitigation, any additional required documents and provide a clear list to borrowers? It seems like it should be fairly straightforward. Either the homeowners have provided the necessary paperwork or they haven't. And if not, the servicer should be able to provide a final and comprehensive list of what's missing in a timely fashion.
- What else can be done to streamline the process for loss mitigation?

A.1. The Consumer Financial Protection Bureau (Bureau) shares your concerns about the difficulties that consumers face when submitting an application for loss mitigation assistance. The Bureau continues to receive a high volume of complaints about problems with loss mitigation and dual tracking through consumer complaints and from our engagement with external stakeholders. These complaints help inform our risk-based identification of mortgage servicers for supervisory exams and, in some cases, enforcement investigations.

The Bureau is actively engaged with this issue, and several offices across the agency are involved. Ensuring servicer compliance with the loss mitigation rules that became effective in January of 2014 remains a high priority for the Bureau's Offices of Supervision and Enforcement, while monitoring the effectiveness of those rules and considering clarifications and corrections to improve the consumer experience is a high priority for the Offices of Research, Markets, and Regulations.

During supervisory examinations of mortgage servicers, the Bureau has prioritized the evaluation of servicer loss mitigation operations. When the Bureau identifies violations, we require corrective actions and, in some cases, consumer redress. While the results of individual exams are confidential, the Bureau routinely publishes highlights of exam findings that describe findings and outcomes in our *Supervisory Highlights* reports.

In the Summer 2015 edition of *Supervisory Highlights,*[1] the Office of Supervision described instances where at least one servicer sent borrowers loss mitigation acknowledgment notices requesting documents, sometimes dozens in number, that were inapplicable to the borrowers' circumstances and which the servicer did not actually need to evaluate the borrower for loss mitigation. Additionally, examiners found that at least one servicer requested documents already submitted by the borrower. Those servicers were cited for violating Regulation X and ordered to revise their acknowledgment notices to State the specific additional documents actually required to complete a loss mitigation application. The Bureau examiners also found that one or more servicers failed to send any loss mitigation acknowledgment notices because of a sustained processing platform failure. This finding was cited both as a violation of Regulation X and also as an unfair practice. The Bureau directed one or more servicers to fix the servicing platform problems and to compensate consumers for interest and fees incurred and for any additional harm.

Other editions of *Supervisory Highlights,* available on the Bureau's Web site,[2] detail additional supervisory findings and actions related to mortgage servicing examinations, including compliance with mortgage loss mitigation rules.

In addition to our supervisory activity, in some cases, the Bureau's Office of Enforcement may bring a public enforcement action depending on several factors. In one recent case, a financial institution was ordered to pay $1.5 million in restitution to consumers for, among other violations, failing to honor trial modifications on loans transferred from other servicers and requiring those customers to essentially reapply. The financial institution was also ordered to pay a $100,000 civil money penalty and to implement corrective actions to prevent future violations.

The Bureau's Office of Regulations works closely with the Offices of Supervision and Enforcement as well as external stakeholders to monitor the effectiveness of existing mortgage servicing rules and as necessary, propose changes or clarifications. In November 2014, the Bureau issued a proposed mortgage servicing rule[3] that includes key changes to the loss mitigation application process. Among other things, the proposed changes would:

[1] Available at *http://files.consumerfinance.gov/f/201506_cfpb_supervisory-highlights.pdf.*

[2] Available at *http://www.consumerfinance.gov/guidance/supervision/manual/#suphighlights.*

[3] Available at *https://www.federalregister.gov/articles/2014/12/15/2014-28167/amendments-to-the-2013-mortgage-rules-under-the-real-estate-settlement-procedures-act-regulation-x.*

- Require servicers to comply with the loss mitigation requirements more than once in the life of a loan for borrowers who brought their loans current since the last application;
- Require servicers to promptly provide a written notice once a complete loss mitigation application is received;
- Prohibit servicers from denying loss mitigation assistance solely because they are waiting to receive information that is not within the borrower's control, such as an appraisal or investor approval; and
- Allow servicers to offer a short-term repayment plan without requiring borrowers to submit a11 of the information required for a complete application.

The Bureau is currently reviewing the comments that it received in response to the proposed rule and plans to issue a final rule in 2016. The Bureau will continue to pursue this work with the goal of further minimizing consumer harm and, as you suggest, better aligning servicer incentives.

Q.2. The last time you were before this Committee, you and I discussed several issues regarding student loan co-signers. As the CFPB has reported, more than 90 percent of private student loans today have a co-signer, often a parent or grandparent, who can help the student qualify for the loan or obtain better terms.

The CFPB has described a whole host of problems facing consumers in this area—including a lack of clear information about co-signer obligations; unfair obstacles to obtaining co-signer releases from lenders who offer them; and automatic defaults if a co-signers dies or becomes disabled, even if the student continues to make all payments on the loan.

These practices are inexcusable, and can take advantage of families during times of tragedy and hardship. Students and their families deserve clear rules of the road and lenders who hold up their side of the bargain.

- I believe legislative action is needed—and I thank your staff for the technical assistance they have provided on a bill that I intend to introduce in the near future. In the meantime, what steps can the CFPB take using its existing authorities?
- And are we seeing any voluntary responses from lenders to improve their practices?

A.2. As you note, in June 2015, the Bureau Student Loan Ombudsman published a report identifying a range of problems specific to co-signed private student loans, including potential barriers to obtaining the "co-signer release" benefit advertised by many private student lenders.[4] These issues continue to be of significant concern to the Bureau.

In addition to accepting complaints from individual borrowers with student loans, the Bureau maintains a student loan servicing supervision program, publishes consumer education materials for student loan borrowers, including offerings specific to borrowers

[4] Available at *http://files.consumerfinance.gov/f/201506_cfpb_mid-year-update-on-student-loan-complaints.pdf.*

with co-signed loans, and monitors the market for new and emerging risks.

The Bureau Student Loan Ombudsman's report raised concerns that student lenders and servicers may not be making even the most modest investments to improve their processes to ensure appropriate levels of customer service. The Bureau intends to continue to monitor this marketplace closely using all appropriate tools to ensure that borrowers are treated fairly.

Q.3.a. As the CFPB has reported, we're seeing a growing number of colleges and universities in our country partnering with financial companies to market and provide school-sponsored debit and prepaid accounts to students. These cards are often co-branded with the school's logo, tied to a student's identification card, and used to deliver financial aid balances, all of which have a strong effects of steering a student toward the product.

Students and their parents place their trust in a school to choose cost-effective options. But in reality, many of these agreements are negotiated not with students' best interests in mind, but with the goal of increasing the bank's bottom line and providing kickbacks and deal-sweeteners to revenue-strapped schools.

The Department of Education recently proposed rules to address some of these issues, which I was pleased to see—particularly with respect to predatory and abusive fees and stronger disclosures to students and their families.

- I know the CFPB has also been focused on this area. To what extent is the CFPB coordinating with the Department of Education on the rule proposal and other actions in this area?

A.3.a. The Bureau helps to make consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. The Department of Education is empowered by Congress through the Higher Education Act to protect the integrity of the Federal student aid programs. This authority includes, but is not limited to, ensuring aid dollars are delivered to students to pay for educational expenses with minimal fees.

The Bureau presented to the Department of Education's negotiated rulemaking panel, which was established to create new rules on cash management. The Bureau's presentation addressed initial findings of the Bureau's inquiry into student banking, including potential conflicts of interest that exist when financial institutions partner with schools to market financial products.[5]

Additionally, the Bureau has provided feedback to the extent the Department of Education has sought technical assistance.

Q.3.b. Beyond the Department of Education's proposal, is the CFPB planning any further actions of its own to improve consumer protections for campus financial products?

A.3.b. As part of the Bureau's ongoing inquiry into student banking on campus, in early 2015, the Bureau launched an initiative on Safe Student Banking, requesting feedback from the public on a Safe Student Account Scorecard designed to help colleges better

[5] Available at *http://www2.ed.gov/policy/highered/reg/hearulemaking/2014/pii2-cfpb-presentation.pdf.*

avoid promoting campus financial products with tricks and traps. Due to the influence schools may have on the financial products students choose, the Bureau is working to empower students with the information they need to negotiate safe and affordable products that are in students' best interests.

Q.4. My State of New Jersey holds the unfortunate title of having the highest rate in the Nation of so-called "zombie" foreclosures. As you know, zombie foreclosures occur when banks start a foreclosure action—typically sending the homeowners multiple foreclosure notices—but then, because of the low value of the home, choose to abandon the foreclosure without providing any notice to the homeowner that they are still on the hook for repaying the mortgage debt, taxes, and other expenses.

By this point, the homeowner has usually left the house, hoping to cut their losses. But the property exists in limbo because neither the borrower nor the servicer has clear control. And more importantly, neither has a strong incentive to keep the property in good shape, which hurts both the homeowner and the surrounding community.

- Last year, CFPB officials announced they were looking into this issue of "zombie" foreclosures. What updates can you provide at this time?
- Are there changes that can be made to disclosure or other requirements to give homeowners better awareness of when mortgage servicers abandon a property?

A.4. The Bureau recognizes that concentrations of abandoned properties have a negative impact on communities and consumers, who may be left in legal limbo. "Zombie" foreclosures which occur when a servicer abandons an already initiated foreclosure, can contribute to those concentrations of abandoned properties. Uncertainty about legal title may complicate efforts to enforce compliance with local ordinances that require basic maintenance of the property and may cloud responsibility for payment of sewer, water, and other local taxes and assessments. Consumers, believing a foreclosure inevitable and imminent, may move out of the property, leaving behind an empty house. The resulting concentration of empty homes in economically distressed communities can further tax local government resources and strain neighborhood stability.

As you know, ascertaining the cause of vacancy or abandonment is not simple nor is the solution. According to a 2010 Government Accountability Office (GAO) report, "zombie" foreclosures represent approximately 1 percent of vacant homes. In many cases, vacant or abandoned houses may be owned by local taxing entities or third parties who acquired title as a result of a tax sale or foreclosure of a tax lien. In many cases, these owners may lack sufficient resources to rehabilitate or demolish the structures so that they can be conveyed to occupants or converted to other uses.

State law generally governs the foreclosure process in concert with the rights and remedies specified in the mortgage contract. Neither State nor Federal law generally requires servicers or investors to exercise their right to foreclose and take possession of the property securing a note upon default. In extreme cases, servicers may abandon foreclosures in the belief that doing so minimizes losses to their investors, whose financial interests they have a fiduciary duty to protect. However, the discretion afforded by the mortgage contract, State and Federal law, together with the exercise of the servicer's fiduciary duty to investors, has led to significant loss mitigation work by servicers. This has helped stabilize communities and preserve home ownership, while reducing investor losses.

The Bureau's servicing rules do require mortgage servicers to have policies and procedures in place reasonably designed to provide consumers accurate and timely information about their accounts, including the availability of loss mitigation. In addition, the Bureau has proposed that some further information be provided to consumers when a decision is made to charge off their loan. These basic informational requirements may be helpful to consumers facing foreclosure and could help consumers make informed decisions about whether they should remain in the property or not.

Although the foreclosure process is addressed differently in each State, some States and local governments have created foreclosure laws and court rules, which include: expedited foreclosure procedures for abandoned properties; enhanced property condition code enforcement; or mandatory property registration or preservation requirements. For example, following passage of the Vacant Property Registration Act by the New Jersey legislature in 2011, many municipalities across the State enacted ordinances requiring creditors to register and maintain abandoned properties as a condition of conducting a foreclosure. Dealing with the issue of abandoned properties at a local level in the communities most affected by the problem may allow communities to tailor their response to local conditions.

The Bureau continues to monitor this important issue and to meet with other government agencies, consumer advocates, and industry stakeholders to identify solutions to reduce the number of uncompleted or "zombie" foreclosures.

Q.5. The financial services sector, like much of our economy, continues to experience changes driven by the rise of mobile devices and related technology. This is especially true in the consumer financial services space, including with respect to nontraditional loans. And some in the industry believe that mobile devices may offer a promising opportunity to improve access among underbanked consumers—according to the Federal Reserve, among underbanked consumers, more than a third use mobile banking.

- How does the CFPB's proposed rule on small-dollar lending take into account the technology and systems used by financial service providers who focus on mobile device access?
- Some market participants who focus on mobile access have expressed concerns that requirements under the rule for consumers to provide paper documentation in some circumstances could reduce access or create data security concerns. Does the CFPB agree with these views? What steps is the CFPB taking to account for these considerations in the rule?

A.5. The proposals under consideration for payday, vehicle title, and certain other similar loans would apply to all covered loans, regardless of the channel—including mobile device—through which a consumer obtains the loan. The Bureau's goal is to ensure that consumers are offered the benefits and protections of Federal law regardless of how the consumer applies for, receives, and makes payments on a loan. The Bureau recognizes that evolving technology can provide important gains in efficiency and convenience and will seek to provide appropriate flexibility in our rulemaking to allow lenders and consumers both to take advantage of such developments.

Q.6. As you know, the CFPB recently began the process of proposing new rules for small-dollar consumer credit, such as payday and auto title loans. I support the CFPB's efforts to address abuses in these markets. I appreciate the general principles outlined in the proposal and am hopeful that the final rule will leave consumers better protected.

As you and I have discussed in the past, I believe it is important for the final rule to strike the right balance between strong protections and continued access to credit for underserved consumers. According to the FDIC, nearly 68 million adults are unbanked or underbanked, and 63 percent of these consumers use alternative financial services outside the traditional banking system—including payday and title loans that would be regulated under the new proposal.

Many of these consumers likely also fall in the category of what the CFPB has termed "credit invisibles"—individuals who have no credit record, no credit score, and as a consequence, very restricted access to credit.

With almost half of American households reporting in a recent Federal Reserve survey that they would not have access to as little as $400 to cover emergency expenses, the combination of all three can be devastating: lacking access to the banking system, unable to obtain credit through traditional providers, and lacking the resources to cover emergency expenses.

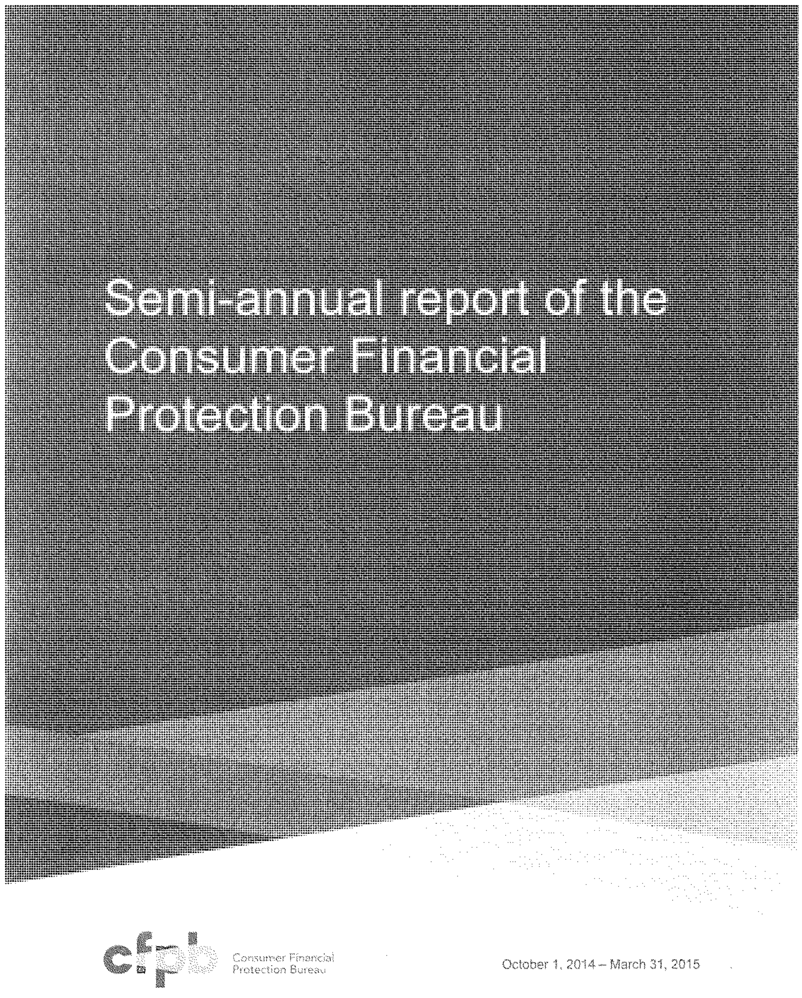
While the CFPB has identified abuses in the small-dollar consumer lending market, its 2014 report on payday lending also found that at least some share of borrowers have two or fewer loans, pay on time, and then borrow no more.

- What steps is the CFPB taking to ensure that its small-dollar lending rule maintains access to credit for one-time borrowers who truly face no other option for emergency financial needs?
- Has the CFPB received feedback as to whether its proposed framework for determining a borrower's ability to repay allows sufficient flexibility for borrowers whose credit is more difficult to evaluate through traditional means? If so, how is the CFPB taking this feedback into account?

A.6. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Bureau is required to consider as part of the rulemaking process the potential reduction in access to consumer financial products or services for consumers. For payday, vehicle title, and certain other similar loans, the Bureau is considering several alternative requirements that would permit lenders to extend certain covered loans without determining whether a consumer has the ability to repay the loan. These proposals are crafted to facilitate ongoing access to such forms of credit while retaining some important protections that prevent consumers from harm associated with a debt trap. The Bureau sought feedback on these proposals under consideration as part of the Small Business Regulatory Enforcement Fairness Act (SBREFA) process and continues to obtain feedback from lenders, consumers, other governments, and other interested parties as we develop a proposed rule.

The Bureau also sought feedback on the ability-to-repay requirements under consideration. During the SBREFA process, the Bureau received robust response from small business. The Bureau is carefully considering comments from the small entities and the findings of the Small Business Review Panel as we develop a proposed rule. Following public release of the proposals under consideration for payday, vehicle title, and certain other similar loans, the Bureau has also sought and received considerable feedback from other industry participants, consumer advocates, other governments, and consumers about the potential ability to repay framework. The Bureau continues to use all of this information to develop a proposed rule that permits lenders flexibility in conducting the ability to repay determination while achieving the stated consumer protection purposes of the rulemaking.

ADDITIONAL MATERIAL SUPPLIED FOR THE RECORD



Semi-annual report of the Consumer Financial Protection Bureau

cfpb Consumer Financial Protection Bureau

October 1, 2014 – March 31, 2015

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 seventh 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 to restore American families' trust in consumer financial markets, protect consumers from improper conduct, and ensure access to fair, competitive, and transparent markets.

In the six months covered by this report, our supervisory actions resulted in financial institutions providing more than $114 million in redress to over 700,000 consumers. During that timeframe we also have helped secure orders through enforcement actions for more than $19 million in relief to consumers who fell victim to various violations of consumer financial protection laws, along with over $32 million in civil money penalties. We brought numerous enforcement actions for various violations of the Dodd-Frank Act, including an illegal marketing-services-kickback scheme that Wells Fargo and JPMorgan Chase participated in which resulted in $11.1 million in redress for wronged consumers and civil money penalties of more than $21 million to the Bureau and $3 million to the State of Maryland. We also worked with the Department of Education to obtain $480 million in debt relief to student loan borrowers wronged by Corinthian Colleges. The Bureau also achieved consumer redress of approximately $2.9 million from M&T Bank, $2.67 million from Continental Finance Company, and $2.5 million from Freedom Stores, in addition to ordering that these companies pay civil money penalties and change their business practices.

The Bureau also issued a number of proposed and final rules. In October 2014, we issued a final rule to promote more effective privacy disclosures from financial institutions to their customers. The new rule allows companies that limit their consumer data-sharing and meet other requirements to post their annual privacy notices online in more circumstances and deliver them individually in fewer circumstances. In November 2014, the Bureau issued a Notice of Proposed Rulemaking proposing strong new federal consumer protections for the prepaid market. This proposal would require prepaid companies to limit consumers' losses when prepaid funds are stolen or cards are lost, investigate and resolve errors, provide easy and free access to account information, and adhere to credit card protections if a credit product is offered in connection with a prepaid account. In December 2014, the Bureau issued a proposal to amend various provisions of its mortgage servicing rules, in both Regulation X and Regulation Z, including further clarification of the applicability of certain provisions when the borrower is in bankruptcy, possible additional enhancements to loss mitigation requirements, proposed applicability of certain provisions to successors in interest, and other topics. In January 2015, the Bureau proposed changes to several of the mortgage rules the Bureau issued in 2013 to facilitate responsible mortgage lending by small creditors, particularly in rural or underserved areas. If finalized as proposed, the proposal would increase the number of financial institutions able to offer certain types of mortgages in rural or underserved areas, and help small creditors adjust their business practices to comply with the new rules.

As a data-driven institution, the Bureau published several reports and other publications during this reporting period, highlighting several important topics in the consumer finance area, including a report on medical debt, a snapshot of complaints received about reverse mortgages, a report on consumers' perspectives on credit scores and credit reports, a study on consumer arbitration agreements, and a "Know Before You Owe" mortgage toolkit.

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, since launching Consumer Response operations on July 21, 2011, through March 31, 2015, the CFPB has handled approximately 582,600 consumer complaints, including complaints on credit reporting, debt collection, money transfers, bank accounts and services, credit cards, mortgages, vehicle loans, payday loans, student loans, and certain other consumer financial products or services, including prepaid cards, debt settlement services, credit repair services, and pawn and title 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, as well as with consumer advocates throughout the country. Our progress has also resulted from the extraordinary work of the Bureau's employees—dedicated public servants who are committed to promoting a healthy consumer financial marketplace. Each day, we work to accomplish the goals of renewing peoples' 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.

To close, I would like to dedicate this edition to Senior Budget Analyst Jeffrey L. Swartz, who passed away this spring well before his time, survived by his wife and four children.

Jeff lived an exemplary life of public service. He served for over 28 years as a budget analyst at the Naval Sea Systems Command, EPA, and the Bureau. He also served in the Army Reserves for over 25 years, including deployments in Saudi Arabia, Bosnia, and Iraq.

Jeff joined the Bureau in 2011; as an early member of the budget team he directly shaped the Bureau's budgeting approach, and helped guide and advise many of us through the ropes of that sometimes difficult process. Since then, he had an integral role in shaping past editions of this report, as well as this current one. Far beyond his particular contributions, Jeff will be remembered by his many friends for his big smile and his upbeat and irrepressible good nature.

I often reflect on the incredible people we have been able to attract to join us in our mission of consumer protection, and I am saddened to have lost such an admirable, well-loved colleague.

In remembrance of Jeff's dedication to public service, we dedicate this edition to his memory.

Sincerely,

Richard Cordray
Director

Table of contents

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:

---

[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 December 2014 and may be viewed at: http://files.consumerfinance.gov/f/201501_cfpb_semi-annual-report-fall-2014.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 or FRB), 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; and
- Conducting financial education programs.[3]

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 the Bureau's understanding of current issues in the ever-changing consumer financial

---

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

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

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. Consumer Response has also continued to develop and update a robust public Consumer Complaint Database. The database updates nightly and is populated by over 370,000 complaints from consumers about financial products and services from all over the country.

On March 19, 2015, the CFPB issued a final policy statement to provide guidance on how the Bureau plans to exercise its discretion to provide consumers who submit their complaints directly to the CFPB the opportunity to share their individual stories with other consumers and the marketplace by including consumer complaint narratives in the Consumer Complaint Database. Only those narratives for which opt-in consumer consent is obtained and to which a robust personal information scrubbing process is applied are eligible for disclosure. The CFPB gives companies the opportunity to respond publicly to the substance of the consumer complaints they receive from the CFPB by selecting from a set list of public-facing response categories. Companies are under no obligation to avail themselves of the opportunity. The Bureau also issued a Notice and Request for Information with the final policy statement to seek input from the public on the potential collection and sharing of consumer compliments and related data and feedback specific to positive interactions with consumer financial companies.

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.

We are working to provide tools and information to develop practical skills and support sound financial decision making directly to consumers. These skills include being able to ask questions and to plan ahead. One way we are doing this is with our online tool, Ask CFPB. This tool provides answers to over 1,000 questions about financial products and services. It answers questions on topics including mortgages, credit cards, and how to dispute errors in a credit report. This resource is found at consumerfinance.gov/askcfpb/. We are also focusing on helping consumers build the skills to plan ahead. For example, our Paying for College set of tools helps students and their families compare what their college costs will be down the road as they decide where to pursue a college education. Our Owning a Home set of tools will help consumers shop for a mortgage loan by helping them understand what mortgages are available to them and easily make mortgage comparisons. The Money Smart for Older Adults curriculum, developed with the FDIC, includes resources to help people prevent elder financial exploitation and prepare financially for unexpected life events.

We are working with a broad range of partners to provide decision-making support in moments when consumers are most receptive to receiving information and developing financial decision-making skills. This support includes integrating financial capability into other programs and services where consumers may be seeking assistance. We are also tailoring our approaches to financial decision-making circumstances, challenges, and opportunities for specific populations, including servicemembers and veterans, students and young adults, older Americans, and lower-income and other economically vulnerable Americans.

When Federal consumer financial protection law is violated, the Bureau's Supervision, Enforcement, and Fair Lending Division is committed to holding the responsible parties accountable. In the six months covered by this report, our supervisory actions resulted in financial institutions providing more than $114 million in redress to over 700,000 consumers. During that timeframe we also have helped secure orders through enforcement actions for more than $19 million in relief to consumers who fell victim to various violations of consumer financial protection laws, along with over $32 million in civil money penalties. We brought numerous enforcement actions for various violations of the Dodd-Frank Act, including an illegal marketing-services-kickback scheme that Wells Fargo and JPMorgan Chase participated in which resulted in $11.1 million in redress for wronged consumers and civil money penalties of more than $21 million to the Bureau and $3 million to the State of Maryland. We also worked with the Department of Education to obtain $480 million in debt relief to student loan borrowers wronged by Corinthian Colleges. The Bureau also achieved consumer redress of $2.9 million from M&T Bank, $2.67 million from Continental Finance Company, and $2.5 million from Freedom Stores, in addition to ordering that these companies pay civil money penalties and change their business practices. The Bureau has also continued to develop and refine its nationwide supervisory program for depository and nondepository financial institutions, through which those institutions are examined for compliance with Federal consumer financial protection law. In the same time period, our supervisory actions have resulted in institutions providing over $114 million in redress to over 700,000 consumers. Initiatives during the reporting period of this report include a review of the existing internal examination report review processes and implementation of recommendations arising out of that review.

Continuing the CFPB's policy of transparency, the Bureau has released two editions of *Supervisory Highlights* during this reporting period. These editions discussed regulatory violations or unfair, deceptive, or abusive acts or practices in the areas of consumer reporting, debt collection, deposits, mortgage servicing and student loan servicing, as well as guidance on Home Mortgage Disclosure Act reporting, updates on larger participant rulemakings, and public enforcement actions. 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 guidance documents, with other regulators where appropriate, to help institutions know what to expect and how to become, or remain, compliant with the law, including bulletins on the treatment of confidential supervisory information[4] and social security disability income verification.[5]

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

[4] http://files.consumerfinance.gov/f/201501_cfpb_compliance-bulletin_treatment-of-confidential-supervisory-information.pdf.

[5] http://files.consumerfinance.gov/f/201411_cfpb_bulletin_disability-income.pdf.

subject to unfair, deceptive, or abusive acts or practices. During this reporting period, the Research and Markets teams released studies or other publications on prepaid account agreements[6], consumer credit reporting relating to medical and non-medical collections[7], college credit card agreements[8], consumer mortgage shopping[9], and arbitration.[10] 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.

During this reporting period, the Bureau has published several proposed or final rules or requests for information under the Dodd-Frank Act, including proposals to amend, or amendments to several of the mortgage rules the Bureau issued in 2013 (2013 Mortgage Rules). The amendments include a rule that provides an alternative small servicer definition for certain nonprofit entities, and a rule which, in certain circumstances, extends the timing requirement for revised disclosures in the 2013 TILA-RESPA rule.

To support the implementation of and industry compliance with its rules, the Bureau has published plain-language compliance guides summarizing the rules, and it has actively engaged in discussions with industry about ways to achieve compliance.[11] 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 continues to explore other areas where regulations may be needed to ensure that markets function properly and possibly harmful

---

[6] http://files.consumerfinance.gov/f/201411_cfpb_study-of-prepaid-account-agreements.pdf.

[7] http://files.consumerfinance.gov/f/201412_cfpb_reports_consumer-credit-medical-and-non-medical-collections.pdf.

[8] http://files.consumerfinance.gov/f/201412_cfpb_college-card-agreement-report-2014.pdf.

[9] http://files.consumerfinance.gov/f/201501_cfpb_consumers-mortgage-shopping-experience.pdf.

[10] http://files.consumerfinance.gov/f/201503_cfpb_arbitration-study-report-to-congress-2015.pdf.

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

or inefficient practices are addressed. For example, in October 2014, the Bureau issued a proposed rule defining larger participants of the automobile financing market and defining certain automobile leasing activity as a financial product or service. In December 2014, the Bureau issued a proposed rule regarding prepaid accounts under Regulations E and Z. 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 31, 2015, the CFPB team consisted of 1,459 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 – diversity, transparency, accountability, fairness, and service to the public. That infrastructure includes:

- 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 and inclusion 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 Civil Rights to continue building a diverse and inclusive workforce that can foster broader and better thinking about how to approach markets.[12]

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.

[12] During this reporting period, the Bureau's Office of Equal Employment and Opportunity transitioned to the Office of Civil Rights, and it and the OMWI office moved under the umbrella of the newly created Office of Equal Opportunity and Fairness, housed in the Director's Office and reporting directly to Director Cordray.

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 continuing effects of the devastating financial crisis of 2008, we find that debt collection is central and cuts across virtually all credit products: credit cards, mortgages, student loans, payday loans, and other consumer loans. Currently, about 30 million consumers – nearly one out of every ten Americans – are subject to debt collection, 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 shared with the CFPB their experiences – positive and negative – with financial products and services. 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.

With respect to credit cards, the first consumer financial product the Bureau accepted complaints about, many of the stories that consumers have shared with us over the past year through "Tell Your Story" indicate that consumers continue to experience issues with attempts to resolve billing disputes, payment issues, and fraud and identity theft related issues as well as related problems with debt collection and credit reporting. Consumers also express frustration with receiving unwanted promotional offers, only to be denied credit. Others report their surprise when companies increase their interest rate, citing a change in the consumer's credit rating.

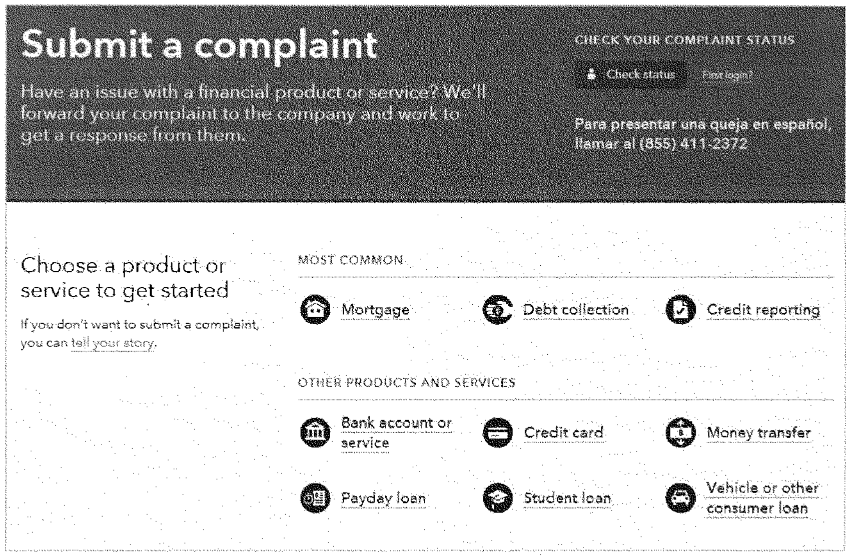
In addition to "Tell Your Story," consumers have opportunities to voice concerns and share their experiences in person at field hearings and public meetings, focused on particular consumer finance issues. During this reporting period, consumers and advocates have participated in large Bureau-sponsored public events in Long Beach, CA; Wilmington, DE; Oklahoma City, OK; Newark, NJ; and Richmond, VA.[13] These events have drawn hundreds of participants, many of whom have shared their personal experiences with libraries, workplace financial education, mortgages, payday lending, mobile financial services, consumer finance complaints, and other consumer financial issues.

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.

---

[13] Between October 1, 2014 and March 31, 2015.

Collecting, investigating, and responding to consumer complaints are integral parts of the CFPB's work, as Congress set forth in the Dodd-Frank Act.[14] 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.

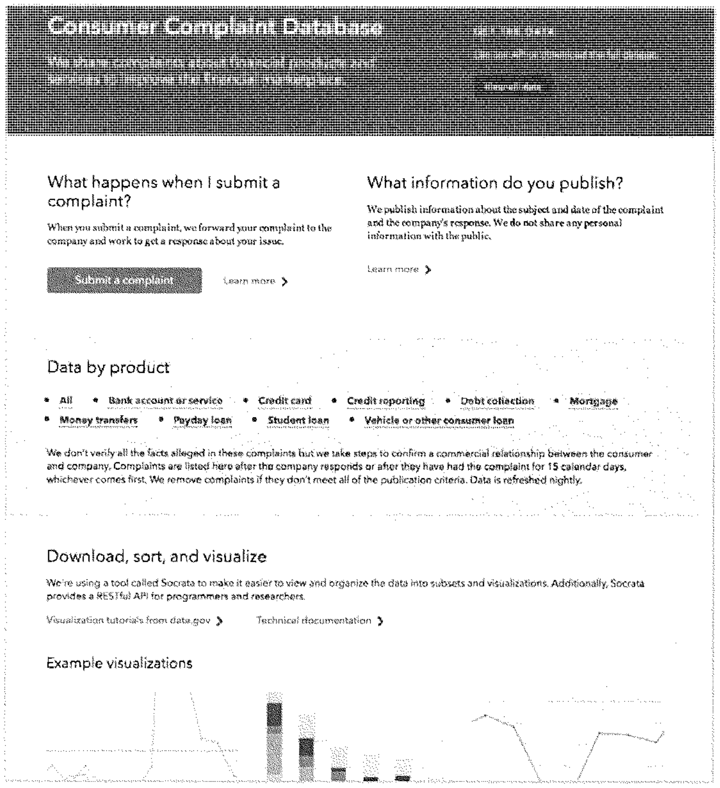


consumerfinance.gov/complaint

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, payday loans, prepaid cards, additional nonbank products (including

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

debt settlement services, credit repair services, and pawn and title loans), and digital currency. The CFPB continues to work toward expanding its complaint-handling capacity and plans to include other products and services. 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.



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;
- November 2013: added debt collection complaints dating back to July 10, 2013;
- July 2014: added payday loan complaints dating back to November 6, 2013;
- January 2015: added prepaid cards, other consumer loans (pawn and title), and other financial services dating back to July 19, 2014.

A complaint is listed in the database when the company responds to the complaint, 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.[15]

The database 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.

On March 19, 2015, the CFPB issued a final policy statement to provide guidance on how the Bureau plans to provide consumers who submit their complaints directly to the CFPB the

---

[15] *See* Disclosure of Certain Credit Card Complaint Data, 77 Fed. Reg. 37,558 (June 22, 2012).

opportunity to share their individual stories with other consumers and the marketplace by including consumer complaint narratives in the Consumer Complaint Database. Consumers will now have the option to check a box and opt-in to sharing their narrative. In order to provide time for companies to learn about this new system, the Bureau will not publish any consented-to narrative for at least 90 days after the policy's publication in the *Federal Register*.

Web-based features of the database facilitate 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 on social media and evaluated using other new applications.

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 processing of the transaction. The CFPB continues to assess how to make the complaint form more intuitive for consumers.

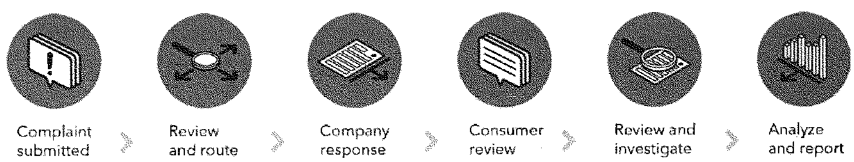
The Bureau continually strives to improve data quality and protect sensitive information, while making data increasingly available through reports to Congress and to the public about the complaints the CFPB receives and by sharing certain data with the public through the Consumer Complaint Database.

2.2 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, 2014 through March 31, 2015.[16]

[16] While the reporting 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

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.[17] 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.[18] 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. 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.



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.

its central database on complaints during the preceding year." Therefore, this section reports on the time period April 1, 2014 through March 31, 2015.

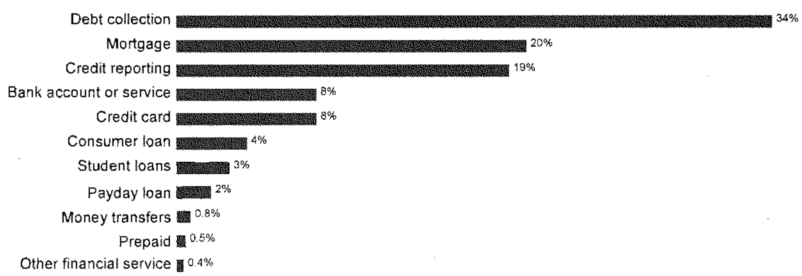
[17] Consumer Response may refer a complaint to the appropriate regulator if, among other reasons, it does not involve a product or market that is within the Bureau's jurisdiction or that is not currently being handled by the Bureau.

[18] 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.

2.2.1 Complaints received by the CFPB

Between April 1, 2014 and March 31, 2015, the CFPB received approximately 250,500 consumer complaints.[19] Approximately 68% of all consumer complaints were submitted through the CFPB's website and 8% via telephone calls. Referrals accounted for 14% of all complaints received, with the remainder submitted by mail, email, and fax.[20]

FIGURE 1: CONSUMER COMPLAINTS BY PRODUCT

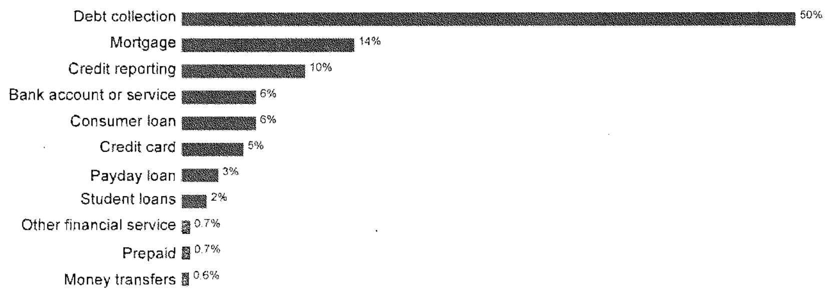


The Dodd-Frank Act created the Office of Servicemember Affairs to address the specific challenges faced by servicemembers, veterans, and their families (collectively "servicemembers"). The Office of Servicemember Affairs monitors complaints from servicemembers in conjunction with Consumer Response. Between April 1, 2014 and March 31, 2015, approximately 17,100 complaints were submitted by servicemembers.

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

[20] This analysis excludes multiple complaints submitted by a given consumer on the same issue and whistleblower tips. All data are current through March 31, 2015. Since launching Consumer Response operations on July 21, 2011 through March 31, 2015, the CFPB received approximately 582,600 consumer complaints.

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.[21]

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

Consumers' debt collection complaints

Figure 3 and Table 1 show the types of debt collection complaints reported by consumers for the approximately 85,300 debt collection complaints the CFPB has received.

FIGURE 3: TYPES OF DEBT COLLECTION COMPLAINTS REPORTED BY CONSUMERS

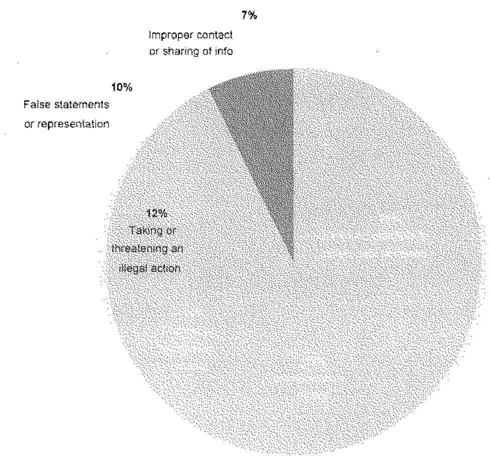


TABLE 1: TYPES OF DEBT COLLECTION COMPLAINTS REPORTED BY CONSUMERS

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)	38%
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)	19%
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)	14%
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)	12%
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)	10%
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)	7%
Total debt collection complaints	**100%**

The most common type of debt collection complaint is about continued attempts to collect a debt that the consumer reports is not owed. In many of these cases, the attempt to collect the debt is not itself the problem; rather, consumers assert that the calculation of the amount of underlying debt is inaccurate or unfair. In other cases, the consumer complains about the furnishing of information to credit reporting agencies. These complaints, which are often consistent with complaints consumers submit to the Bureau about credit reporting, suggest that consumers frequently only learn about debt collection accounts when they check their credit reports.

Complaints about debt collectors' communications tactics (telephone collections especially) are also still very common. In addition to the frequent complaints about collection calls, which consumers say are too frequent or at inconvenient times of the day, there were a significant number of complaints about calls to third parties or calls to the consumer's place of employment.

Consumers also complained about the lack of debt validation received from debt collectors and consumers often ask collectors for additional documentation to support the debt. The amount of documentation provided by some debt collectors in response appears to frustrate many consumers, especially when the documentation is a simple invoice or bill for the services or goods that were the subject of the debt being collected. There are a number of collectors who reportedly respond to any consumer complaints by closing the account and returning it to their client.

Consumers' mortgage complaints

Figure 4 and Table 2 show the types of mortgage complaints reported by consumers for the approximately 48,800 mortgage complaints the CFPB has received.

FIGURE 4: TYPES OF MORTGAGE COMPLAINTS REPORTED BY CONSUMERS

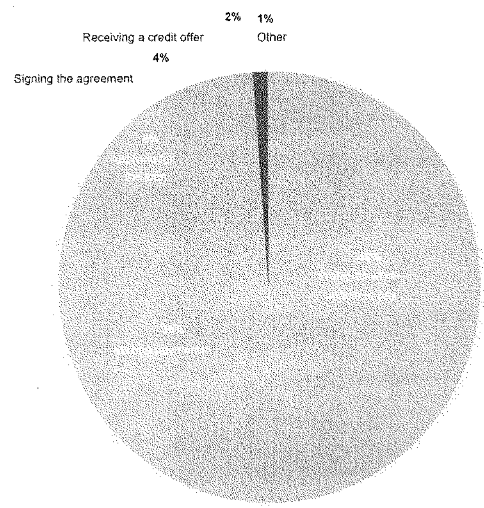


TABLE 2: TYPES OF MORTGAGE COMPLAINTS REPORTED BY CONSUMERS

Types of Mortgage Complaints	%
Problems when you are unable to pay (Loan modification, collection, foreclosure)	48%
Making payments (Loan servicing, payments, escrow accounts)	36%
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	1%
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. In particular, consumers still complain about delays and ambiguity in the review of their modification applications. Some consumers expressed concerns about the documentation requests they receive and argue that they were not provided a reasonable date by which the required documents had to be returned but instead were instructed to return the documents "immediately". Other consumers complained that they were not considered for all available loss mitigation options or that the terms of the approved modification were unfavorable (*e.g.*, required interest only payments). Consumers with successfully completed loan modifications have complained that some servicers do not amend derogatory credit reporting accrued by consumers during trial periods although documents provided to the consumers by servicers indicated that they would do so.

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

Consumer complaints about mortgage originations tend to involve the lengthy application and approval processes and unauthorized credit inquiries. Consumers also complained about delayed loan denials that occurred just before settlement but were based upon information that was disclosed early in the application process (*e.g.*, bankruptcy, lack of employment history, etc.). They expressed frustration that fees were charged even though they believe the loan originator knew that the loan would not be approved. A number of complaints involved the lender's refusal to honor rate-locks, and concerns that the terms of loans with variable interest rates were not clearly disclosed.

Consumers' credit reporting complaints

Figure 5 and Table 3 show the types of credit reporting complaints reported by consumers for the approximately 47,400 credit reporting complaints the CFPB has received.

FIGURE 5: TYPES OF CREDIT REPORTING COMPLAINTS REPORTED BY CONSUMERS

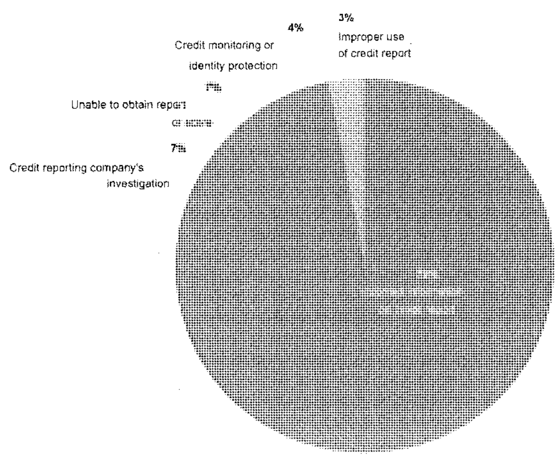


TABLE 3: TYPES OF CREDIT REPORTING COMPLAINTS REPORTED BY CONSUMERS

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)	79%
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)	7%
Unable to get my credit report or credit score (Problem getting free annual report, Problem getting report or credit score)	7%
Credit monitoring or identity protection services (Problem cancelling or closing account, Billing dispute, Receiving unwanted marketing or advertising, Account or product terms and changes, Problem with fraud alerts)	4%
Improper use of my credit report (Report improperly shared by credit reporting company, Received marketing offers after opting out, Report provided to employer without written authorization)	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. Of the approximately 37,400 such complaints submitted by consumers, approximately 24,500 (66%) were about the three nationwide credit reporting companies.

Other common complaints are about issues with credit reporting companies' investigations of information disputed by consumers and difficulties in obtaining a credit report or credit score. 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' bank account and service complaints

Figure 6 and Table 4 show types of bank account and service complaints, such as complaints about checking and savings accounts, reported by consumers for the approximately 20,300 bank account and service complaints received by the CFPB.

FIGURE 6: TYPES OF BANK ACCOUNT AND SERVICE COMPLAINTS REPORTED BY CONSUMERS

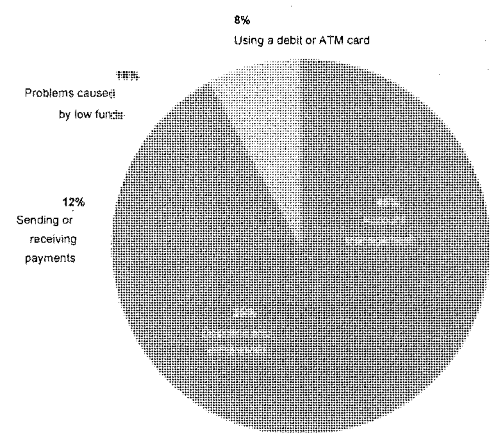


TABLE 4: TYPES OF BANK ACCOUNT AND SERVICE COMPLAINTS REPORTED BY CONSUMERS

Types of Bank Account and Service Complaints	%
Account opening, closing, or management (Confusing marketing, denial, disclosure, fees, closure, interest, statements, joint accounts)	45%
Deposits and withdrawals (Availability of deposits, withdrawal problems and penalties, unauthorized transactions, check cashing, payroll deposit problems, lost or missing funds, transaction holds)	25%
Making or receiving payments, sending money to others (Problems with payments by check, card, phone or online, unauthorized or fraudulent transactions, money/wire transfers)	12%
Problems caused by my funds being low (Overdraft fees, late fees, bounced checks, credit reporting)	10%
Using a debit or ATM card (Disputed transaction, unauthorized card use, ATM or debit card fees, ATM problems)	8%
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. Another 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' credit card complaints

Table 5 shows the most common types of credit card complaints that the CFPB has received as reported by consumers. About 75% of the approximately 18,900 credit card complaints fell into these 10 categories.

TABLE 5: MOST COMMON CREDIT CARD COMPLAINTS REPORTED BY CONSUMERS

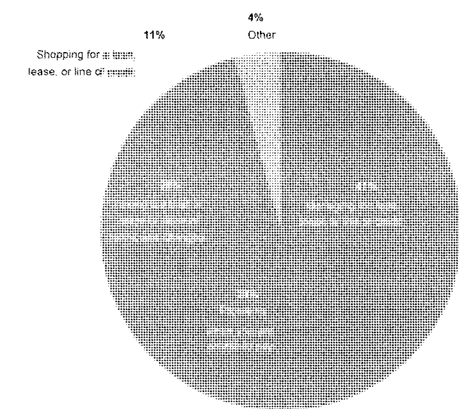
Complaint	%
Billing disputes	17%
Other	13%
Identity theft/Fraud/Embezzlement	11%
Closing/Cancelling account	7%
APR or interest rate	5%
Advertising and marketing	5%
Delinquent account	5%
Customer service/Customer relations	5%
Late fee	4%
Transaction issue	4%
Credit card complaints in top 10 types	**75%**

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 identity theft, fraud, or embezzlement; closing or cancelling an account; and annual percentage rates or interest rates.

Consumers' consumer loan complaints

Figure 7 and Table 6 show the types of consumer loan complaints, such as complaints about installment loans, vehicle loans and leases, personal lines of credit, and pawn and title loans reported by consumers for the approximately 10,800 consumer loan complaints received by the CFPB.[22]

FIGURE 7: TYPES OF CONSUMER LOAN COMPLAINTS REPORTED BY CONSUMERS



[22] The Bureau began handling complaints about pawn and title loans as part of the consumer loan complaint category on July 19, 2014.

TABLE 6: 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)	41%
Problems when you are unable to pay (Debt collection, repossession, set-off from bank account, deficiency, bankruptcy, default) fraud)	24%
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)	20%
Shopping for a loan, lease, or line of credit (Sales tactics or pressure, credit denial, confusing advertising or marketing)	11%
Other (Charged fees or interest I did not expect, identity theft/fraud/embezzlement, billing disputes, credit reporting, other)	4%
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 they are unable to pay (including issues related to debt collection, bankruptcy, and default) and problems when taking out the loan or lease, such as term changes.

Consumers' student loan complaints

Figure 8 and Table 7 show the types of student loan complaints reported by consumers for the approximately 7,100 student loan complaints received by the CFPB.

FIGURE 8: TYPES OF STUDENT LOAN COMPLAINTS REPORTED BY CONSUMERS

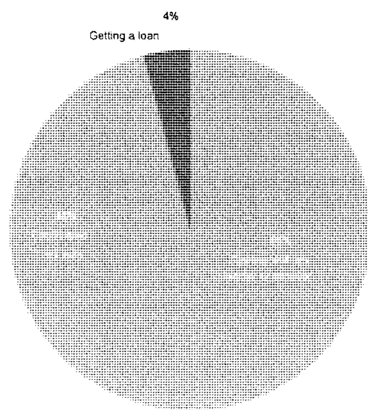


TABLE 7: TYPES OF STUDENT LOAN COMPLAINTS REPORTED BY CONSUMERS

Types of Student Loan Complaints	%
Dealing with my lender or servicer (Making payments, getting information about my loan, managing my account)	55%
Can't repay my loan (Deferment, forbearance, default, bankruptcy, payment plan, refinancing)	40%
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 addresses problems consumers confront when they are dealing with lenders or servicers. Consumers also report problems when they are unable to pay, such as issues related to default, student debt collection, and bankruptcy.

Consumers report that they continue to struggle with the limited affordable payment options permitted in their loan agreements. Specifically, some 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. Some consumers also express confusion about the difference between their private loans and public loans, specifically when it comes to forbearance and deferment options.

Consumers' payday loan complaints

Figures 9-10 and Table 8 show the types of payday loan complaints reported by consumers for the approximately 5,800 payday loan complaints the CFPB has received.

FIGURE 9: TYPES OF PAYDAY LOAN COMPLAINTS REPORTED BY CONSUMERS

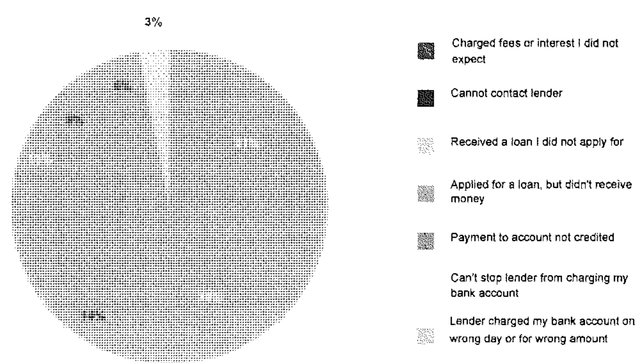


FIGURE 10: TYPES OF PAYDAY LOANS CONSUMERS COMPLAIN ABOUT

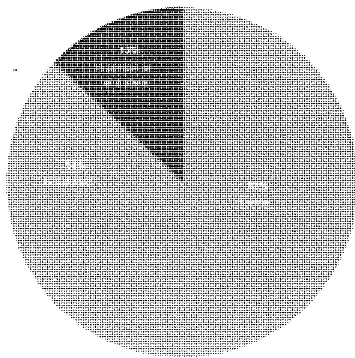


TABLE 8: TYPES OF PAYDAY LOAN COMPLAINTS REPORTED BY CONSUMERS, BY TYPE OF LOAN

Type of Payday Complaint	In person / at a store	Online	Not Stated	Total
Charged fees or interest I did not expect	36%	35%	19%	31%
Cannot contact lender	27%	22%	33%	25%
Received a loan I did not apply for	6%	10%	26%	14%
Applied for a loan, but didn't receive money	7%	15%	12%	13%
Payment to account not credited	10%	8%	6%	8%
Can't stop lender from charging my bank account	9%	6%	3%	6%
Lender charged my bank account on wrong day or for wrong amount	5%	3%	1%	3%
Total	**100%**	**100%**	**100%**	**100%**

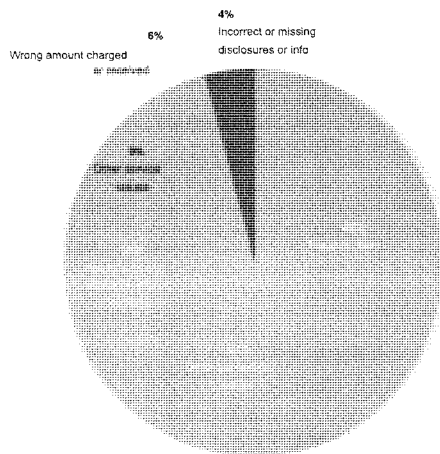
Of the 5,800 payday loan complaints submitted by consumers, approximately 63% were about problems consumers experienced after obtaining a payday loan online. Approximately 13% reported problems when obtaining a payday loan in person or at a store. For the remaining approximately 24% of complaints, the consumer did not indicate how the loan was obtained.

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. Consumers also complain about problems with contacting the lender. Other common types of consumer complaints involve receiving loans for which they did not apply and issues with applying for the loan, but not receiving the money.

Consumers' money transfer complaints

Figure 11 and Table 9 show the types of money transfer complaints reported by consumers for the approximately 1,900 money transfer complaints the CFPB has received.[23]

FIGURE 11: TYPES OF MONEY TRANSFER COMPLAINTS REPORTED BY CONSUMERS



[23] The Bureau began handling complaints about virtual currency as part of the money transfer complaint category on August 11, 2014.

TABLE 9: TYPES OF MONEY TRANSFER COMPLAINTS REPORTED BY CONSUMERS

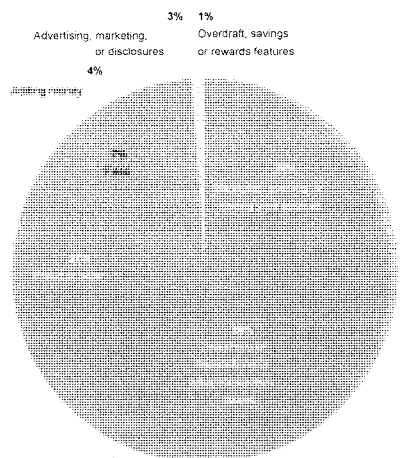
Types of Money Transfer Complaints	%
Fraud or scam	40%
Other transaction issues (Unauthorized transaction, cancellation, refund, etc.)	23%
Money was not available when promised	18%
Other service issues (Advertising or marketing, pricing, privacy, etc.)	9%
Wrong amount charged or received (Transfer amounts, fees, exchange rates, taxes, etc.)	6%
Incorrect/missing disclosures or info	4%
Total money transfer complaints	**100%**

This table illustrates that the most common type of money transfer complaint was 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 suggest that 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 the refusal to cancel transactions or honor refunds when the consumer believes the company should provide them.

Consumers' prepaid card complaints

Figure 12 and Table 10 show the types of prepaid card complaints reported by consumers for the approximately 1,400 prepaid card complaints the CFPB has received.[24]

FIGURE 12: TYPES OF PREPAID CARD COMPLAINTS REPORTED BY CONSUMERS



[24] CFPB began accepting complaints about prepaid cards on July 19, 2014.

TABLE 10: TYPES OF PREPAID CARD COMPLAINTS REPORTED BY CONSUMERS

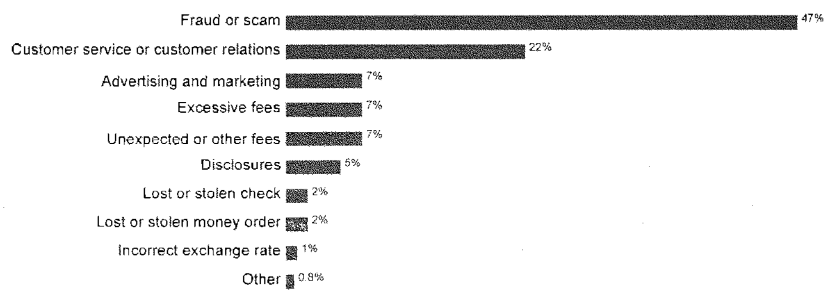
Types of Prepaid Card Complaints	%
Unauthorized transactions or other transaction issues	29%
Managing, opening, or closing your account	29%
Fraud or scam	27%
Fees	7%
Adding money	4%
Advertising, marketing, or disclosures	3%
Overdraft, savings or rewards features	1%
Total prepaid card complaints	**100%**

The most common types of prepaid card complaints involved unauthorized transactions or other transaction issues and managing, opening, or closing a prepaid card account. Consumers also commonly complain about frauds and scams in relation to prepaid cards. Some consumers are frustrated that they are charged an inquiry fee when they call to obtain the balance on the card. Many consumers appear to be confused about the application of various fees related to the maintenance of the account, including fees that are assessed when funds are deposited on the card or withdrawn from the card. Consumers also complained that they did not know that prepaid cards expire and that they have experienced differences in error resolution procedures among issuers. The remaining complaints involved issues with adding money to a reloadable prepaid card, dealing with misleading advertising or marketing, or not being properly compensated on rewards.

Other financial services complaints

Figure 13 and Table 11 show the types of other financial services complaints reported by consumers for the approximately 1,000 other financial services complaints the CFPB has received.[25]

FIGURE 13: TYPES OF OTHER FINANCIAL SERVICES COMPLAINTS REPORTED BY CONSUMERS



[25] CFPB began accepting complaints about check cashing, credit repair, debt settlement, foreign currency exchange, money orders, refund anticipation checks, and travelers' and cashiers' checks on July 19, 2014.

TABLE 11: TYPES OF OTHER FINANCIAL SERVICES COMPLAINTS REPORTED BY CONSUMERS

Types of Other Financial Services Complaints	%
Fraud or scam	47%
Customer service or customer relations	22%
Advertising and marketing	7%
Excessive fees	7%
Unexpected or other fees	7%
Disclosures	5%
Lost or stolen check	2%
Lost or stolen money order	2%
Incorrect exchange rate	1%
Other	.08%
Total other financial services complaints	**100%**

Of the 1,000 other financial services complaints submitted by consumers, approximately 47% dealt with fraud or scams. Approximately 22% of complaints were about customer service issues, while approximately 7% of complaints dealt with excessive fees or unexpected fees and advertising and marketing. The remaining complaints for other financial services involved issues with disclosures and lost or stolen checks or money orders, and incorrect exchange rates.

How companies respond to consumer complaints

Approximately 157,400 (or 63%) of all complaints received between April 1, 2014 and March 31, 2015 were sent by Consumer Response to companies for review and response.[26] Table 12 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, any follow-up actions or planned follow-up actions, and a categorization of the response. Response category options include "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 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.

Companies have responded to approximately 95% of complaints[27] sent to them and report having closed 92% of the complaints sent to them. Table 12 shows how companies have responded to consumer complaints, and Table 13 shows untimely company responses as a percentage of complaints sent to companies for response.

---

[26] The remaining complaints have been referred to other regulatory agencies (25%), found to be incomplete (10%), or are pending with the consumer or the CFPB (1% and 1%, respectively).

[27] Companies have responded to approximately 150,000 of the 157,400 sent to them for response.

TABLE 12: HOW COMPANIES HAVE RESPONDED TO CONSUMER COMPLAINTS[28]

	Closed with monetary relief	Closed with non-monetary relief	Closed with explanation	Closed (without relief or explanation)	Administ-rative response	Company reviewing	Company did not provide a timely response
Debt collection	1%	16%	66%	4%	1%	2%	9%
Mortgage	2%	4%	82%	2%	4%	3%	3%
Credit reporting	1%	29%	65%	<1%	1%	3%	<1%
Bank account or service	20%	5%	68%	2%	1%	2%	1%
Credit card	21%	10%	62%	<1%	2%	1%	3%
Consumer loan	7%	7%	77%	1%	1%	2%	4%
Student loans	5%	7%	80%	<1%	1%	2%	4%
Money transfers	12%	3%	78%	1%	2%	3%	2%
Payday loan	4%	4%	68%	3%	7%	2%	12%
Other financial services	9%	4%	73%	1%	3%	4%	7%
Prepaid	27%	6%	59%	1%	1%	3%	4%
All	6%	13%	71%	2%	2%	2%	4%

[28] 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."

TABLE 13: UNTIMELY COMPANY RESPONSES AS A PERCENTAGE OF COMPLAINTS SENT TO COMPANY

	Closed with monetary relief	Closed with non-monetary relief	Closed with explanation	Closed (without relief or explanation)	Administ-rative response	Company reviewing	No response
Debt collection	1%	9%	58%	6%	2%	3%	21%
Mortgage	1%	1%	71%	4%	11%	2%	8%
Credit reporting	1%	14%	70%	<1%	6%	1%	7%
Bank account or service	9%	2%	67%	4%	11%	1%	6%
Credit card	23%	6%	64%	1%	1%	2%	3%
Consumer loan	7%	4%	67%	2%	4%	2%	13%
Student loans	1%	2%	85%	2%	2%	3%	5%
Money transfers	26%	<1%	61%	<1%	9%	<1%	4%
Payday loan	3%	3%	43%	6%	11%	3%	33%
Other financial services	13%	<1%	75%	<1%	0%	3%	9%
Prepaid	17%	0%	83%	0%	<1%	<1%	8%
All	**43%**	**7%**	**62%**	**5%**	**5%**	**3%**	**16%**

After Consumer Response forwards complaints to companies, the company has 15 days to respond and 60 days to provide a final response, where applicable. Company responses provided outside of these windows are deemed untimely. As shown in Table 12, consumers did not receive a timely response in 4% of cases. Where companies eventually responded to the consumer, most often they provided a response of Closed with explanation. However, Table 13 shows that 16% of complaints with untimely company responses never received a response. Payday loan complaints were the most likely to receive no response, with 33% of complaints with an untimely company response never receiving a response.

Companies sometimes report an amount of monetary relief, where applicable. Through March 31, 2015, companies provided relief amounts in response to more than 8,800 complaints. For companies which have reported monetary relief, the median amount of relief reported was $144; however, the amount varies by product.

TABLE 14: MONETARY RELIEF REPORTED BY COMPANIES

Product	Number of complaints	Median amount
Debt collection	540	$357
Mortgage	960	$500
Credit reporting	200	$23
Bank account or service	2,970	$105
Credit card	3,040	$118
Consumer loan	420	$279
Student loans	250	$200
Payday loan	70	$315
Money transfers	150	$94
Prepaid	160	$200
Other financial services	20	$699
Overall	**8,800**	**$144**

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:

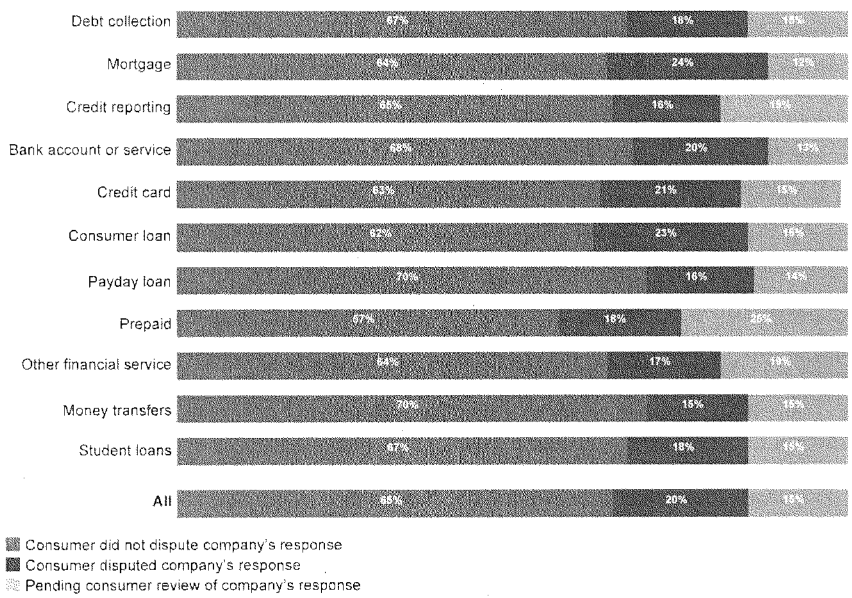
- providing mortgage foreclosure alternatives that did not include direct monetary payments to the consumer, but that help them to keep their home;
- stopping harassment from debt collectors;
- cleaning up consumers' credit reports by correcting submissions to credit bureaus; restoring or removing a credit line;
- correcting account information, including in credit reports; and
- addressing formerly unmet customer service issues.

Consumers' feedback about 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. Figure 14 shows how consumers responded to the approximately 143,900 complaints where they were given the option to provide feedback.

Approximately 65% 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.

FIGURE 14: CONSUMER FEEDBACK ABOUT COMPANY RESPONSES



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 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.

2.3 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 consumer 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.

Over the past six months, the Bureau has analyzed different areas that may pose challenges to consumers when shopping for or obtaining consumer financial products or services. The following describes our findings from a Bureau white paper focusing on consumers' mortgage shopping experience.

2.3.1 Mortgage shopping

The CFPB studied the stages of getting a mortgage, particularly the extent to which consumers shopped for mortgages, their knowledge of the mortgage process when they began, and the sources of information they relied on.

In that study, we restricted our analysis to respondents who took out mortgages to purchase a home, as opposed to those who were refinancing an existing mortgage who are likely to have different shopping goals and challenges. We paid particular attention to first-time homebuyers and other mortgage borrowers who may have been less knowledgeable about the mortgage process before taking out their mortgage.

Key Findings

- Almost half of consumers who take out a mortgage for home purchase fail to shop prior to application; that is, they seriously consider only a single lender or mortgage broker before choosing where to apply. The tendency to shop is somewhat higher among first-time homebuyers.

- The primary source of information relied on by mortgage borrowers is their lender or broker, followed by a real estate agent. Fewer consumers obtain information from outside sources, such as websites, financial and housing counselors, or personal acquaintances (such as friends, relatives, or coworkers).

- Most consumers report being "very familiar" with the types of mortgages, available interest rates, and the process of taking out a mortgage. Those who are unfamiliar with the mortgage process are less likely to shop and more likely to rely on real estate agents or personal acquaintances.

- A sizeable share of borrowers report that factors not directly related to mortgage cost, including the lender or broker's reputation and geographic proximity, are very important in their decision making. Borrowers who express such preferences are much less likely to shop.

How much do consumers shop?

The interest rates available for mortgages often vary across lenders, even for the same consumer and for loans with otherwise identical product features. As a result, consumers may save substantial sums if they consider the product offerings of multiple lenders or brokers.

In considering the available options, consumers can shop for a mortgage either before applying for a loan or afterwards (or both). We discuss what the responses indicate about the amount of comparison shopping consumers engaged in before and after their first application.

For pre-application mortgage shopping, almost half of consumers who took out a home purchase mortgage reported that they seriously considered only a single lender or mortgage broker before applying for a loan. First-time homeowners were only slightly more likely to shop, despite their relative inexperience.

For most borrowers, the mortgage shopping process stops after their first application. About 77% of borrowers applied to only one lender. Almost one in five of the borrowers who applied to multiple lenders (comprising about five percent of all home purchase borrowers) reported doing so because they had been turned down on an earlier application. Additionally, about 35% of borrowers who applied to multiple lenders report being motivated by concerns over whether they would qualify for the loan, suggesting that they may have applied to multiple lenders simultaneously. Most borrowers, however, (about 80%) applied to multiple lenders out of a desire to find better loan terms. To some extent, the responses to these questions may understate the amount of shopping activity mortgage borrowers engage in. For example, borrowers may have been able to compare the terms of multiple lenders or brokers without "seriously considering" them as options. Nevertheless, we believe that these results indicate that a significant minority of consumers may not be shopping enough to ensure they are receiving the mortgage that best fits their circumstances.

How familiar are consumers with the mortgage process?

One factor that may affect whether consumers shop for loans is the amount of knowledge they have or believe they have about mortgage loan features and about the process of taking out a mortgage. The relationship between knowledge and shopping behavior is not necessarily clear.

On the one hand, less knowledgeable consumers may shop more in an effort to better educate themselves about the range of options available and to ensure that the offers they receive are competitive. On the other hand, less knowledgeable consumers may have more difficulty acquiring or understanding the information available (for example, they may not know the right questions to ask or may find it difficult to evaluate tradeoffs between a lower interest rate for higher upfront fees or costs) and therefore engage in less effort to collect it.

The National Survey of Mortgage Borrowers (NSMB) asked recent mortgage borrowers to recall the beginning of their mortgage experience and evaluate how familiar they were at the time with various aspects of the mortgage process, including the types of mortgages available, the prevailing interest rates, their own credit history, the money needed at closing, and the income and down payment requirements. In each case, consumers were asked to report whether they had been very, somewhat, or not at all familiar with that aspect of the process.

Most consumers (51%) said they were "very familiar" with the mortgage process from the beginning, while only 14% reported being "not at all familiar" with the process. While the level of familiarity differed somewhat across the parts of the process that borrowers were asked about, similar patterns were observed with about half of consumers or more being very familiar with that part of the mortgage process and 10% or fewer being completely unfamiliar.

Consumers reported being most familiar with their own credit score and credit history, which may not be surprising given that this is information about themselves and not market offerings. They were least familiar with the money needed for closing, with only 49% reporting being very familiar and 14% reporting being completely unfamiliar.

As expected, first-time homebuyers report being less familiar with the mortgage process. One in four first-time homebuyers report being completely unfamiliar with the mortgage process from the start and only about a third of these consumers say they were very familiar with the process. The lack of familiarity of first-time homebuyers (relative to experienced homebuyers) was observed across the different parts of the mortgage process. These are all very important aspects of the mortgage process, and a lack of familiarity could hinder a first-time homeowner's ability to make optimal choices

What information sources do consumers use?

Respondents were asked to report whether they used each source "a lot," "a little," or "not at all."

The source of information that was most commonly used by mortgage borrowers is the borrower's lender or mortgage broker: 70% of borrowers for home purchase report using that source "a lot." Real estate agents, who help consumers find a house, are also frequently relied upon for information about mortgages, though only 33% of consumers say they used this source a lot.

Less frequently used were personal acquaintances (i.e., friends, relatives, or coworkers), bankers, or financial planners. First-time homebuyers are more likely to rely on personal acquaintances and slightly more likely to rely on websites. In other respects, the use of information sources by first-time homebuyers was similar to that of all mortgage borrowers.

Our earlier results suggest that consumers who are less familiar with the mortgage process are less likely to shop. For these consumers, gathering information about the mortgage process is likely to be particularly important and understanding the sources of information they use may be useful in helping these consumers become more knowledgeable shoppers.

The results suggest that borrowers used the different sources of information with similar intensities regardless of whether they were informed about the mortgage process, with two notable exceptions. Uninformed consumers tended to rely on personal acquaintances and real estate agents much more than consumers who were very familiar with the process. For instance, while only 11% of informed consumers relied on personal acquaintances, this share rises to 36% among uninformed ones. A potential explanation is that friends and real estate agents may be better able to convey information in a way that is more accessible to these borrowers.

What do consumers look for in a lender or broker?

For some mortgage borrowers, characteristics besides interest rates or other mortgage terms may play an important role in their choice of lender or broker. Three characteristics were very important for a sizeable minority of consumers. Among these is having an established banking relationship with the lender, which was considered to be very important by 42% of mortgage borrowers. Since most potential borrowers likely maintain few banking relationships, such a preference could inhibit the number of potential alternative lenders that a borrower considers. A local office nearby is very important for 40% of borrowers. Reputation of the lender is very important for 41% of borrowers.

To better understand how such preferences may affect the extent of shopping, we calculate shopping intensity (again measured as the percentage of consumers who seriously considered multiple lenders before applying and whom we refer to as "shoppers") among consumers who indicated that each characteristic was "very important."

The results suggest that having a preference for one or more of these characteristics reduces the willingness to shop. Those consumers who indicated that none of the characteristics was very important to them were the most likely to shop (70%). In contrast, consumers were the least likely to shop if they considered it very important for the lender or broker to be a personal friend or relative. Consumers were also relatively less likely to shop if they felt it was very important that the lender be a community bank or credit union, a lender or broker used previously to get a mortgage, or someone with whom they have an established banking relationship. There are several potential explanations for why such preferences may inhibit shopping. Consumers may believe that such lenders provide the best deal for the consumers, feel loyalty to a bank or lender they have used in the past, or value the convenience of a local institution. Regardless of the reason, the effect of such non-monetary preferences is significant: Consumers who did not have a strong attachment to any of the listed characteristics were 40% more likely to shop than those who did.

Conclusion

Buying a home is one of the most important financial decisions a consumer can make and selecting the mortgage that best meets the consumer's needs is an important part of that decision. As the recent crisis illustrated, mortgage features and pricing can have enormous impact on consumers' homeownership experiences. While many risky features are no longer permitted or available in the marketplace, mortgages still have different terms and features and consumers must be careful to select one that fits their needs and budget. For borrowers who know exactly what features of a mortgage they need, it may be possible to achieve substantial savings by shopping for a lower interest rate.

Our preliminary analysis of responses to the NSMB reveals that consumers do not shop extensively for mortgages when purchasing a home. Instead, almost half of consumers who borrow to finance a home purchase only seriously consider a single lender or broker before choosing where to apply. While few consumers apply to more than one lender or broker, those who do are primarily motivated by a desire to get better loan terms suggesting that, at least for these consumers, shopping occurs throughout the mortgage process. The primary source of information used by mortgage borrowers is their lender or broker, followed by their real estate agent. A smaller fraction of consumers obtains information from other sources that do not have a direct financial stake in the home purchase transaction and that may provide more unbiased information, such as websites, financial or housing counselors, or friends and relatives. While most mortgage borrowers report that they were very familiar with the mortgage process from the start, consumers with less familiarity appear to rely more heavily on real estate agents and personal acquaintances.

While these results provide interesting information about the shopping behavior of mortgage borrowers, they are preliminary and more work remains to be done. In particular, the current analysis has not attempted to evaluate the extent to which more shopping improves mortgage outcomes, such as better loan terms (e.g., lower interest rates, fewer points and fees) and fewer delinquencies and foreclosures.

3. Delivering for American consumers and leveling the playing field

The CFPB exercises 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.[29] 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 from 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, enhanced its communication with companies, and ensured the system's ease-of-use and effectiveness for consumers. The CFPB has also invested significant effort into researching and understanding how to make the complaint form more intuitive to more accurately capture consumers' issues.

3.1.2 Consumer education and engagement

The CFPB's Consumer Education and Engagement Division (CEE) develops and implements 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.

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

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 share our tools and resources, and (3) managing a research and effective practices portfolio to enhance existing approaches to financial education.

OFE has also continued its work on tax-time savings. For the fourth year, OFE, in consultation with the Internal Revenue Service, is working to encourage Earned Income Tax Credit (EITC) eligible recipients to save some portion of their EITC refunds as a seed to grow savings. The initiative uses the free tax preparation services offered to low- and moderate-income taxpayers through Volunteer Income Tax Assistance (VITA) sites to reach EITC-eligible individuals and families. In 2013, OFE and the Office of Financial Empowerment partnered with three VITA sites to pilot the CFPB's *Ready? Set, Save!* initiative. This initiative was aimed at encouraging EITC-eligible taxpayers to pre-commit to saving a portion of their refund at the time their taxes are being prepared and they first learn the amount of their EITC credit and expected tax refund. Listening sessions with VITA site coordinators and tax preparers from the 2013 pilot revealed common barriers they encountered to discussing savings with clients, which informed the development of 2014 program materials. In 2014 the Offices piloted an expanded *Ready? Set, Save!* campaign in 13 communities around the country, which included approximately 100 VITA sites. The Bureau provided training and materials to approximately 2,000 volunteer tax return preparers who served approximately 75,000 low- and moderate-income taxpayers. Each VITA site received worksheets, checklists, and posters to encourage taxpayers to consider savings. The training was designed to better equip volunteers to have a conversation about saving with taxpayers at the time they learn the amount of their refund and to inform them about various savings options available, including direct deposit into an account and/or purchasing a Series I savings bond. The Offices have continued their efforts in the 2015 tax season.

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. Research indicates that libraries are highly trusted as a source of information, and serve consumers effectively in times of economic stress. These factors, along with library presence in local communities across the country, make them natural partners for financial education.

The project was publicly announced in April 2014, launched in July 2014, and continues to the present. In order to develop the project, the Bureau identified a diverse group of nine partner libraries that could help us learn about library capabilities and constraints, as well as the types of programs that would be attractive and realistic for libraries to implement. With input from government agencies, foundations, and trade associations that work with libraries, we identified initial partner libraries based on a combination of factors. These factors included the diversity of the areas and patrons they serve, the library's experience in working with others in their communities, and a consideration of the interest expressed in participating. 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. The initial partner libraries were the 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.

The Bureau is also partnering with federal agencies and national organizations that have relationships with libraries and local communities, such as the American Library Association, the FINRA Investor Education Foundation, the U.S. Department of Agriculture National Institute of Food and Agriculture, the Institute of Museum and Library Services, the Federal Reserve Bank of Chicago, and the FDIC. We continue to work with libraries individually and on a state-by-state basis to help them develop local partnerships and build on existing programs, resources, and infrastructure to reach consumers in their neighborhoods. Resources for libraries are available at consumerfinance.gov/library-resources/.

Since commencement of the project in July, libraries in more than 400 communities have asked to participate in the project in various ways, such as by receiving free financial education and program materials (we have distributed more than 400,000 publications to libraries across the country). Libraries participate in training opportunities, share best practices, work with financial education partners, and learn how they can enhance financial education in their communities. Participating libraries include public, college and university, law, and K-12 school libraries, as well as libraries on military bases and Native American tribal lands. These libraries have an overall network of 1,912 branches.

Beyond these specific initiatives, OFE has continued to produce and develop a range of educational materials for consumer reference.

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 larger 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. Engaging consumers directly on consumer financial education topics always has been, and remains, a priority for OFE, and it continues to manage a LinkedIn online discussion group for financial education practitioners, which shares information on trends, news, and practices in financial education.

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. In recent years it has focused its efforts on improving the financial capability of young people. 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 to start thinking about financial success as early as possible.

In addition, the Director serves as a member of the President's Advisory Council on Financial Capability for Young Americans. The Council's role is to advise the President and the Secretary of the Treasury on how to promote financial capability among young Americans and encourage building the financial capability of young Americans at an early stage in schools, families, communities and at the workplace. In addition, the Council works to build public-private partnerships between the Commission; other agencies; state, tribal, and local governments; and private entities.

Employers, including the federal government, can play an important role in helping people avoid financial distress and in promoting long-term financial well-being. Employers can do this by implementing practices in the workplace that strengthen financial capability, including making it easier for employees to adopt positive saving and investing habits. The Bureau is developing information for employers about workplace financial education, which we will share with other federal agencies, as well as with state and local governments and private sector employers. This information includes a report on Financial Wellness at Work. The Bureau also launched a targeted workplace initiative focused on empowering public service organizations to help their employees tackle their student debt. As part of this initiative, the Bureau developed a toolkit, Employer's Guide to Assisting Employees with Student Loan Repayment. Public service organizations can use the toolkit to help employees learn about their options and work toward qualifying for federal loan repayment benefits available for student debt, including Public Service Loan Forgiveness. The Bureau is asking public service employers to take a pledge to help their employees in this effort. You can find the pledge at consumerfinance.gov/pledge/.

OFE also continues to advance its research and effective practices 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 was launched in FY 2013. In the past year, the Bureau completed the first phase by developing a consumer-driven definition of financial well-being for working-age and older Americans and developing hypotheses regarding the drivers of financial well-being. A report detailing these findings was published in January 2015. 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.

This project should allow the CFPB, other government agencies, and those involved in financial education to further identify approaches to improving consumer financial well-being. In addition, by creating and vetting measures for consumer financial knowledge, behavior, and well-being, the project will create a stronger quantitative 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 and criteria that make the biggest contributions to improving consumer outcomes.

3.1.4 Consumer engagement

The Consumer Engagement Office (CE) develops digital resources, information, and tools to help consumers make better-informed financial decisions. CE works to create an interactive, informative relationship between the CFPB and consumers, and collaborates with offices and divisions across the Bureau on ways to effectively engage the public. CE approaches this mission with user-centered and data-driven approaches to public engagement.

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.

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.[30] Since launching in March 2012, Ask CFPB has provided clear, authoritative financial information to more than 6.5 million unique visitors, and currently receives about 400,000 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 consumerfinance.gov/es, a website that provides Spanish-speaking consumers a central point of access to the Bureau's resources, in Spanish. 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 Bureau amended Regulation E in October 2013, providing new protections to consumers who collectively send billions of dollars in remittance transfers every year. The new rule included disclosure requirements, error resolution, and cancellation rights. In particular, the

---

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

rule specified that the Bureau's phone number and website be listed on the remittance receipts given to consumers. In the summer of 2014, using this receipt requirement as a starting point, CE partnered with teams from Regulations, Consumer Response, Technology & Innovation, and others to provide non-English speakers with a more seamless path to accessing the Bureau's complaint services from multiple channels. In July 2014, Consumer Response added seven language options to the call center's Interactive Voice Response (IVR) system, allowing callers to immediately hear options for and select English, Spanish, Chinese, Vietnamese, Korean, Tagalog, Russian, Arabic, and Haitian Creole. At the same time, T&I and CE launched an updated consumerfinance.gov homepage with language options on the top header, with each option corresponding to a language offered by the improved IVR system. This header gives consumers a pathway from the homepage of our website to detailed information about the Bureau in a preferred language, and an explanation of their rights when sending money abroad.

In coordination with this effort, the Office of Regulations will adopt changes to the remittance rule that will allow providers to include links to these new sections of the website on the receipts they provide in accordance with the rule. Written into the rule will be the list of specific language website addresses, each of which will directly lead consumers to the explanation of their rights when sending money abroad in the aforementioned languages.

Now, when consumers receive their disclosure, call our number, or visit us online, they know from the start that the Bureau's tools and services are available to them, regardless of their English language ability.

3.1.5 Servicemember affairs

The Dodd-Frank Act included the establishment of an Office of Servicemember Affairs (OSA) to "be responsible for developing and implementing initiatives for service members and their families," including initiatives intended to "educate and empower service members and their families to make better informed decisions regarding consumer financial products and services." OSA works to improve consumer financial protection for servicemembers, veterans, and their families in a number of ways. OSA partners with the Department of Defense and the Department of Veterans Affairs to provide opportunities for servicemembers, veterans, and their families to receive financial education relevant to their needs. OSA monitors complaints submitted by servicemembers, veterans, and their families. OSA coordinates consumer protection efforts among federal and state agencies related to consumer financial products and services offered to, or used by, military families.

Listening to Servicemembers

OSA conducted 32 outreach events during this reporting period, delivering consumer financial information to more than 2,300 military and veteran consumers to help them make better-informed financial decisions. OSA also delivered consumer financial education information to more than 205,000 consumers using digital and social media channels.

More specifically, these figures include reaching out to servicemembers where they live and work. OSA visited 14 military installations/National Guard units and participated in 10 town halls and nine roundtable discussions with senior military leaders during this reporting period. At these outreach events, the OSA 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 visiting military units at their bases, OSA provided information at eight *Military Saves* events around the country during the last week of February 2015.

Training for service providers

The Office of Servicemember Affairs' education efforts have included providing subject-matter expertise to the military legal community. For example, in October 2014, OSA provided instruction at The U.S. Air Force Judge Advocate General's School located in Montgomery, Alabama. OSA also coordinates with the Senior Military Liaison in CFPB's Office of Enforcement, who provides training to legal assistance attorneys on various military installations. Our combined efforts help advance OSA's educational reach by leveraging the extensive consumer law mission of the Judge Advocate General's Corps (JAG), and ensuring that JAG legal assistance attorneys have up-to-date information on federal laws and policies affecting servicemembers in the consumer financial marketplace.

OSA also 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 forums is to supply incremental and easily digestible information to those who provide advice on current consumer financial topics to servicemembers and their families.

Content highlights from the video forums are relayed through social media channels to reach those serving the U.S. military across the globe. External social media partnerships with the

Department of Defense and the Military Family Learning Network are used to amplify the message delivered by the video trainings to servicemembers stationed overseas.

In October 2014, OSA's newest video addressing credit reporting and the military joined the library of archived topics available as on-demand video trainings on the Bureau website at consumerfinance.gov/servicemembers/on-demand-forums-and-tools/. Over 800 service providers from military installations around the world have accessed these virtual training tools since their debut. To date, these trainings include: issues in debt collection, solutions for servicemembers with troubled mortgages, issues of importance to the veteran community, and credit reporting.

Monitoring Complaints from the Military Community

OSA released a snapshot of consumer complaints filed by servicemembers, veterans and their family members in November 2014. From July 2011 through December 2014, the CFPB received over 28,000 complaints from servicemembers, veterans and their family members. Complaints have been received from all 50 states and from all branches and ranks of the military. Over half of the overall complaint volume came in 2014 as outreach efforts helped spread the word about the resources available to the military community. Although complaints about mortgages topped the cumulative volume of complaints handles in our first few years, debt collection is now the #1 complaint category for military consumers, making up 29% of all the complaints in 2014 from those who self-identify as military.

3.1.6 Older Americans

The CFPB's Office of Financial Protection for Older Americans (Office for Older Americans), develops initiatives designed to protect consumers, 62 and older, and help them to protect themselves, from unfair, deceptive, or abusive practices. The Office also provides older consumers with information and tools to assist them with current and future financial choices that may affect their long-term savings and later-life economic security. In addition, the Office for Older Americans works with community organizations and other entities that educate and assist older consumers.[31]

Snapshot of debt collection complaints submitted by older consumers and Consumer Advisory

On November 5, 2014, the Office for Older Americans issued a Consumer Advisory and Snapshot of debt collection complaints submitted by older consumers.[32] The Snapshot provided an overview of the debt collection complaints the Bureau received from July 2013 to September 2014. Older consumers, like their younger counterparts, submit more complaints about debt collection than about any other product or service. According to complaints, older consumers experience a range of problems – from the dearth of basic information about the debt being collected, and collection attempts that target the wrong consumer, to collectors' use of coercive, offensive or misleading communications. In addition, the Office for Older Americans issued an advisory with four things older Americans may do if they are having problems with debt collectors, namely, 1.) Get more information if you don't recognize the debt; 2.) Dispute the debt if it's not yours or if the amount is wrong; 3.) Stop harassing and/or offensive calls; and 4.) Know your rights, including that your federal benefits have many protections from garnishment in collection.[33]

Snapshot of reverse mortgage complaints December 2011 – December 2014 and Consumer Advisory

On February 9, 2015, the Office for Older Americans issued a Consumer Advisory and Snapshot of reverse mortgage complaints December 2011 – December 2014.[34] The Snapshot provides an overview of the complaints submitted to the CFPB from consumers who have experienced

---

[31] 12 U.S.C § 5493(g).

[32] http://www.consumerfinance.gov/reports/a-snapshot-of-debt-collection-complaints-submitted-by-older-consumers/.

[33] http://www.consumerfinance.gov/blog/four-things-older-americans-can-do-about-debt-collection-problems/.

[34] http://www.consumerfinance.gov/reports/snapshot-of-reverse-mortgage-complaints-december-2011-2014/.

problems with reverse mortgages. The most common complaint is about difficulty with changing the loan terms, and problems communicating with loan servicers. In addition, many complaints were from non-borrowing spouses facing the loss of their home after the borrowing spouse died. Therefore, the Office for Older Americans issued a Consumer Advisory with three things for reverse mortgage borrowers and/or their family members to do in case the loan was made in the name of only one of two spouses: 1.) Verify who is on the loan; 2.) If the loan is in the name of only one spouse, make a plan for the non-borrowing spouse; and 3.) Talk to your children and heirs to make a plan for any non-borrower family members living in the house.

Elder justice coordinating council

The Bureau serves as a member agency of the Elder Justice Coordinating Council (EJCC). The Council was established by the Elder Justice Act of 2009 to coordinate activities related to elder abuse, neglect, and exploitation across relevant federal, state, local, and private agencies and entities. The Council is chaired by the Secretary of Health and Human Services (HHS). The Bureau is one of 11 member agencies, in addition to HHS, that HHS has identified for membership based on administering programs related to abuse, neglect, or financial exploitation of older Americans. The Bureau, through its Office for Older Americans, is coordinating and building cooperative plans with its Council partners to address mistreatment of elders. Older Americans' staff members serve on the Elder Justice Interagency Working Group that staffs the Council. The Working Group has developed recommendations and proposed action steps for the Council. The Council continues to meet twice a year with active participation of the CFPB.

Older Americans Financial Exploitation Prevention and Protection Networks

The Office for Older Americans is conferring with older American protection networks of state and local governments, elder justice advocates, law enforcement agencies, financial service providers, and other key stakeholders that are working to improve community response to elder financial exploitation. The primary goals of the networks are to increase prevention of, and improve collaboration and response to, elder financial exploitation. The Office for Older Americans has launched a project with the Federal Research Division of the Library of Congress to study the activities undertaken by these networks, their outcomes, and best practices. The study will also inform the creation of a tool kit for communities to use to create a network or to enhance existing ones.

Consumer Guides and Guidance

The Office for Older Americans continued disseminating its guides nationwide, including,

KNOW YOUR FINANCIAL ADVISER

A plain language consumer guide to help consumers assess financial adviser certifications for quality and accountability. The Guide is a follow up to our Report to Congress and the SEC entitled Senior Designations for Financial Advisers: Reducing Consumer Confusion and Risks. The Report, released in April 2012, among other things, describes consumer confusion surrounding the wide variety of so-called designations that many financial advisers use to signify expertise in senior financial issues.

MANAGING SOMEONE ELSE'S MONEY

These are user-friendly how-to guides to help family members and others serving as fiduciaries who handle financial affairs for older Americans and other vulnerable adults and who often have no experience handling someone else's money. In the next phase of the project, we will publish six sets of state-specific fiduciary guides as well as a replication manual for other states.

INTERAGENCY SUPERVISORY GUIDANCE ON REPORTING FINANCIAL ABUSE OF OLDER ADULTS

In September 2013, the CFPB, along with seven other federal financial regulators, issued guidance for financial institutions on reporting suspected financial abuse of older adults. The Guidance informed financial institutions that reporting suspected elder financial abuse to appropriate authorities generally does not violate the privacy provisions of the Gramm-Leach-Bliley Act (GLBA).

MONEY SMART FOR OLDER ADULTS

In June 2013, we launched, in partnership with the FDIC, a new financial resource tool, "Money Smart for Older Adults", to help prevent elder financial exploitation. It is an instructor-led, stand-alone training module that provides information on how to prevent, identify and respond to elder financial exploitation. The curriculum is available free by download and a consumer-oriented Participant/Resource Guide is available in PDF format from the CFPB.

REVERSE MORTGAGE CONSUMER GUIDE

Following release of the Bureau's Reverse Mortgage Report, we released a plain language guide that highlights key decision points for consumers who are considering a reverse mortgage.

CONSUMER ADVISORY: 3 PENSION ADVANCE TRAPS TO AVOID

The Office for Older Americans recognizes that many retirees depend on a pension to cover day-to-day as well as occasional unexpected expenses. In March 2015, the Office for Older Americans and the Office of Servicemember Affairs released a consumer advisory on avoiding pension advance traps and presented these materials to members of the Financial Literacy Education Committee.[35]

3.1.7 Students

The Dodd-Frank Act directed the Secretary of the Treasury, in consultation with the Bureau's Director, to designate a Private Education Loan Ombudsman within the Bureau "to provide timely assistance to borrowers of private education loans." The Private Education Loan Ombudsman position is held by the Assistant Director of the Office for Students. The Office for Students works to enhance the ability of students and younger consumers to make financial decisions, including monitoring complaints about private student loans, providing information and tools to help students understand the risks from student loans and other financial products, and identifying policy and marketplace issues with special impact on students and younger consumers.

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

35 http://www.consumerfinance.gov/blog/consumer-advisory-3-pension-advance-traps-to-avoid/.

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.[36]

The Financial Aid Shopping Sheet is a standardized, easy-to-read form of a 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 Sheet, in order to provide better information to recipients of military and veteran education benefits.[37] The Executive Order also encourages colleges that accept Post-9/11 G.I. Bill benefits to do the same.

As of April 2015, 2,971 colleges and universities, with a combined enrollment of more than 8.9 million students, had voluntarily agreed to adopt the Financial Aid Shopping Sheet.[38]

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 October 2014, the Bureau published advice to consumers struggling with a high monthly payment on their private student loans.[39] The advice contained sample instructions for borrowers experiencing financial hardship to instruct their student loan servicer to inform them

---

36 http://www.consumerfinance.gov/students/knowbeforeyouowe/.

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

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

39 http://www.consumerfinance.gov/blog/struggling-private-student-loan-borrowers-still-searching-for-help/.

of any available options to lower their monthly payment. The Bureau also released the Annual Report of the Private Education Loan Ombudsman, providing an analysis of complaints received between October 1, 2013 and September 30, 2014. This report highlighted issues related to the obstacles encountered by private student loan borrowers seeking an affordable monthly payment.[40]

In December 2014, the Bureau also published a consumer advisory warning student loan borrowers to be wary of third-party companies promising "Student Debt Relief." The advisory contained warning signs that a debt relief company may be a scam, encouraging consumers to be wary of companies that charge high up-front fees, make promises of loan forgiveness, and demand borrowers sign paperwork before they explain what services they offer.[41]

In January 2015, the Bureau released a sample "Safe Student Account Scorecard."[42] As part of the Bureau's ongoing work on safe student banking, the scorecard would help colleges to avoid partnering with financial institutions that offer checking and prepaid accounts with tricks and traps.[43] The Bureau's initiative on safe student banking asks the public for feedback on a scorecard that colleges can use to evaluate proposals from financial institutions when soliciting bids to provide accounts to their students—helping schools negotiate safe and affordable products for students.

3.1.8 Financial empowerment

The Dodd-Frank Act mandated that the Bureau include a unit whose functions are to include providing "information, guidance, and technical assistance regarding the offering and provision of consumer financial products or services to traditionally underserved consumers and

[40] http://www.consumerfinance.gov/reports/annual-report-of-the-cfpb-student-loan-ombudsman-2014/.

[41] http://www.consumerfinance.gov/blog/consumer-advisory-student-loan-debt-relief-companies-may-cost-you-thousands-of-dollars-and-drive-you-further-into-debt/.

[42] http://www.consumerfinance.gov/students/request-for-information-regarding-an-initiative-on-safe-student-banking/.

[43] http://files.consumerfinance.gov/f/201309_cfpb_banking-on-campus-forum.pdf.

communities."[44] "Traditionally underserved consumers" include un-banked and under-banked consumers.[45] The Office of Financial Empowerment (Empowerment) directs its efforts toward strengthening financial consumer protection and enhancing the financial capability of low-income and other economically vulnerable consumers who comprise the traditionally underserved.

Empowerment is working to integrate financial empowerment strategies into existing public-sector and non-profit programs that assist low-income and other economically vulnerable people who are among the traditionally underserved.

Financial empowerment toolkit and training

The Office of Financial Empowerment has developed, field tested and launched *Your Money, Your Goals: A financial empowerment toolkit for social services programs*. The toolkit provides tools that social service staff can use to incorporate financial capability information into their work with clients and to make 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. The toolkit also includes worksheets and other tools individuals can use to strengthen their personal money management skills. For example, the toolkit includes materials that can be used to help grow skills in financial tasks such as ordering a credit report or understanding and managing debt.

The Bureau field tested the toolkit in fall 2013 by conducting train-the-trainer webinars for 26 social service organizations located across the country. These organizations in turn provided training to 1,400 frontline social service staff from their own and other organizations on how to use the toolkit in their work. The Bureau then gathered feedback that included the extent to which the staff had used the toolkit with their clients and whether the training increased the

---

[44] DFA 1013(b)(2).

[45] DFA 1013(b)(1)(F).

confidence of the staff in their knowledge of the topics and their ability to help their clients manage their finances.

After receiving input from field-test users, we finalized the text and released it nationally on July 30, 2014. More information is available at consumerfinance.gov/your-money-your-goals/. We are conducting webinar trainings that are available through the CFPB website, as well as through in-person and webinar trainings and with national organizations to equip them to train their own staffs. The Bureau is also developing customized versions of the toolkit to address particular populations or financial capability needs. For example, we developed an abbreviated toolkit focused on credit reporting and debt collection for use by law school-based legal clinics that work with consumers on these issues.

Empowering youth

The Child and Family Services Improvement and Innovation Act requires that each child age 16 and older in foster care receive annually a free copy of any consumer credit report pertaining to the child until the child is discharged from foster care, and receive assistance in interpreting and resolving any inaccuracies in the report. State and county child welfare agencies are currently working with the national credit reporting agencies to implement these requirements.

In 2014, the Offices of Financial Empowerment and Financial Education worked with stakeholders at the HHS Children's Bureau, the FTC, and youth advocacy organizations to help streamline the procedures for child welfare agencies to obtain credit reports. We assisted in developing capacity to help youth in foster care to identify identity theft, fraud, and credit report errors, and resolve inaccuracies in the reports. The Bureau developed tools, including sample letters for ordering credit reports and templates for disputing credit report errors. The tools provide guidance to caseworkers who are responsible for pulling and cleaning up credit reports for youth in foster care. These tools are available at consumerfinance.gov/blog/how-to-protect-vulnerable-children-from-identity-theft/. Most recently, we have provided outreach and training to caseworkers on the materials.

Youth summer employment programs present unique opportunities to reach young people with financial capability education. Young people who may be entering the workforce for the first time can build lasting habits. In November 2013, Empowerment, along with federal agency partners from the Financial Literacy and Education Commission, convened a roundtable of national and local leaders to discuss current efforts to help youth build financial capability through employment programs. The successful programs represented at the roundtable included three important components: integrating financial education into existing youth employment programs, partnering with employers, and collaborating with financial institutions to improve access to financial services such as transaction accounts. The discussion also identified many programs that recognized the need to help youth develop financial skills, but that did not have the time, expertise, or resources to do so. Building on these key takeaways, Empowerment developed tools that stakeholders might use to incorporate financial capability skills training into their youth summer employment programs. The Bureau collaborated with several communities to pilot these new tools in the summer of 2014, and in 2015, is expanding the youth program to up to 25 cities.

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. The public participated in field hearings on prepaid, medical debt collection, arbitration, payday lending, and other consumer finance issues in Wilmington, DE; Oklahoma City, OK, Newark, NJ and Richmond, VA.

An audience member participates during the public session at a field hearing on payday lending in Richmond, VA.

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 also hosted a public meeting of its Consumer Advisory Board in Washington, DC on February 19, 2015.

The Bureau has also actively solicited the perspectives of consumer and civil rights groups, including holding roundtables with community-based organizations across the country. During this reporting period, the Bureau's Office of Community Affairs has engaged thousands of community group representatives through more than 150 meetings, briefing calls, and public appearances.

Audience members review materials at a public hearing on prepaid cards in Wilmington, DE.

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 2014, has hosted more than 300 meetings, briefing calls, and public appearances with financial institutions and financial industry trade associations.

Director Cordray and senior CFPB leadership have also delivered several speeches at widely-attended industry and nonprofit conferences.[46] In addition to direct outreach through field events, roundtables, public meetings, speeches, and briefing calls, the CFPB launched Project Catalyst to support innovators in creating consumer-friendly financial products and services. The Bureau believes that 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.

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

To these ends, Project Catalyst has continued to develop its outreach efforts and to introduce policy tools. One policy tool is the "pitch a pilot" program in which Bureau subject matter experts work with entrepreneurial companies to better understand what works for consumers and to inform our policy-making in the process. Another policy tool is a trial disclosure program in which the CFPB provides waivers of federal disclosure requirements for successful applicants to allow them to develop and test innovative and consumer-friendly disclosures. More information about Project Catalyst is available on the CFPB's website.[47]

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

Senior Bureau leadership has also testified before Congress 53 times since the Bureau opened its doors in 2011, including eight occasions between October 1, 2014 and March 31, 2015.[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

---

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

[48] CFPB testimony before Congress may be found in Appendix G of this report. The numbers in this section conform to the reporting period, while the numbers in Appendix G go back a calendar year to conform with the remaining appendices.

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 the Consumer Advisory Board 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;
- 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 Consumer Advisory Board and Councils offer vital insight and perspective of financial service providers as the Bureau strives to issue thoughtful, research-based rules.

The Consumer Advisory Board meets at least twice per year. The Credit Union and Community Bank Advisory Councils each meet, on average, twice per year in person and twice per year by conference call. The Academic Research Council meets once annually.

---

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

Consumer Advisory Board members at a CAB meeting in Washington, DC.

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 Advisory Board 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. The

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

advisory boards and councils consult on a variety of cross-cutting topics, report on meetings, and the CFPB provides minutes and/or summaries of their meetings on the Bureau's website. Members of the Bureau's board and councils serve for limited, specified terms.

Membership and public application 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. The Bureau will accept applications for these four advisory bodies on a yearly basis. On January 16, 2015 the Bureau announced that applications for 2015 membership was open and requested applications be submitted no later than February 28, 2015.[51] New CAB members will serve a three-year term and new ARC, CBAC and CUAC members will serve two-year terms. The Bureau will announce the newly appointed board and council members later in the year.

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 impacted by higher-priced mortgage loans, and seek representation of the interests of covered persons and consumers, without regard to party affiliation.[52]

Meetings of the Consumer Advisory Board and the other Councils

The Bureau has held four meetings of the Advisory Board and Councils during this reporting period:

[51] http://www.consumerfinance.gov/blog/accepting-applications-for-our-advisory-board-and-councils-2015/

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

- One CAB meeting – February 2015 in Washington, DC.[53]
- One CBAC meeting – October 2014 in Washington, DC.[54]
- Two CUAC meetings – October 2014[55] and March 2015 in Washington, DC.[56]

Generally, Director Cordray provides remarks at our Board and Council meetings, and these are made available on our website. A public hearing has always been a part of the CAB meetings that are held in the field. However, in order to provide additional transparency into the discussions of the CAB and Councils, the Bureau now makes full advisory council meetings open and accessible to the public. The public meeting provides an opportunity for members of the public to hear the information and expertise CAB and Council members provide to the Bureau on the financial issues affecting their communities or constituencies. Any subcommittee meetings or discussions are also reported out and posted to consumerfinance.gov in meeting minutes and the Consumer Advisory Board's annual report to the Bureau.

Topics covered with our Consumer Advisory Board and the other councils

In October 2014, the CBAC met to discuss Title XIV Mortgage Rules and overdrafts. CBAC members shared trends in the marketplace and highlighted how smaller financial institutions have been working under the Title XIV requirements. In October 2014, the CUAC met to discuss overdrafts and consumer complaints. CUAC members shared information about how credit union overdraft and courtesy pay programs are distinguishable and provided feedback on the Bureau's proposal to publish consumer complaint narratives.

---

53 http://www.consumerfinance.gov/blog/save-the-date-join-us-for-the-winter-2015-consumer-advisory-board-meeting-in-washington-dc/.

54 http://www.consumerfinance.gov/blog/save-the-date-join-us-for-a-community-bank-advisory-council-meeting-in-washington-dc/.

55 http://www.consumerfinance.gov/blog/save-the-date-join-us-for-a-credit-union-advisory-council-meeting-in-washington-dc/.

56 http://www.consumerfinance.gov/blog/save-the-date-join-us-for-a-credit-union-advisory-council-meeting-in-washington-dc-march-2015/.

In February 2015, the CAB met to discuss trends and themes related to financial well-being and medical debt's impact on consumer credit scores and reports. CAB members provided insight into the implications of the research from the Bureau's report, "Financial well-being: The goal of financial education" and explained how these findings could be utilized to best support the financial well-being of consumers.

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 continued to issue a number of proposed and final rules that relate to the Dodd-Frank Act, including amending the annual privacy notice requirements under Regulation P, amendments to the 2013 Mortgage Rules which provide alternative small servicer definitions for certain nonprofit entities, and an amendment to the final 2013 TILA-RESPA rule which, in certain circumstances, extends the timing requirement for revised disclosures. The Bureau is also continuing to work on proposed and final rules on various other matters within its authority that would address longstanding consumer protection concerns in a number of consumer financial services markets. In addition, the Bureau is also continuing to follow-up on an earlier Request for Information seeking public comment on potential projects to streamline regulations. The Bureau also continues to be deeply engaged in assisting the mortgage industry with the implementation of Dodd-Frank Act requirements, including the Bureau's rules combining the TILA and RESPA mortgage disclosures, and the Bureau's 2013 Mortgage Rules.

4.1 Implementing statutory protections

The CFPB continues to engage in significant activities designed to implement the Dodd-Frank Act consumer protection provisions. Following the Bureau's issuance of mortgage rules in January 2013[57] and the TILA RESPA rule in November 2013, the Bureau has continued to

[57] In January 2013, the Bureau issued several rules 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

engage in activities to support the implementation process for these rules with both industry and consumers, as described further in Section 4.3. Other statutory implementation efforts have included issuing additional rules issued pursuant to Dodd-Frank mandates. Much of the Bureau's recent activity continues to be mortgage-related:

- In March 2014, the Bureau, in conjunction with the FRB, FDIC, NCUA, OCC, and FHFA, (collectively, the Agencies) proposed minimum requirements for Appraisal Management Companies as required by the Dodd-Frank Act. The proposed rule would also implement the requirement in the Dodd-Frank Act for States to report to the Appraisal Subcommittee of the Federal Financial Institutions Examination Council (FFIEC) the information required by the Appraisal Subcommittee to administer the new national registry of appraisal management companies. During this reporting period, the Agencies reviewed the public comments from the March 2014 proposal and worked toward issuing a final rule.
- In July 2014, the Bureau proposed amendments to Regulation C to require lenders to report new data elements required by Dodd-Frank Act revisions to HMDA. The Bureau is also using the rulemaking as an opportunity to explore ways to modernize and improve HMDA data collection and reporting, particularly in light of other regulatory and mortgage market initiatives to improve the consistency of data standards and information flows. Prior to issuing the proposed rule, the Bureau, along with the Small Business Administration's 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. The comment period for the proposed rule closed at the end of October 2014. During this reporting period, the Bureau is working to finalize the rule and to use the feedback provided by the public to determine how to improve the HMDA data in an efficient and effective manner.
- In October 2014, the Bureau took steps to provide additional guidance to industry on mortgage-related issues involving the 2013 Mortgage Rules. The Bureau issued a final

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. The Bureau's implementation activities for these rules are further discussed in section 4.3.

rule that provides an alternative small servicer definition for nonprofit entities that meet certain requirements and amends the existing exemption from the ability-to-repay rule for nonprofit entities that meet certain requirements. The final rule also provides a cure mechanism for the points and fees limit that applies to qualified mortgages.

- In October 2014, in response to industry feedback, the Bureau also proposed amendments to the TILA-RESPA rule to seek comment on limited and technical issues concerning the rule. After notice and comment, the proposed amendments were adopted on January 18, 2015. The rule was modified to extend the timing requirement for creditors to provide a revised Loan Estimate when a consumer locks the loan's interest rate or extends a lock rate, to provide for the placement on the Loan Estimate of language relating to construction loans, to provide for placement of the NMLSR ID on the integrated disclosures, and to make non-substantive corrections, such as corrected or updated citations and cross-references.
- In November 2014, the Bureau proposed amendments to certain mortgage servicing rules issued in 2013 in part to implement Dodd-Frank Act amendments to RESPA and TILA. These proposed amendments focus primarily on clarifying, revising, or amending provisions regarding force-placed insurance notices, policies and procedures, early intervention, and loss mitigation requirements under Regulation X's servicing provisions; and periodic statement requirements under Regulation Z's servicing provisions. The proposed amendments would also address proper compliance regarding certain servicing requirements when a consumer is a potential or confirmed successor in interest, is in bankruptcy, or sends a cease communication request under the Fair Debt Collection Practices Act. The proposed rule would also make technical corrections to several provisions of Regulations X and Z.
- In January 2015, the Bureau proposed amendments to some of the Bureau's 2013 Mortgage Rules implementing the Dodd-Frank Act that would modify general requirements for certain small creditors, including those that operate predominantly in "rural or underserved" areas.

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, the Bureau has continued to focus attention on a number of issues in other consumer financial products and services markets. This work includes rulemakings to revise regulations the Bureau inherited from other agencies and the issuance of a proposed rule governing prepaid cards, as well as continued research and other preparations for rulemakings to address several longstanding issues regarding debt collection, payday loans and deposit advance programs, and overdraft features on deposit accounts.

As reflected in its Fall 2014 regulatory agenda, the Bureau has continued work on a number of projects to address longstanding concerns in other consumer financial services markets. For example:

- In November 2014, the Bureau proposed amendments to Regulations E and Z to create a comprehensive set of consumer protections for prepaid financial products, which are increasingly being used by consumers in place of traditional checking accounts. The proposed rule would expressly bring prepaid products within the ambit of Regulation E (which implements the Electronic Fund Transfer Act) as prepaid accounts and create new provisions specific to such accounts. The proposal would also amend Regulation E and Regulation Z (which implements the Truth in Lending Act) to regulate prepaid accounts with overdraft services or credit features. The comment period for the proposed rule closed at the end of March, and the Bureau is reviewing the feedback provided by the public.

- The Bureau is considering developing a proposed rule on debt collection building on the comments received concerning an ANPR on debt collection issued in November 2013 and is conducting research, analysis, and outreach as appropriate on this topic. Debt collection generates more complaints to the federal government each year than any other consumer financial services market. The Bureau distributed a survey to consumers to learn about their experiences with credit and debt, including debt collection. The results of the survey will provide information related to debt collection on a broad cross-section of consumers that is not available elsewhere. The Bureau is also undertaking consumer testing initiatives to determine what information would be useful for consumers to have about debt collection and their debts and how that information should be provided to them.

- The Bureau is developing proposals for regulations to address issues in the markets for payday, vehicle title, and some high-cost installment loans. The Bureau has convened a Small Business Review Panel with the Office of Management and Budget and the Office of Advocacy in the Small Business Administration and has released an outline of proposals under consideration. The Bureau is gathering feedback on the proposals under consideration from small entities, and a wide variety of other stakeholders before issuing a proposal.

- Building on Bureau research and other sources, the Bureau is considering whether rules with regard to overdraft programs on checking accounts may be appropriate, and, if so, what types of rules would be appropriate. The CFPB issued a white paper in June 2013 and a report in July 2014 based primarily on supervisory data from several large banks that highlighted a number of possible consumer protection concerns, including how consumers opt in to overdraft coverage for ATM and one-time debit card transactions, overdraft coverage limits, transaction posting order, overdraft and insufficient funds fee structure, and involuntary account closures. The CFPB is continuing to engage in additional research. A possible rulemaking might include disclosures or address specific acts or practices.

The Bureau has also continued to work on defining larger participants in markets for consumer financial services and products. Under Title X of the Dodd-Frank Act, the Bureau is authorized to exercise supervisory authority over larger participants that it defines by rule.

- In September 2014, the Bureau proposed a rule that would define larger participants in the market for automobile financing. The proposal also would define "financial product or service" under the Dodd-Frank Act to include additional automobile leases and would make certain technical corrections to existing larger-participant rules. The comment period closed in December 2014, and the Bureau is preparing to issue a final rule.

With regard to regulations that the CFPB inherited, 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 issues in the course of its rulemakings, for instance, by using the rulemakings to consolidate mortgage disclosures under TILA and RESPA to clarify or reduce the burden of existing regulations and by exploring opportunities to reduce unwanted regulatory burden as part of the HMDA rulemaking.

The Bureau has also launched other rulemaking and guidance initiatives designed to streamline existing regulations and reduce regulatory burden.

- In October 2014, the Bureau issued its Annual Privacy Notices Rule to reduce the burdens on financial institutions who were concerned with previous requirements for mailing annual privacy notices under the Gramm-Leach-Bliley Act. Specifically, the Rule provided an alternative delivery method for annual privacy notices that financial institutions already must send to customers under the Gramm-Leach-Bliley Act. If a financial institution limits it's sharing of customer information and meets other requirements, this alternative method allows the institution to post the privacy notice on its website rather than mail it, and to mail the privacy notice only if the consumer requests it. This Rule reduces the regulatory burden on financial institutions, especially small institutions, and enhances internet access to privacy policies for consumers.
- In February 2015, the Bureau proposed a rule to temporarily suspend card issuers' obligations under Regulation Z to submit credit card agreements to the CFPB for a period of one year (i.e., four quarterly submissions), in order to reduce burden while the CFPB works to develop a more streamlined and automated electronic submission system. The Bureau finalized this rule near the end of the reporting period.

4.3 Facilitating implementation of new regulations

As the Bureau has issued regulations to implement Dodd-Frank Act requirements, it has focused intently on supporting the implementation process for these rules with both industry and consumers. The Bureau has continued to provide implementation support for the mortgage rules issued under Title XIV of the Dodd-Frank Act, which went into effect by January 18, 2014, including engaging in public outreach, speaking at industry conferences, and providing training to housing counselors on new mortgage servicing rules.

The Bureau finalized the TILA-RESPA rulemaking in November 2013.[58] In developing the TILA-RESPA rule, the Bureau sought to facilitate implementation by incorporating in the regulation and the Official Interpretations detailed instructions for completing the forms along with many examples. The Bureau also included illustrative examples for completing the new forms for various different types of mortgage products and closing scenarios. The Bureau is working on a number of initiatives to help facilitate implementation before the August 2015 effective date:

- Guides and sample forms – Shortly after the Bureau finalized the TILA-RESPA rule, the Bureau published a plain-language small entity compliance guide providing an overview and summary of key aspects of the TILA-RESPA rule, a plain-language guide to forms providing detailed, illustrated instructions on completing the new Loan Estimate and Closing Disclosure forms, and a number of sample completed forms to assist in the implementation and understanding of the new rules. The Bureau revised and published updated versions of the two guides reflecting the amendments to the rule issued in January 2015.
  - The Bureau published a number of sample forms, in both English and Spanish, to provide additional support to lenders as they make any necessary changes to their systems.
  - The Bureau also published a sample timeline that illustrates the new disclosure timing requirements for a sample real estate transaction. This timeline is particularly useful to lenders and settlement service providers that need to adjust their business requirements around the new rules.

[58] As discussed in Section 4.1, in January 2015, after extensive outreach to stakeholders, the Bureau published an amendment to the TILA-RESPA rule in which it made two minor modifications and technical amendments to the rule in order to smooth compliance for industry.

- Webinars and other informal guidance – In conjunction with the Federal Reserve System, the Bureau has conducted a series of webinars on the TILA-RESPA rule. Early webinars provided an overview of the final rule and the new disclosures and addressed basic questions regarding interpretation and application of the rule. The Bureau plans to conduct additional webinars to further facilitate implementation and address specific implementation and interpretive questions. The Bureau intends to hold these webinars periodically throughout the implementation period while regularly soliciting feedback and additional questions in the interim to further facilitate compliance.

- Public outreach – Bureau staff has spoken at a number of industry conferences, roundtables and other formal events. Bureau staff continues to engage in extensive outreach to discuss the mortgage rules, identify and address implementation issues as they arise, and provide informal oral guidance in response to interpretive inquiries from a myriad of stakeholders. The Bureau recognizes that non-profits, like housing counselors, also play a significant role in providing consumers with support in the home buying process, and plans to engage with these stakeholders later in the implementation period.

- Inter-agency coordination – The Bureau is coordinating with other federal government regulators that also conduct examinations of mortgage companies to develop examination procedures for the new TILA-RESPA rule and to promote a consistent regulatory experience for industry.

The Bureau has developed regulatory implementation materials and aids that support and assist regulatory implementation efforts for the TILA-RESPA rule and other rules, including compliance guides, sample forms, and webinar recordings, available on a section of its website dedicated to regulatory implementation. These materials, along with other communications and outreach efforts, facilitate industry access to information on regulatory requirements and developments, particularly for smaller businesses that may have limited legal and compliance staff.[59] Recently, the Bureau redesigned the regulatory implementation page for increased functionality, as well as to accommodate future growth. The Bureau plans to continue

---

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

developing additional tools and resources to facilitate implementation and compliance with the new rules.

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. With respect to the new TILA-RESPA rule, the Bureau has intensified its implementation support and outreach efforts in an effort to ensure that institutions are making any business process, operational, or technological systems changes that may be necessary to comply with requirements of the rule and generate the new forms.

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 navigate, read, and understand. eRegulations presents regulation text and commentary in a clear format, and allows users to compare different versions to identify changes. 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.[60] The Bureau unveiled Regulation Z in May 2014, which includes most recent rule updates. [61]

---

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

[61] http://www.consumerfinance.gov/eregulations/1026.

5. Supervision

The CFPB's supervisory authority extends to banks, thrifts, and credit unions with assets of more than $10 billion, as well as affiliates of those institutions. In addition, the CFPB supervises nonbank mortgage originators and servicers, payday lenders, and private student lenders of all sizes, and also supervises larger participants of other markets as the CFPB defines by rule. To date CFPB has promulgated larger-participant rules with respect to debt collectors, consumer reporting agencies, student loan servicers, and international money transmitters. The CFPB also recently published a proposed rule regarding supervision of nonbank auto lenders.

The CFPB's Offices of Supervision Examinations and Supervision Policy are located within the Division of Supervision, Enforcement, and Fair Lending. These two offices develop and administer the CFPB's nationwide supervisory program for depository and nondepository financial institutions. In conducting its supervisory activities, the CFPB focuses on maintaining consistency across markets, industries, charters, and regions, as well as on ensuring efficient and effective examinations and supervisory work. The CFPB follows a risk-based approach to examinations, prioritizing consumer products and markets that pose significant risks to consumers.

5.1 Supervisory activities

Since the last Semi-Annual Report was released in October 2014, 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 CFPB's supervisory program, as well as to discuss broad trends in examination findings in key market or product areas.

The Fall 2014 edition of Supervisory Highlights, issued in October 2014,[62] shared supervisory observations found and addressed during supervision work completed between March 2014 and June 2014. The edition discussed regulatory violations or unfair, deceptive, or abusive acts or practices in the areas of consumer reporting, debt collection, deposits, mortgage servicing, and student loan servicing. It also included updated guidance about Home Mortgage Disclosure Act reporting and provided updates on CFPB guidance, larger participant rulemakings, and public enforcement actions issued during that period that resulted from or were supported by supervision.

The Winter 2014 edition of Supervisory Highlights, issued in March 2015,[63] shared supervisory observations found and addressed during the supervision work completed between July 2014 and December 2014. The edition discussed regulatory violations or unfair, deceptive, or abusive acts or practices in the areas of consumer reporting, debt collection, deposits, and mortgage origination. It also included information about violations of the Equal Credit Opportunity Act and Regulation B related to the treatment of protected forms of income. The Winter 2014 edition discussed new examination procedures for credit card account management, CFPB guidance on confidential supervisory information and on avoiding prohibited discrimination

[62] http://www.consumerfinance.gov/reports/supervisory-highlights-fall-2014/.

[63] http://files.consumerfinance.gov/f/201503_cfpb_supervisory-highlights-winter-2015.pdf.

against consumers receiving Social Security disability income. Finally, the edition discussed the CFPB's new Examiner Commission Program.

5.2 Supervisory guidance

Compliance bulletin on treatment of confidential supervisory information

In January of 2015, the CFPB issued a compliance bulletin regarding treatment of confidential supervisory information.[64] The bulletin was intended to remind supervised financial institutions, including nonbank companies that may be unfamiliar with federal supervision, of existing regulatory requirements regarding confidential supervisory information (CSI). The bulletin set forth the definition of CSI, provided examples of CSI, and highlighted certain existing legal restrictions on the disclosure of CSI. The bulletin also explained that provisions in non-disclosure agreements entered into by supervised financial institutions do not alter or limit the CFPB's existing supervisory authority or the institution's obligations related to CSI.

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.[65] Examination coordination under the framework may occur where the CFPB and state regulators each have supervisory jurisdiction over particular banks or nondepository entities. The framework is an outgrowth of information sharing MOUs entered into by the CFPB and 62 state financial

---

[64] http://files.consumerfinance.gov/f/201501_cfpb_compliance-bulletin_treatment-of-confidential-supervisory-information.pdf.

[65] http://files.consumerfinance.gov/f/201305_cfpb_state-supervisory-coordination-framework.pdf.

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. The MOUs 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 CFPB's field examination staff. The primary vehicle for commissioning is the Examiner Commissioning Program (ECP), which became effective as of October 27, 2014. The finalized ECP policy replaced the previous Interim Commissioning Policy (ICP), which allowed regional directors to submit executive review nomination memos for highly experienced examiners and field managers. The CFPB issued 173 commissions under the ICP to examiners, field managers, and headquarters staff. After the first two months under the new policy, an additional three examiners have achieved commissioned examiner status under ECP, bringing the total number of commissioned examiners to 176.

The ECP includes six instructor-led, classroom-based courses, as well as formal on-the-job training (OJT) modules, Acting Examiner-in-Charge (EIC) assignments, and a comprehensive multiple-choice test and case study assessment. Within 12-18 months of achieving commissioned examiner status under ECP, examiners will complete a 120 day rotational assignment in any of a variety of offices in the Washington D.C. Headquarters. Completed and fully-implemented components of the ECP currently include 32 formal OJT modules and the following instructor-led classroom-based courses: Operations and Deposits/Prepaid Products, Lending Principles, Fair Lending Examination Techniques, Advanced Communications, and EIC (Examiner-in-Charge) Capstone course.

Now that 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 and case study assessment. Examiners commissioned at other agencies will be required to complete the two week Capstone course to better understand processes and reports specific to CFPB within one year of joining the Bureau.

5.5 Technology

The CFPB has paused implementation of enhancements to its examination management software (known as the "Supervision and Examination System") to evaluate a more strategic approach for development and to prioritize business requirements for this project. Once built, this System will aid the CFPB in supervising and enforcing Federal consumer financial law by utilizing current technology to support the monitoring of bank and nondepository entities, and to collaborate across offices to improve the efficiency of the supervisory process. The development of system functionality will be prioritized by business needs.

The CFPB is using a Compliance Tool (the Tool) to assist in conducting examinations of entities subject to CFPB supervision. The Tool provides for secure and standardized data submissions to the CFPB, and supports consistency in the examination process across institutions. The Tool is a software system that collects, validates, and analyzes loan portfolio and deposit account data through an automated system. It enables covered entities to upload data securely and improves the ability of CFPB examiners to conduct risk-based and targeted compliance reviews.

5.6 The Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Act)[66]

While administering the SAFE Act during 2014, the CFPB worked closely with the Conference of State Bank Supervisors (CSBS) to improve the way mortgage loan originator information is shared between state and Federal regulators through the Nationwide Mortgage Licensing System and Registry (NMLSR). The NMLSR, which the CSBS administers and maintains

[66] 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 2014.

through its wholly owned subsidiary, the State Regulatory Registry, LLC (SRR), was established through the SAFE Act to facilitate the licensing and registration of loan originators, and to make certain information about the loan originators available to the public, among other objectives laid out in the Act. The CFPB entered into an agreement with the SRR in September of 2012, which provided the CFPB access to state NMLSR information to help facilitate the CFPB's mission of protecting consumers. In 2014 the CFPB similarly made available NMLSR Federal registration information to state bank and nonbank regulatory agencies to more effectively achieve SAFE Act objectives such as enhancing consumer protection and aggregating and improving the flow of information to and between regulators.

Officials from the CFPB and the CSBS held regular meetings during 2014. The purpose of the meetings was to discuss the operation of the NMLSR, resolve issues, and discuss requirements and policies related to the administration and function of the NMLSR. The CSBS used the meetings to keep the CFPB informed about changes to NMLSR technology and related training opportunities, and to provide information about the states' operation of the NMLSR for licensing loan originators.

The CFPB continues to answer SAFE Act-related questions through its regulations guidance function and also maintains a SAFE Act Inquiries e-mail box to manage operational questions about the SAFE Act. During 2014 the e-mail box received an average of 25 inquiries each month primarily from individual loan originators and loan originator organizations. The questions typically ranged from routine compliance issues related to registration application and renewal to more complex guidance related to the disclosure of specific actions against loan originators in the NMLSR. In addition to assisting loan originators and others with SAFE Act questions, the e-mail box continues to be a platform for identifying issues related to the operation of the NMLSR.

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 Offices of Enforcement and Fair Lending and Equal Opportunity (Fair Lending) have 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 semi-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 45 public enforcement actions from April 1, 2014 through March 31, 2015, detailed as follows:

Consumer Financial Protection Bureau v. National Corrective Group, Inc., et. al. (D. Md. No. 1:15-cv-899) (stipulated final judgment and consent order entered on March 31, 2015)

The CFPB took action against National Corrective Group, Inc. (NCG) and it's Chief Executive Officer for violations of the Fair Debt Collection Practices Act (FDCPA) and the deceptive acts and practices prohibition in the Consumer Financial Protection Act of 2010. NCG specializes in the collection of consumer debt for bounced checks, operating what is known as a "bad check diversion program." Many bad check diversion programs are run by companies that enter into contracts with state and local prosecutors' offices to collect bounced check debt. The CFPB's complaint alleged that NCG sent consumers notices on prosecutors' letterheads and created the false impression that consumers may be prosecuted for writing bounced checks, before any district attorney had reviewed the case and determined that prosecution was likely. NCG told consumers that, to qualify for the diversion program and avoid prosecution, they must pay the bounced check debts and enroll in the company's financial education class for an additional fee. The consent order entered by the court requires NCG to end its illegal practices and imposes a $50,000 CMP.

Consumer Financial Protection Bureau v. Universal Debt & Payment Solutions, LLC, et al. (N.D.GA No. 1:15-CV-0859) (complaint filed March 26, 2015).

On March 26, 2015, the Bureau filed suit against a group of seven debt collection agencies, six individual debt collectors, four payment processors, and a telephone marketing service provider, for violations of the FDCPA and the CFPA's prohibition on unfair and deceptive acts and practices, and providing substantial assistance to unfair or deceptive conduct. The complaint alleges that the individuals, acting through a network of corporate entities, use threats and harassment to collect "phantom" debt from consumers. Phantom debt is debt consumers do not actually owe or debt that is not payable to those attempting to collect it. Their misconduct was facilitated by the substantial assistance of the payment processors and the telephone marking service provider. The defendants made millions of collections calls to consumers and consumers collectively paid millions of dollars because of the debt collectors' threats and false statements. The Bureau is seeking a permanent injunction, redress for consumers, and a monetary penalty.

Consumer Financial Protection Bureau v. All Financial Services, LLC (D. Md. No. 1:15-cv-00420) (complaint filed February 12, 2015).

On February 12, 2015, the Bureau filed a lawsuit against All Financial Services, LLC in federal court. The complaint alleges that All Financial Services, LLC disseminated deceptive and misleading advertisements for mortgage credit products in violation of Regulation N and the deceptive acts and practices prohibition in the Consumer Financial Protection Act of 2010. Additionally, the Bureau alleges that All Financial Services, LLC failed to maintain copies of disseminated advertisements as required by Regulation N. The Bureau is seeking a monetary penalty and injunctive relief.

In the Matter of: Flagship Financial Group, LLC (File No. 2015-CFPB-0006) (consent order entered February 12, 2015).

The CFPB took action against Flagship Financial Group, LLC for misrepresentations in advertisements that improperly suggested that Flagship Financial Group, LLC was, or was affiliated with, a United States government entity and material misrepresentations that the advertised mortgage credit products were endorsed or sponsored by a government program. The CFPB found that the conduct violated Regulation N and the deceptive acts and practices prohibition in the Consumer Financial Protection Act of 2010. Flagship Financial Group was ordered to pay $225,000 in civil money penalties and to comply with applicable federal laws, including Regulation N.

In the Matter of: American Preferred Lending, Inc. (File No. 2015-CFPB-0005) (consent order entered February 12, 2015).

The CFPB took action against American Preferred Lending, Inc. for misrepresentations in advertisements that improperly suggested that American Preferred Lending, Inc. was, or was affiliated with, a United States government entity and material misrepresentations that the advertised mortgage credit products were endorsed or sponsored by a government program. The CFPB found that the conduct violated Regulation N and the deceptive acts and practices prohibition in the Consumer Financial Protection Act of 2010. American Preferred Lending, Inc. was ordered to pay $85,000 in civil money penalties and to comply with applicable federal laws, including Regulation N.

In the Matter of: NewDay Financial, LLC (File No. 2015-CFPB-0004) (consent order entered February 10, 2015).

The CFPB ordered NewDay Financial, LLC to pay a $2 million civil money penalty for violations of the Consumer Financial Protection Act of 2010 (CFPA) and Section 8 of RESPA. NewDay is a non-bank mortgage lender focusing on originating refinance mortgage loans guaranteed by the Veterans Administration. In 2010, NewDay entered into a marketing relationship with a veterans' organization and was named the "exclusive lender" of that organization, but NewDay failed to disclose in advertising materials to consumers that the veterans' organization had a financial relationship with NewDay. This failure to disclose the relationship in the circumstances constituted a deceptive act or practice, which violates the CFPA. In addition, NewDay's payments to the veterans' organization and the coordinating company for referral activities constituted illegal referral payments in violation of the RESPA.

Consumer Financial Protection Bureau v. Union Workers Credit Services, Inc. (N.D. Tex. No. 3:14-cv-04410-L) (consent order entered on February 10, 2015).

The CFPB filed a lawsuit against Union Workers Credit Services (UWCS) in federal court on December 17, 2014. The complaint alleges that the company violated the CFPA by falsely advertising as a general-use card one that could, in fact, only be used to buy products from UWCS itself, and falsely implying an affiliation with unions by, among other things, using pictures of nurses and firefighters in its advertising. The Bureau also alleges violations of the Fair Credit Reporting Act (FCRA) and Regulation V based on UWCS's use of consumer reports without consumers' consent in connection with credit transactions not initiated by consumers and based on UWCS's failure to advise consumers of their right to opt out of pre-screened solicitations. A consent order was entered on February 10, 2015. The order permanently bans UWCS from marketing or offering credit in any form, making any misrepresentations in offering or providing consumer financial products or services, and violating the FCRA. It also requires UWCS to pay a $70,000 penalty, or substantially all of its available liquid assets.

In the Matter of: Continental Finance Company, LLC (File No. 2015-CFPB-0003) (consent order entered February 4, 2015).

The Bureau ordered Continental Finance Company to refund an estimated $2.67 million to approximately 98,000 consumers who were charged illegal credit card fees, pay a $250,000 penalty, and submit to the Bureau's supervisory authority under 12 C.F.R. 1091.110. Continental had misled consumers about credit card costs by mischaracterizing opt-out procedures for paper billing and misrepresented that security deposits would be FDIC-insured, in violation of the CFPA's prohibition on deceptive practices. Continental also assessed fees in violation of the CARD Act's limits during the first year after opening an account.

Consumer Financial Protection Bureau & State of Maryland v. Wells Fargo Bank, N.A., et. al. (D. Md. No. 1:15-cv-00179-RDB) (stipulated final judgments and consent orders entered on February 10, 2015); ***In the Matter of: Wells Fargo Bank, N.A.*** (File No. 2015-CFPB-0002) (consent order entered January 22, 2015); ***In the Matter of: JPMorgan Chase Bank, N.A.*** (File No. 2015-CFPB-0001) (consent order entered January 22, 2015).

The CFPB and the Maryland Attorney General reached a settlement with Wells Fargo, JPMorgan Chase, and two individuals for an illegal kickback scheme with Genuine Title, a now-defunct title company. Genuine Title offered loan officers valuable marketing services and cash payments in return for referring homebuyers to Genuine Title for closing services, in violation of RESPA. The consent orders state that Wells must pay about $10.8 million in redress and Chase must pay about $300,000 in redress. Additionally, Wells must pay$21 million in civil penalties to the Bureau and $3 million in civil penalties to the State of Maryland, and Chase must pay $500,000 in civil penalties to the Bureau and $100,000 in civil penalties to the State of Maryland. The consent order requires the individual loan officer and his wife who took cash payments to pay a $30,000 penalty to the Bureau and bans the loan officer from the mortgage industry for two years.

Consumer Financial Protection Bureau & Office of the Attorney General, State of Florida v. College Education Services, et al. (M.D. Fla. No. 8:14-cv-03078) (stipulated final judgment and order entered January 15, 2015).

The CFPB, jointly with the Florida Attorney General, took action against College Education Services, a provider of student-loan debt-relief services, along with its two owners Marcia Elena Vargas and Frank Liz. The CFPB found that the company engaged in deceptive marketing practices under the CFPA and the Telemarketing Sales Rule by falsely promising lower monthly payments for student loans, improved credit scores, and quick results. The CFPB also found that the company violated the Telemarketing Sales Rule's ban on advance fees for debt-relief services by requiring upfront payments from consumers and the CFPA's prohibition on abusive practices by taking money from consumers that the company knew did not qualify for the relief promised. This action was resolved through a consent order that bans the company, Vargas, and Liz from operating in the debt-relief industry and imposes a $25,000 civil penalty.

Consumer Financial Protection Bureau, et al. v. Freedom Stores, Inc., et al. (E.D. Va. No. 2:14-cv-00643-AWA-TEM) (stipulated final judgment and order entered January 9, 2015).

The CFPB and the Attorneys General of North Carolina and Virginia reached a settlement with Freedom Stores, Inc., Freedom Acceptance Corporation, Military Credit Services LLC, and their owners, of claims relating to the companies' practices of extending credit to and collecting debts from members of the United States military and other consumers. The stipulated final judgment and order prohibits the companies from filing debt-collection actions far away from where consumers reside or entered into purchase contracts, and from disclosing consumers' debts to third parties in attempting to collect. It also requires the companies to provide over $2.5 million in consumer redress in the form of refunds or debt-forgiveness and to pay a $100,000 civil money penalty.

Consumer Financial Protection Bureau v. Sprint Corporation (S.D.N.Y. No. 14-cv-9931) (complaint filed on December 17, 2014).

The CFPB filed a lawsuit in federal court against Sprint Corporation. The complaint alleges that Sprint operated a billing system that allowed third parties to "cram" unauthorized charges on customers' mobile-phone accounts. The complaint alleges that Sprint violated the CFPA's prohibition on unfair practices by automatically billing consumers for illegitimate charges without their consent, disregarding red flags that highlighted the significant flaws in its third-party billing system, and ignoring consumer complaints about unauthorized charges. The complaint seeks refunds for affected consumers and penalties to deter unauthorized third-party charges in the future. The Bureau worked closely with the FCC's Enforcement Bureau on this investigation.

Consumer Financial Protection Bureau v. IrvineWebWorks, Inc., et al. (C.D. Cal. No. 8:14-cv-1967) (complaint filed December 11, 2014).

The CFPB filed suit in federal court against Irvine Web Works, Inc., dba Student Loan Processing.US (SLP) and its owner, James Krause. The complaint alleges that SLP and Krause falsely represent an affiliation with the Department of Education (ED) in their marketing materials, including through the use of a logo very similar to the ED logo, the claim that the company "work[s] with" ED, and the appearance of SLP mailings. The complaint also alleges that the defendants charged illegal advance fees for their services, and deceived borrowers about the costs of the service by failing to clearly explain and disclose that they charge a monthly service fee that continues until the consumer's federal student loans are paid in full or discharged. The Bureau alleges these practices violate the TSR and the CFPA's prohibition on deception. The complaint seeks a permanent injunction, restitution, disgorgement, and civil money penalties.

Consumer Financial Protection Bureau v. Premier Consulting Group LLC, et. al. (S.D.N.Y. No. 1:13-cv-3064 (JLC)) (stipulated final judgment and order entered on December 4, 2014).

The CFPB entered a settlement with Premier Consulting Group LLC, a debt-settlement service provider, and the Law Office of Michael Lupolover. The Bureau had filed a complaint against these companies in May 2013. The Bureau's complaint alleged that the companies routinely charged consumers upfront fees before settling consumers' debts, in violation of the Telemarketing Sales Rule. Under the terms of the settlement, Premier was ordered to pay a civil penalty of $69,075, representing the amount of advance fees the companies took from consumers who did not have any debt settled. Premier and the Lupolover Firm will also be prohibited from any future violations of the Telemarketing Sales Rule.

Consumer Financial Protection Bureau v. Franklin Loan Corporation (C.D. Cal. No. 5:14-cv-02324-JGB) (stipulated final judgment and order entered on November 26, 2014).

The CFPB brought an enforcement action against Franklin Loan Corporation, a California mortgage lender, for granting its employees bonus payments for steering consumers into loans with higher interest rates. The CFPB found that Franklin Loan's conduct violated the Federal Reserve Board's Loan Originator Compensation Rule. The rule prohibits mortgage lenders from paying loan officers based on loan terms such as interest rate. In addition to injunctive relief prohibiting the unlawful practice, Franklin Loan was ordered to pay $730,000 in redress to affected consumers.

In the Matter of: DriveTime Automotive Group, Inc. and DT Acceptance Corp. (File No. 2014-CFPB-0007) (consent order entered November 19, 2014).

The Bureau took action against DriveTime, a "buy-here, pay-here" auto dealer, for debt collection practices in violation of the CFPA's prohibition on unfair acts and practices that included, repeatedly calling borrowers at work, repeatedly calling references, and repeatedly calling wrong numbers after being asked to stop. DriveTime also furnished inaccurate account information regarding the dates of repossessions and other facts, failed to conduct reasonable investigations of credit information furnishing disputes, and failed to implement reasonable written credit reporting policies and procedures, in violation of FCRA and the Furnisher Rule. The consent order requires DriveTime to pay an $8 million civil money penalty.

In the Matter of: Manufacturers and Traders Trust Company (File No. 2014-CFPB-0016) (consent order entered October 9, 2014).

The CFPB took action against Manufacturers and Traders Trust Company (M&T) for deceptively marketing free checking accounts in violation of the CFPA. M&T's advertising failed to inform consumers about key requirements to maintain free checking. When consumers failed to meet these requirements, M&T automatically converted their free checking accounts to checking accounts with fees. The CFPB ordered M&T to refund an estimated $2.9 million to approximately 59,000 account holders and to pay a $200,000 civil money penalty.

United States et. al. v. SunTrust Mortgage, Inc. (D.D.C. No. 1:14-cv-01028-RMC) (consent judgment entered September 30, 2014).

The CFPB joined with the DOJ, HUD, and attorneys general in 49 states and the District of Columbia to file a joint proposed federal court order which required SunTrust Mortgage, Inc., to provide $500 million in loss-mitigation relief to underwater borrowers. The consent order, which was adopted by the court, required SunTrust to pay $40 million to approximately 48,000 consumers who lost their homes to foreclosure and $10 million to the federal government to cover losses it caused to the Federal Housing Administration, Department of Veterans Affairs, and the Rural Housing Service. The order prohibits unlawful mortgage servicing practices, including robo-signing and illegal foreclosure practices, which violated the CFPA, and the order required SunTrust to establish additional homeowner protections, including protections for consumers in bankruptcy. SunTrust was also ordered to pay a $418 million penalty in a parallel mortgage lending filing by DOJ.

In the Matter of: Lighthouse Title, Inc. (File No. 2014-CFPB-0015) (consent order entered September 30, 2014).

The CFPB ordered Lighthouse Title, Inc. to pay $200,000 in civil money penalties for violating RESPA. Lighthouse Title violated RESPA by entering marketing services agreements with various parties with the agreement or understanding that in return those parties would refer business to Lighthouse. The CFPB ordered Lighthouse Title to terminate any existing marketing services agreements and prohibited Lighthouse Title from entering any marketing services agreements for the duration of the consent order.

In the Matter of: Flagstar Bank, F.S.B. (File No. 2014-CFPB-0014) (consent order entered September 29, 2014).

In the first enforcement action under the 2013 RESPA Mortgage Servicing Final Rule, the CFPB took action against Flagstar Bank, F.S.B., for violating the Rule and the CFPA in connection with servicing defaulted loans. Among other violations, the bank took excessive time to process borrowers' applications for foreclosure relief, failed to tell borrowers when their applications were incomplete, denied loan modifications to qualified borrowers, illegally delayed finalizing permanent loan modifications, and misinformed borrowers about their right to appeal the denial of a loan modification. Under the consent order, Flagstar is prohibited from acquiring pools of defaulted loans from third parties until it demonstrates it has the ability to comply with laws that protect consumers. Flagstar is also ordered to pay $27.5 million in redress to victims and $10 million in civil money penalties.

In the Matter of: U.S. Bank N.A. (File No. 2014-CFPB-0013) (consent order entered September 25, 2014).

The CFPB ordered U.S. Bank to refund an estimated $48 million to approximately 420,000 customers and to pay a $5 million civil money penalty for illegal practices related to "add-on" products. The CFPB found that U.S. Bank engaged in unfair billing practices for certain identity protection products that promised to monitor customer credit and alert consumers to potentially fraudulent activity. A vendor for U.S. Bank billed customers for these products prior to having the authorization necessary to perform the credit monitoring and credit report retrieval services. The Bureau worked with the OCC to end these practices and provide relief for consumers.

Consumer Financial Protection Bureau & the State of Florida v. Harper, et al. (S.D. Fla. No. 9:14-cv-80931 JIC) (stipulated preliminary injunctions issued September 15, 2014 and September 23, 2014).

This action involves a nationwide mortgage relief scheme that the CFPB, jointly with the Florida Attorney General, alleges took advantage of financially distressed homeowners in violation of Regulation O. Under the name of the Hoffman Law Group, the defendants promised homeowners that, in exchange for a $600 upfront fee, and a $495 monthly fee, the defendants would include the homeowners as plaintiffs in mass-joinder lawsuits against their lenders and servicers, which would get homeowners mortgage modifications or foreclosure relief. In reality, the defendants rarely, if ever, obtained meaningful mortgage assistance relief for the consumers.

The court issued a temporary restraining order on July 16, 2014, halting the defendants' business practices, placing the corporate defendants into receivership, and freezing the defendants' assets. On September 12, 2014, the clerk entered default against the five corporate defendants who had failed to appear in this matter, and the court entered orders adopting the stipulated preliminary injunctions on September 15, 2014 and September 23, 2014, as to the three remaining individual defendants.

Consumer Financial Protection Bureau v. Corinthian Colleges, et al. (N.D. Ill. No. 1:14-cv-07194) (complaint filed September 16, 2014).

On September 16, 2014, the CFPB filed a lawsuit against Corinthian Colleges, Inc., one of the largest for-profit, post-secondary education companies, in federal court. The complaint alleges that Corinthian induced students to take private student loans by deceptively describing the job and career prospects of its graduates as well as Corinthian's career services, and by misrepresenting its job placement rates. Corinthian also engaged in aggressive debt collection practices in violation of the CFPA and the Fair Debt Collection Practices Act.

Consumer Financial Protection Bureau v. Richard F. Moseley, Sr., et al. (W.D. Mo. No. 4:14-cv-00789DW) (temporary restraining order issued on September 9, 2014).

The CFPB filed a lawsuit against a confederation of online payday lenders known as the Hydra Group, and its principals, alleging that they use a maze of interrelated entities to make unauthorized and otherwise illegal loans to consumers. The CFPB alleged that the defendants' practices violate the CFPA, TILA, and EFTA. On September 9, 2014, a federal court in Kansas City issued an *ex parte* TRO against the defendants, ordering them to halt lending operations. The court also placed the companies in temporary receivership, granted the appointed receiver and the CFPB immediate access to the defendants' business premises, and froze their assets. On October 3, 2014, the court entered a stipulated preliminary injunction against the defendants pending final judgment in the case.

Consumer Financial Protection Bureau v. Global Client Solutions, LLC, et al. (C.D. Cal. No. 2:14-cv-06643-DDP-JPR) (stipulated final judgment and consent order entered on August 27, 2014).

In a complaint filed in federal court, the CFPB charged Global Client Solutions, a payment processor, and its two principals, Robert Merrick and Michael Hendrix, with violating the Telemarketing Sales Rule by helping debt-settlement companies charge consumers illegal upfront fees. The court entered a stipulated final judgment prohibiting Global Client Solutions from helping other companies collect illegal fees from consumers. The defendants will be subject to monitoring by the CFPB and will be required to make reports to the CFPB to ensure their compliance. The defendants will also pay over $6 million in consumer relief in addition to paying a civil money penalty of $1 million.

In the Matter of: First Investors Financial Services Group, Inc. (File No. 2014-CFPB-0012) (consent order entered August 20, 2014).

The CFPB took action against First Investors Financial Services Group, Inc., for knowingly furnishing inaccurate information about consumers to credit reporting agencies. The inaccurate information likely led to errors in consumers' credit records, which could impair their ability to obtain credit. The CFPB found that First Investors' conduct violated the FCRA and the CFPA. First Investors was ordered to pay $2.75 million in civil money penalties, and to implement measures to insure the information the company provides to credit reporting agencies is accurate.

In the Matter of: USA Discounters, Ltd. (File No. 2014-CFPB-0011) (consent order entered August 14, 2014).

The CFPB ordered USA Discounters to refund approximately $350,000 to servicemembers for unfair and deceptive practices relating to installment loans for furniture, electronics, and other home goods. USA Discounters charged active duty servicemembers a fee for a company called SCRA Specialists LLC to assist servicemembers in availing themselves of their rights under the Servicemembers Civil Relief Act (SCRA). In fact, SCRA Specialists were charging servicemembers for legal protections to which they were already entitled and SCRA Specialists never actually performed most of the services offered to servicemembers. The consent order requires USA Discounters to cease engaging in this unlawful conduct, to provide full restitution to all consumers who paid the SCRA Specialists fee since 2009, and to pay a $50,000 civil money penalty.

In the Matter of: Amerisave Mortgage Corp., et al. (File No. 2014-CFPB-0010) (consent order entered August 12, 2014).

The CFPB took action against Amerisave, its affiliate Novo Appraisal Management Corporation, and the owner of both companies, Patrick Markert, for engaging in a deceptive bait-and-switch mortgage lending scheme. The CFPB found that Amerisave lured consumers by advertising misleading interest rates, locked them in with costly-up-front fees, failed to honor its advertised rates, and illegally overcharged them for affiliated "third party" services. The order includes permanent injunctive relief, requiring Amerisave to advertise only rates that are actually available to consumers, retain an outside consultant to help fix its advertising practices, and take other actions to prevent future consumer harm. Amerisave paid over $14.8 million in restitution and a $4.5 civil money million. Markert, in his individual capacity, paid an additional $1.5 million civil money penalty.

In the Matter of: Colfax Capital Corp., et al. (File No. 2014-CFPB-0009) (consent order entered July 29, 2014).

The Bureau took action against Colfax Capital and Culver Capital, also collectively known as "Rome Finance," and two of its owners for violating Regulation Z (Truth in Lending) by failing to accurately disclose credit information in financing for consumer goods sold online or near military bases, and the CFPA by servicing and collecting on financing agreements that state laws rendered void or limited the consumer's obligation to repay. Under the consent order, Rome Finance will cease efforts to collect on any of the outstanding finance agreements, and it paid $1 in civil penalties. Additionally, under the order, Rome and two of its principals are permanently banned from consumer lending.

Consumer Financial Protection Bureau v. Stephen Lyster Siringoringo, et al. (C.D. Cal. No. 8:14-cv-01155-JVS-AJW) (complaint filed July 22, 2014).

The CFPB filed a complaint against three individuals and a company who marketed and sold purported mortgage assistance relief services to consumers. Stephen Lyster Siringoringo, Clausen & Cobb Management Company, Inc., Alfred Clausen, and Joshua Cobb allegedly violated Regulation O and the CFPA by charging advance fees for loan modifications, making misrepresentations related to purported modifications, and failing to make required disclosures. The complaint alleges that consumers paid thousands of dollars each in advance fees, but in numerous instances received none of the promised services or relief.

Consumer Financial Protection Bureau v. The Mortgage Law Group, LLP, et al. (W.D. Wis. No. 3:14-cv-00513-JDP) (complaint filed July 22, 2014).

On July 22, 2014, the CFPB filed a lawsuit in federal district court against The Mortgage Law Group, LLP, (d/b/a The Law Firm of Macey, Aleman & Searns), Consumer First Legal Group, LLC, and their principals Thomas G. Macey, Jeffrey J. Aleman, Jason E. Searns and Harold Stafford. The CFPB alleged that the defendants violated Regulation O and the CFPA by charging illegal up-front fees for mortgage assistance-relief services and by engaging in misleading and deceptive practices, including falsely representing to consumers that they would receive mortgage-assistance-relief services through legal representation.

Consumer Financial Protection Bureau v. Frederick J. Hanna & Associates, P.C., et al. (N.D. Ga. No. 1:14-cv-2211-AT) (complaint filed July 14, 2014).

The CFPB filed a lawsuit in federal court against Frederick J. Hanna & Associates, P.C., a debt-collection law firm, and its managing partners, for violating the FDCPA and the CFPA. The complaint alleged that the defendants operated a lawsuit mill, filing hundreds of thousands of debt-collection lawsuits against consumers in Georgia state court. The CFPB alleged that these suits often relied on deceptive affidavits and faulty or unsubstantiated evidence, and were filed without meaningful attorney involvement. The CFPB is seeking compensation for victims, a civil money penalty fine, and an injunction against the company and its partners.

In the Matter of: ACE Cash Express, Inc. (File No. 2014-CFPB-0008) (consent order entered July 10, 2014).

The CFPB took action against payday lender ACE Cash Express, Inc., for violating the CFPA by engaging in several unfair and deceptive debt collection practices, and one abusive practice—leveraging an artificial sense of urgency to induce delinquent borrowers with a demonstrated inability to repay their existing loan to take out a new ACE loan with accompanying fees. The Bureau found that this practice took unreasonable advantage of the inability of consumers to protect their own interest in selecting or using a consumer financial product or service. Under the consent order, ACE is ordered to reform its collection practices and to cease encouraging or suggesting that delinquent borrowers pay off their existing loan and then take out a new loan with ACE. ACE was also ordered to pay $5 million in restitution and $5 million in civil money penalties.

In the Matter of: Synchrony Bank, f/k/a GE Capital Retail Bank (File No. 2014-CFPB-0007) (consent order entered June 19, 2014).

The CFPB ordered Synchrony Bank, formerly known as GE Capital Retail Bank, to provide an estimated $225 million in relief to consumers harmed by illegal and discriminatory credit card practices, including $56 million in refunds to consumers who were subjected to deceptive marketing practices, and $169 million in redress with respect to violations of ECOA for deceptively marketing credit card add-on products. The bank misrepresented the cost of the products, failed to inform some cardholders that they were ineligible for the products' benefits, failed to explain that they were enrolling consumers in an optional fee-based product, and misrepresented the products' availability. The CFPB also ordered Synchrony Bank to pay $3.5 million in civil money penalties. The violations of ECOA are discussed in the Fair Lending Enforcement section of this Report.

In the Matter of: Stonebridge Title Services, Inc. (File No. 2014-CFPB-0006) (consent order entered June 12, 2014).

The CFPB ordered Stonebridge Title Services to pay a civil money penalty of $30,000 for violating Section 8 of RESPA. Stonebridge paid illegal referral commissions to independent salespeople who referred title insurance business to it. Referral commissions are allowed under RESPA if the recipient of the payment is an employee of the company that is paying the referral. Though the salespeople received W-2 tax forms from Stonebridge, the Bureau determined that they were not bona fide employees.

In the Matter of: JRHBW Realty, Inc., d/b/a RealtySouth; TitleSouth, LLC (File No. 2014-CFPB-0005) (consent order entered May 28, 2014).

The CFPB ordered RealtySouth, Alabama's largest real estate brokerage company, and its affiliated title company, TitleSouth, to pay $500,000 in civil money penalties for violating RESPA. RealtySouth used a preprinted purchase contract – which homebuyers use to make an offer on a house – that either explicitly directed or suggested that title and closing work be performed by TitleSouth. The accompanying affiliated business arrangement disclosure contained dense text, including its own marketing claims that did not properly highlight to consumers that they were not required to use TitleSouth and could shop around for other title and closing companies. This conduct violated Section 8 of RESPA, which prohibits kickbacks, referrals to affiliated entities without appropriate disclosures, and payment of unearned fees in the context of residential real estate transactions.

In the Matter of: Bank of America, N.A. and FIA Card Services, N.A. (File No. 2014-CFPB-0004) (consent order entered April 9, 2014).

The CFPB ordered Bank of America and FIA Card Service to refund an estimated $727 million to approximately 2.9 million customers and to pay a $20 million civil money penalty for illegal practices related to credit card "add-on" products. The CFPB found that Bank of America and FIA Card Services deceptively marketed two credit card payment protection products that allowed customers to request the cancelation of some amount of credit card debt in the event of certain hardships or life events. Bank of America and FIA Card services also engaged in unfair billing practices for certain identity protection credit card products that promised to monitor customer credit and alert consumers to potentially fraudulent activity. Bank of America and FIA Card Services billed consumers for these products prior to having the authorization necessary to perform the credit monitoring and credit report retrieval services. The Bureau worked with the OCC, who first uncovered the unfair billing practices, to end these practices and provide relief for consumers.

Consumer Financial Protection Bureau v. ITT Educational Services, Inc., (S.D. Ind. No. 1:14-cv-292-SEB-TAB) (complaint filed February 26, 2014).

The CFPB filed a lawsuit against ITT Educational Services alleging that the for-profit college chain engaged in unfair and abusive practices against consumers by pushing its students into high-interest, high-fee loans that the students could not afford and did not want, in violation of the CFPA. The complaint also alleged that ITT violated TILA and Regulation Z by failing to disclose finance charges in connection with installment loans given to students upon graduation.

In the Matter of: 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% 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. The administrative law judge issued a recommended decision on November 25, 2014, and PHH and the Bureau have appealed to Director Cordray. As of March 31, 2015, that appeal is pending.

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.

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. The complaint seeks injunctive and other equitable relief. On February 12, 2015, the Court denied the defendants' motion for judgment on the pleadings.

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., 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. On April 21, 2015, the Court granted the Bureau's motion for default judgment against Morgan Drexen on the ground that it had fabricated evidence in the case.[67] The Court has not ruled on whether default judgment should be entered against the company's CEO as well.

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.,

[67] While this is outside the reporting period, the information became available before publication.

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., 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 and (2) that defendants were affiliated with, endorsed by, or approved by the U.S. government, among other things. 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. That appeal is currently pending.

7. Fair lending

As part of its mandate, the CFPB's Office of Fair Lending (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 the Equal Credit Opportunity Act (ECOA) and the Home Mortgage Disclosure Act (HMDA).[68] This part of Fair Lending's mandate is accomplished primarily through fair lending supervision and enforcement work. Interagency coordination[69] and outreach to industry groups and fair lending, civil rights, consumer and community advocates[70] are also important elements of our mandate. In addition, the Bureau published a recent fair lending report to Congress[71] on the efforts of the Bureau and our fulfillment of our fair lending mandate. Published on April 28 2015, the Fair Lending Report of the Consumer Financial Protection Bureau[72] provides an overview of risk prioritization process; supervision tools; recent public enforcement actions; interagency coordination efforts and reporting; and outreach activities for all market participants during calendar year 2014. In this Semi-Annual Report update, we focus on highlights from our fair lending supervision and enforcement activities, and continued efforts in interagency coordination and outreach.

---

68 Dodd-Frank Act, § 1013(c)(2)(A).

69 Dodd-Frank Act, §1013(c)(2)(B).

70 Dodd-Frank Act, §1013(c)(2)(C).

71 Dodd-Frank Act, § 1013(c)(2)(D).

72 *See* Consumer Financial Protection Bureau, Fair Lending Report of the Consumer Financial Protection Bureau (Apr. 28, 2015), *available at* http://files.consumerfinance.gov/f/201504_cfpb_fair_lending_report.pdf. While this document is outside the timeframe of this reporting period, it was available as of publication, and so is included here.

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 target reviews, and HMDA reviews. Our supervisory work has focused on the areas of mortgage, auto lending, and credit cards.

In conducting reviews, CFPB examination teams have observed various factors that indicate heightened fair lending risk, including:

- Weak or nonexistent fair lending compliance management systems (CMS);
- Underwriting and pricing policies that consider prohibited bases in a manner that violates ECOA or presents a fair lending risk;
- Discretionary policies without sufficient controls or monitoring to prevent discrimination;
- Inaccurate HMDA data; and
- Noncompliance with Regulation B's adverse action notification requirements.

When the CFPB identifies situations where fair lending compliance is inadequate, it directs institutions to establish fair lending compliance programs commensurate with the size and complexity of the institution and its lines of business. If fair lending violations have occurred, the CFPB will require remediation and restitution to consumers, and may pursue other appropriate relief.

Although the Bureau's supervisory activity is confidential, the Bureau publishes regular reports on its website called *Supervisory Highlights*. These reports provide information to all market participants on broad market and supervisory trends the Bureau observes. The Fall 2014 edition of *Supervisory Highlights*[73] included information on the Bureau's supervisory observations in conducting HMDA[74] Data Integrity Reviews (HMDA Reviews) at dozens of bank and nonbank mortgage lenders. In the report, we note that examination teams have found that many lenders have adequate HMDA compliance systems, resulting in HMDA data with no errors or very few errors. At some institutions, however, examination teams have found inadequate compliance management systems and severely compromised mortgage lending data.

On October 9, 2013, the Bureau published its HMDA Resubmission Schedule and Guidelines (HMDA Resubmission Standards)[75] and a bulletin on HMDA Compliance Management, HMDA Resubmission Standards, and HMDA enforcement.[76] The Bureau released these publications to highlight the importance of accurate HMDA data and effective HMDA compliance management systems, and to provide transparency into how the Bureau enforces HMDA. Based on our subsequent examination experience, the Bureau provided additional guidance in the Fall 2014 edition of *Supervisory Highlights*.

For the majority of CFPB HMDA Reporters, the CFPB's HMDA Resubmission Standards are generally similar to the Federal Reserve Board's HMDA Resubmission Standards. The Bureau's October 9, 2013 guidelines and bulletin announced a different resubmission standard for the largest CFPB HMDA Reporters, defined as any institution reporting 100,000 (or more) loans on its HMDA Loan Application Register (HMDA LAR), given the significance of these institutions' impact on access to mortgage credit.

---

[73] Supervisory Highlights, Fall 2014 (October 28, 2014) *available at* http://files.consumerfinance.gov/f/201410_cfpb_supervisory-highlights_fall-2014.pdf.

[74] 12 USC 2801-2810.

[75] HMDA Examination Procedures (Oct. 2013), *available at:* http://files.consumerfinance.gov/f/201310_cfpb_hmda_resubmission-guidelines_fair-lending.pdf.

[76] CFPB Bulletin 2013-11 (Oct. 9, 2013), *available at:* http://files.consumerfinance.gov/f/201310_cfpb_hmda_compliance-bulletin_fair-lending.pdf.

In response to feedback from mortgage lenders subject to HMDA's reporting requirements, in the Fall 2014 Supervisory Highlights, we announced that in the Bureau's supervisory work, we will follow the CFPB's HMDA Resubmission Standards in reviews of 2014 and subsequent HMDA data, but will continue to follow the previous standards for reviews of 2013 and earlier HMDA data. This distinction will provide CFPB HMDA Reporters with an appropriate opportunity to calibrate their HMDA data collection, reporting, and compliance programs to the Bureau's HMDA Resubmission Standards published in 2013. Bureau examination teams will continue conducting HMDA Reviews using the resubmission thresholds and guidelines that are appropriate to the year of the data being reviewed.

The Winter 2015 edition of *Supervisory Highlights*[77] included information on the Bureau's supervisory observations regarding violations related to the failure to consider public assistance income or other sources of income protected by Regulation B. During recent examinations, the Bureau's examination staff found one or more violations of the ECOA and Regulation B related to the treatment of protected forms of income including discrimination on the basis of public assistance income. Applicants were automatically declined if they relied on income from a non-employment source, such as social security income or retirement benefits, in order to repay the loan. Marketing materials contained written statements regarding the prohibition of non-employment income and thus may have discouraged applicants who received public assistance or other protected sources of income from applying for credit. The relevant supervised entities were directed by examination staff to identify applicants who were wrongly denied on the basis of their protected income source, as well as potential applicants who were discouraged by the marketing materials. Supervision also directed that remediation be made to harmed applicants and prospective applicants, including reimbursement of fees and interest; the opportunity to reapply; and additional remuneration for any consumers who were improperly denied and subsequently lost their homes.

The Winter 2015 edition also included information regarding adverse action notice deficiencies and failure to provide these notices in a timely manner. Regulation B requires a lender to notify

[77] Supervisory Highlights, Fall 2014 (March 11, 2015) *available at* http://files.consumerfinance.gov/f/201503_cfpb_supervisory-highlights-winter-2015.pdf.

an applicant of action taken within 30 days after receiving a completed application regarding the creditor's adverse action on the application.[78] In the report, we note that CFPB examiners found one or more supervised entities failed to provide the requisite information in denial notices as set forth in Regulation B and failed to notify an applicant of action taken within 30 days after receiving the completed application. These errors were attributed to weaknesses in the compliance audit programs and the monitoring and corrective action component of the compliance programs. Finally, the Winter 2015 edition discusses the CFPB bulletin issued on November 18, 2014 that provides guidance to help lenders avoid prohibited discrimination against consumers receiving Social Security disability income. The bulletin is described in more detail in the Fair Lending outreach, speeches, presentations, and publications section below.[79]

7.1.2 Fair lending enforcement[80]

The CFPB has the authority to bring enforcement actions pursuant to HMDA and ECOA. 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 file cases in federal court alleging violations of fair lending laws under the CFPB's jurisdiction. Like other Federal bank regulators, the CFPB will also refer matters to the DOJ when it has reason to believe that a creditor has engaged in a pattern of lending discrimination. Over the past year, the CFPB announced one fair lending enforcement action in the context of credit cards.

[78] 12 CFR 1002.9(a)(1)(i).

[79] CFPB Bulletin 2014-03 (Nov. 18, 2014) *available at* http://files.consumerfinance.gov/f/201411_cfpb_bulletin_disability-income.pdf.

[80] Section 1016(c)(5) of the Dodd-Frank Act requires the Bureau to include in the semi-annual report public enforcement actions the Bureau was a party to during the preceding year, which is October 1, 2013 through September 30, 2014, for this report.

GE Capital, now known as Synchrony Bank

On June 19, 2014, the CFPB, as part of a joint enforcement action with the DOJ, ordered GE Capital, now known as Synchrony Bank, to provide $169 million in relief to about 108,000 borrowers excluded from debt relief offers because of their national origin. The $169 million represents the value of the offer that the consumer did not receive plus interest and indirect damages. If GE Capital had written off or sold their debt, that debt will be forgiven. As part of the CFPB consent order, GE Capital was also required to refund $56 million to approximately 638,000 consumers who were subjected to deceptive marketing practices.[81]

This order represents the federal government's largest credit card discrimination settlement in history. As part of that action, the Bureau found and the DOJ alleged that GE Capital excluded cardholders with Spanish-preferred indicators on their accounts or with mailing addresses in Puerto Rico from two debt collection offers that were provided to other similarly situated cardholders between January 2009 and March 2012.

The Bureau did not assess penalties with respect to the illegal discrimination, based on a number of factors, including that the company self-identified and reported the violation, self-initiated remediation for the harm done to affected consumers, and fully cooperated with the Bureau's investigation, in accordance with the Bureau's *Responsible Business Conduct: Self-Policing, Self-Reporting, Remediation, and Cooperation* bulletin.[82] This bulletin 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.

---

[81] See In the Matter of: Synchrony Bank, f/k/a GE Capital Retail Bank (File No. 2014-CFPB-0007) in Section 6.2 above, Enforcement actions, for more information.

[82] http://files.consumerfinance.gov/f/201306_cfpb_bulletin_responsible-conduct.pdf.

PNC Bank, as successor to National City Bank – settlement administration

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 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 required National City's successor, PNC Bank, to pay $35 million in restitution to harmed African-American and Hispanic borrowers. The consent order also required PNC to pay to hire a settlement administrator to distribute funds to victims identified by the CFPB and DOJ.

In order to carry out the Bureau's and DOJ's 2013 settlement with PNC, as successor in interest to National City Bank, the Bureau and DOJ have worked closely with the settlement administrator and PNC in order to distribute $35 million to minority borrowers who were discriminated against. On September 16, 2014, the Bureau published a blog post (available in English[83] and Spanish[84]) announcing the selection of the settlement administrator. The post provided information to consumers on contacting the administrator and submitting settlement forms, including eligibility claims. Under the supervision of the government agencies, the settlement administrator has contacted over 90,000 borrowers who are eligible for compensation and made over 120,000 phone calls in an effort to ensure maximum participation. As of the participation deadline of February 17, 2015, borrowers on 72.4% of the affected loans have responded to participate in the settlement. The settlement administrator mailed checks to eligible borrowers on May 15, 2015.[85]

---

[83] http://www.consumerfinance.gov/blog/national-city-bank-settlement-administrator-will-contact-eligible-borrowers-soon/.

[84] http://www.consumerfinance.gov/blog/el-administrador-de-negociacion-del-national-city-bank-pronto-se-pondra-en-contacto-con-los-prestatarios-elegibles/.

[85] While this update falls outside the timeframe of this report, this information was available as of publication, and so is included here.

Referrals to DOJ

During this reporting period and pursuant to Section 706(g) of ECOA, the CFPB has also referred 10 matters to the DOJ with regard to:

- Discrimination on the bases of receipt of public assistance income, sex, marital status, age, race and national origin in mortgage lending;
- Discrimination on the bases of race and national origin in auto finance;
- Discrimination on the basis of marital status in unsecured consumer lending; and
- Discrimination on the bases of receipt of public assistance income, age, marital status and sex in student lending.

7.2 Interagency fair lending coordination and outreach

7.2.1 Interagency coordination

The Bureau's fair lending activity involves 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, the Interagency Working Group on Fair Lending Enforcement, and the FFIEC Subcommittee on HMDA and the Community Reinvestment Act.

On October 22, 2014, along with federal partners from the FRB, the DOJ, the FDIC, the OCC, HUD, and the NCUA, the Office of Fair Lending participated in and presented at the 2014 Federal Interagency Fair Lending Hot Topics webinar. The webinar covered several fair lending topics, including fair lending risk assessments, mortgage pricing risks, and indirect auto lending supervision and enforcement activities. The webinar was viewed by approximately 2,500 registrants.

7.2.2 Fair lending outreach, speeches, presentations and publications

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 issuance of Interagency Statements, *Supervisory Highlights*, Compliance Bulletins, and blog posts, as well as through the delivery of speeches and presentations addressing fair lending and access to credit matters.

On November 18, 2014, the Bureau issued a bulletin providing guidance to help lenders avoid prohibited discrimination against consumers receiving Social Security disability income.[86] The bulletin reminds lenders that requiring unnecessary documentation from consumers who receive Social Security disability income may raise fair lending risk, and calls attention to standards and guidelines that may help lenders comply with the law.

The Social Security Administration provides certain benefits for individuals with serious disabilities, but generally will not provide documentation regarding how long benefits will last. Some applicants have reported being asked for information about their disabilities or even for doctors' notes about the likely duration of their disabilities. ECOA and Regulation B prohibit creditors from discriminating against an applicant because some or all of the applicant's income comes from any public assistance program, which includes Social Security disability income. Though lenders can consider the source of an applicant's income for determining pertinent elements of creditworthiness, the bulletin notes that lenders may face fair lending risk if they require documentation beyond that required by lawful applicable agency or secondary market standards and guidelines in order to demonstrate that Social Security disability income is likely to continue.

The bulletin discusses current standards and guidelines on verification of Social Security disability income, including under the CFPB's Ability-to-Repay rule, HUD's standards for Federal Housing Administration-insured loans, the Department of Veterans Affairs (VA)

[86] CFPB Bulletin 2014-03 (Nov. 18. 2014) *available at* http://files.consumerfinance.gov/f/201411_cfpb_bulletin_disability-income.pdf.

standards for VA-guaranteed loans, and guidelines from Fannie Mae and Freddie Mac. The bulletin reminds lenders that following the applicable standards and guidelines may help them avoid policies and practices that violate ECOA and Regulation B.

As noted in the Fair Lending Supervision section above, the Bureau also released on October 28, 2014 the Fall 2014 edition of *Supervisory Highlights*, which focused on the Bureau's supervisory observations in conducting HMDA Data Integrity Reviews (HMDA Reviews) at dozens of mortgage lenders. The Bureau also released on March 11, 2015, the Winter 2015 edition of *Supervisory Highlights*, which included the following fair lending-related topics: consideration of protected forms of income, adverse action notice deficiencies, and the CFPB bulletin providing guidance on avoiding discrimination against consumers receiving Social Security disability income.

CFPB leadership and staff continue to deliver testimony, speeches, panel remarks, webinars, and in-person presentations to diverse audiences, including Members of Congress and staff, industry, national and state fair lending and fair housing groups, and community and consumer advocates.

The Bureau looks forward to continued dialogue with these and other stakeholders on important matters related to fair lending and access to credit.

7.3 Home Mortgage Disclosure Act

On August 29, 2014 the Bureau published in the *Federal Register* proposed changes to Regulation C, which implements HMDA, to improve information reported about the residential mortgage market.[87] The rule would shed more light on consumers' access to mortgage credit by updating the reporting requirements of HMDA regulations. The Bureau also aims to simplify the reporting process for financial institutions. The proposal would improve the quality and type of HMDA data as required by the Dodd-Frank Act. The public comment period for the proposed

[87] http://www.gpo.gov/fdsys/pkg/FR-2014-08-29/pdf/2014-18353.pdf.

rule closed on October 29, 2014. The Bureau received approximately 400 comments. The Bureau is thoroughly reviewing and considering all the comments received and continues working towards potential final rulemaking.

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:[88]

- **Freedom of Information Act (FOIA)**
  Transparency is at the core of the CFPB's agenda and an essential part of how the CFPB operates. The public deserves to know what the CFPB is doing and how we are doing it. Over the last few months, the CFPB has posted the Annual FOIA Report for 2015, the Chief FOIA Officer Report for 2015, and Quarterly Reports for the first two quarters of fiscal year 2015.

- **Leadership Calendars**
  The CFPB remains committed to providing information to the public regarding the daily work of the Bureau's senior leadership by sharing their daily calendars. The Bureau consistently posts the monthly calendars of Director Richard Cordray and Deputy Director Steven Antonakes to its website. The calendars of past leaders Elizabeth Warren and Raj Date are archived on the Bureau's website for the public to view as well.

- **Procurement Opportunities**
  The Bureau remains committed to publishing its future procurement needs by listing a description of the requirement, forecasted solicitation fiscal year and quarter, and forecasted acquisition method.

- **Procurement Transparency**
  The Bureau's Office of Procurement introduced a Contract Transparency Clause in February 2011 in each of its solicitations and contracts. The clause gives notice to all prospective trading partners that the Bureau will publish contracts on our website to enhance the visibility to any interested party in how the public money entrusted to us is being spent. Working with the FOIA Office, we will begin to publish awarded contracts during the Summer of 2015.

---

[88] 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.

- **General Reports**
  The CFPB also continues to post a variety of reports to illustrate progress in several areas of the Bureau's operations and activities. Recent reports posted to the CFPB's website include the 2014 Consumer Response Annual Report, the 2015 Fair Debt Collection Practices Annual Report, the Bureau's Arbitration Study Report, the Winter 2015 edition of *Supervisory Highlights*, a report on financial education and well-being, the Bureau's annual Human Capital report, annual 1017(e)(4) appropriations report, and reports on college credit card agreements and medical debt.

- **Guidance Updates**
  The CFPB periodically provides updates on regulations and guidance. During this reporting period, the Bureau posted updates to its Supervision and Examination Manual, specifically the RESPA and TILA procedures. Additionally, the Bureau posted compliance-related information for issued rules. This included lists for rural counties and rural or underserved counties for 2015.

9. Budget

The Bureau is committed to fulfilling its statutory responsibilities and delivering value to American consumers by being accountable and using our resources 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 was 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.[89]

The inflation-adjusted transfer cap for FY 2014 was $608.4 million. The adjusted transfer cap for FY 2015 is $618.7 million. The CFPB requested transfers from the Federal Reserve totaling $301.8 million to fund CFPB operations and activities through the second quarter of FY 2015.[90]

Funds received from the Federal Reserve are generally 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, however, are invested in Treasury securities. Earnings from those investments are also deposited into the Bureau's account.[91]

If the authorized transfers from the Federal Reserve were not sufficient in FY 2010-2014, the CFPB had the authority in those fiscal years to ask Congress for up to $200 million in additional funds, subject to the appropriations process.[92] The CFPB did not request an appropriation in FY 2011, FY 2012, FY 2013 or FY 2014. That authority has now expired.

9.1.1 Fiscal year 2015 spending through second quarter

As of March 31, 2015, the end of the second quarter of FY 2015, the CFPB incurred approximately $284.5 million in obligations[93] to carry out the authorities of the Bureau under Federal financial consumer law. Approximately $129 million was spent on employee compensation and benefits for the 1,459 CFPB employees who were on-board by the end of the second quarter.

---

[89] *See* Dodd-Frank Act, Pub. L. No. 111-203, Sec. 1017(a)(2).

[90] The Bureau posts all funding request letters on its website at consumerfinance.gov/budget.

[91] *See* Dodd-Frank Act, Pub. L. No. 111-203, Sec. 1017(b).

[92] *See id.* Sec. 1017(e).

[93] 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 fiscal year were related to contractual services. Some of the Bureau's significant obligations that occurred in the first two quarters of FY 2015 included:

- $12.0 million for a one-year building occupancy agreement with the Office of the Comptroller of the Currency;
- $10.1 million to the Department of Treasury for information technology infrastructure, and other administrative services;
- $10.0 million for a one-year building occupancy agreement with the General Services Administration for CFPB's temporary headquarters office space;
- $9.8 million for maintaining ongoing operations of CFPB's consumer contact center and enhancements to the case management database;
- $7.7 million to the Department of Treasury for various administrative support services, including information technology and human resource systems support;
- $6.1 million for technical litigation support services and products provided through an interagency agreement with the Department of Justice;
- $6.0 million for enterprise-wide engineering and system administration contractor support; and
- $4.9 million to the Department of Treasury's Bureau of Fiscal Services for cross-leveling systems support, such as core financial accounting, procurement, transaction processing and reporting, travel and payroll.

Tables 15 and 16 categorize CFPB obligations incurred through the first two quarters of FY 2015 by expense category and division/program area:

TABLE 15: FY 2015 SPENDING BY EXPENSE CATEGORY

Expense Category	FY 2015
Personnel Compensation	$93,833,000
Benefit Compensation	$34,492,000
Travel	$8,705,000
Transportation of Things	$29,000
Rents, Communications, Utilities & Misc.	$16,166,000
Printing and Reproduction	$2,492,000
Other Contractual Services	$110,270,000
Supplies & Materials	$2,728,000
Equipment	$13,132,000
Land and Structures	$2,218,000
Interest and Dividends	$0
Total (as of 03/31/15)	**$284,515,000**

TABLE 16: FY 2015 SPENDING BY PROGRAM AREA

Division/Program Area	FY 2015
Office of the Director	$3,499,000
Operations	$57,724,000
Consumer Education & Engagement	$10,785,000
Research, Markets & Regulations	$17,798,000
Supervision, Enforcement, Fair Lending	$72,256,000
Legal Division	$6,267,000
External Affairs	$3,383,000
Other Programs[94]	$1,461,000
Centralized Services[95]	$111,341,000
Total (as of 03/31/15)	**$284,515,000**

[94] Other Programs comprises the costs of the CFPB Office of Ombudsman, Administrative Law Judges, and other CFPB programs.

[95] 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).

9.1.2 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.[96] 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.

Civil penalty funds collected in 2015

In the first quarter of FY 2015, the CFPB collected civil penalties from six defendants totaling $23.4 million. In the second quarter, $24.2 million was received from 10 defendants. Civil penalties collected in FY 2015 to date[97] total $47.6 million.

TABLE 17: FY 2015 CIVIL PENALTY FUND COLLECTIONS

Defendant name	CMP collected	Collection date
U.S. Bank	$5,000,000	October 3, 2014
Lighthouse Title	$ 200,000	October 3, 2014
Flagstar Bank, F.S.B.	$10,000,000	October 9, 2014
M&T Bank	$ 200,000	October 17, 2014
DriveTime	$8,000,000	November 25, 2014

[96] *See* Dodd-Frank, Pub. L. No. 111-203, Sec. 1017(d).

[97] As of March 31, 2015.

Premier Consulting Group, LLC et al.	$ 46,050[98]	December 12, 2014 March 5, 2015
Freedom Stores, Inc.	$ 100,000	January 16, 2015
College Education Services	$ 25,000	January 30, 2015
American Preferred Lending, Inc	$ 70,000[99]	February 20, 2015
J.P. Morgan Chase (Genuine Title Matter)	$ 500,000	February 18, 2015
Wells Fargo (Genuine Title Matter)	$21,000,000	February 13, 2015
Todd & Elaine Cohen (Genuine Title Matter)	$ 30,000	February 20, 2015
Continental Finance Company, LLC	$ 250,000	February 11, 2015
NewDay Financial, LLC	$ 2,000,000	February 19, 2015
Flagship Financial Group, LLC	$ 225,000	March 2, 2015
Total	**$47,646,050**	

Civil penalty funds allocated in FY 2015

Period 4: April 1, 2014- September 30, 2014

On November 28, 2014, the Bureau made its fourth allocation from the Civil Penalty Fund. As of September 30, 2014, the Civil Penalty Fund contained an unallocated balance of $112.8 million. This amount was available for allocation pursuant to 12 C.F.R. § 1075.105(c).

[98]Premier Consulting Group, LLC agreed to pay civil penalty of $69,075 in 3 installments of $23,025. Two installments totaling $46,050 have been received to date. We anticipate collecting the remaining $23,025 in accordance with the schedule in the order.

[99]American Preferred Lending, Inc. is to pay $85,000 in CMPs in 3 installments. The first payment of $35,000 was received on 2/20/15. We anticipate collecting the remaining $50,000 in accordance with the schedule in the order.

During Period 4, final orders in Bureau enforcement actions imposed civil penalties in 13 cases. For three cases with final orders from Period 4, the civil penalties were received after 9/30/14 and were not included as available funds for allocation in Period 4. Under the Civil Penalty Fund rule, the victims of the violations for which the civil penalties were imposed in these 13 cases are eligible to receive payment from the Civil Penalty Fund to compensate their uncompensated harm.[100]

Of those 13 cases, ten cases have classes of eligible victims with no uncompensated harm that is compensable from the Civil Penalty Fund, and three cases have classes of eligible victims with uncompensated harm. As part of the Period 4 allocation, one case from Period 3 and four cases from Period 2 were reviewed, in addition to the Period 4 cases. In these five prior-period cases, the Fund Administrator has determined that the classes of victims in these cases do not have uncompensated harm that is compensable from the Civil Penalty Fund.

The three cases with compensable uncompensated harm, Amerisave, Culver Capital LLC, and Global Client Solutions, received an allocation from the Civil Penalty Fund. The Bureau allocated $1.38 million to the Amerisave victim class, enough to compensate fully that victim class's uncompensated harm. The Bureau also allocated $3.4 million to the Culver Capital victim class, and $108 million to the Global Client Solutions victim class, enough to compensate 89% of those victim classes' uncompensated harm. No funds were allocated to consumer education and financial literacy programs.

There was no remaining unallocated Civil Penalty Fund balance available for future allocation. Civil penalties collected on or after September 30, 2014 were deposited in the Fund. The amount

[100] 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 out any compensation that the victim has received—or is reasonably expected to receive—for that harm. *See* 12 CFR 1075.104.

in the Fund as of March 31, 2015 will be available for allocation following the conclusion of Period 5 in accordance with 12 C.F.R. § 1075.105(c).

TABLE 18: PERIOD 4 ALLOCATION SUMMARY

Type	Allocation
Victim Compensation	$112,776,305
Culver Capital, LLC	
Victim Class Allocation: $3,400,434	
Amerisave	
Victim Class Allocation: $1,380,470	
Global Client Solutions	
Victim Class Allocation: $107,995,400	
Consumer Education and Financial Literacy Programs:	$0
Total Allocation	**$112,776,305**

9.1.3 Bureau-administered redress

Dodd-Frank Act section 1055 authorizes a court in a judicial action, or the CFPB in an administrative proceeding, to grant any appropriate legal or equitable relief for a violation of Federal consumer financial law. Such relief may include redress for victims of the violations, including refunds, restitution, and damages. Relief that is intended to compensate victims is treated as fiduciary funds and deposited into the "Legal or Equitable Relief Fund" established at the Department of the Treasury.

In the first quarter of FY 2015, the Bureau collected $28.2 million in Bureau-Administered Redress funds. A collection of $27.5 million was received from Flagstar Bank and $730,000 was received from Franklin Loan Corporation. In the second quarter of FY 2015, the Bureau collected $687,033 in Bureau-Administered Redress funds. A collection of $386,280 was received from Freedom Stores, Inc and $300,753 was received from J.P. Morgan Chase. In all

Bureau-Administered Redress cases, funds will be distributed in accordance with the terms of their respective final orders.

10. Diversity and excellence

10.1 Recruiting and hiring

The CFPB continues its commitment to recruit and hire highly qualified individuals from diverse backgrounds to serve the Bureau's mission. Our recruitment framework is designed to build talent pipelines at the Bureau's 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 31, 2015, there were 1,437 staff on-board and working to carry out the CFPB's mission.

To meet current and future staffing requirements, the Bureau will continue to evolve its talent acquisition strategies to build a pipeline of talent through the following methods:

10.1.1 Recruiting strategically to build a diverse workforce

The Bureau is committed to recruiting highly-qualified, diverse applicants for CFPB positions. The Bureau leverages several sources for recruitment to ensure access to wide candidate pools. The Bureau deploys a comprehensive outreach approach and achieves its recruiting goals through:

- Leveraging digital platforms to maximize engagement reach, including leveraging the Professional Diversity Network – a digital platform that enables us to publish CFPB job opportunities to eight distinct diverse target areas;
- External outreach, which includes attendance at professional conferences and university events, with a special focus on building relationships and marketing with diverse affinity organizations such as the National Black MBA Association, the National Society of

Hispanic MBAs, the Association of Latin Professionals in Finance and Accounting, Ascend Pan Asian Leaders, and the National Association of Black Accountants;

- Enlisting senior leadership and Bureau champions to promote the Bureau's employer identity at outreach events to attract candidates to the CFPB as a "best place to serve";
- Engaging existing staff as ambassadors of the Bureau and providing them with the tools, messages, and resources to reach out to their own professional networks;
- Continuing to utilize professional development programs to build a robust pipeline of talent to meet current and emerging workforce needs, including the Federal Pathways Program and Presidential Management Fellows Program; and
- Leveraging and promoting flagship programs, such as the Technology and Innovation Fellows Program, the Director's Financial Analyst Program, and the Louis Brandeis Honors Attorney Program to find the best and brightest entry-level talent, attracting candidates not usually available to the Federal government and promoting the Bureau as an employer of choice.

10.1.2 Becoming an employer of choice

The CFPB continues to build its reputation of being an employer that offers challenging work in direct support of American consumers. The Bureau's stimulating mission, willingness to innovate and collaborate, and insistence on excellence serve as strong platforms to recruit exceptional talent. The CFPB recruits inspired, goal-oriented professionals who derive intrinsic value from professional accomplishment. CFPB's employer identity as an agency that protects consumers directly reinforces the Bureau's identity as an employer of choice. 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.

10.1.3 Enhancing the candidate experience

CFPB is committed to engaging candidates throughout the hiring process in accordance with Federal hiring goals and standards.

OHC continues to use tailored assessment methods (e.g., structured interviews, work sample reviews) to support selections for specific positions, and offers training to hiring managers on how to use structured interviews effectively. These candidate assessment strategies continue to 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 has continued administering its New Employee and Hiring Manager Surveys 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, 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:

- Continue to increase quantity and scope of targeted learning programs for employees and leaders;
- Began operating under an interim, two-level performance management system negotiated as part of our collective bargaining agreement with NTEU to promote achievement of the Bureau's mission by enhancing employee performance and engagement through continuous feedback, ongoing collaboration between employees and supervisors and a focus on the development of employee skills and competencies;
- Continued to provide guidance and consultations to both employees and leaders on the individual development planning process and developmental opportunities, including a cross-reference to numerous off-the-shelf learning programs, as well as a career development workshop;
- Finalized and began to roll out a comprehensive suite of career planning tools, including Skills and Interest Inventories, a Details Marketplace, a guide to Career Paths at the Bureau, and other training and development opportunities, to assist employees in their career development;
- Finalized an effort to update and enhance CFPB's competency models, including validating the proposed competencies and preparing for rollout across the Bureau;

- Strengthened and expanded the leadership coaching program to include middle managers as well as CFPB leadership;
- Offered 17 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 for managers and line-staff along with a number of cultural awareness events to raise awareness and develop cultural competency skills;
- Extended the Effective Feedback Conversations seminar to both managers and employees to support positive and constructive performance feedback, set expectations concerning career advancement, and support employee development;
- Continued to deliver internal custom training course for new CFPB supervisors to cover basic managerial duties as a Federal supervisor or manager;
- Continued to deliver custom CFPB Leadership and Management Development series called the Leadership Excellence Seminars, designed to train all supervisors and managers at CFPB on managerial practices and leadership behaviors. Class Sessions are delivered in Cohorts, comprised of a mix of all management levels: Supervisors, Middle Managers, and Executives;
- Continued to deliver internal custom training courses for CFPB team members on Effective Meetings and Effective Teams;
- Enhanced on-line learning and development resources, by adding access to thousands of on-line books and materials, video vignettes of lessons learned from specialists, noted authors, and business leaders, more online courses that addressed CFPB core competencies and basic supervisory skills, and managerial learning references;
- Launched a library of online reference material through the CFPB library; and
- Finalized design of a new Examiner Training Cohort Program to expose new examiners to Federal consumer financial laws and CFPB examination procedures and practices through formal classroom training, examination experiences, and informal coaching from experienced commissioned examiners.

In addition, the Bureau continues 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 and inclusion

In January 2012, the Bureau formally established the Office of Minority and Women Inclusion (OMWI) to ensure that diversity and inclusion continues to inform its work as provided under the Dodd-Frank Act.

OMWI has a three-part mandate:

1. To be responsible for all matters of the agency relating to diversity in management, employment and business activities.
2. To develop and refine 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 procurement 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.
3. To advise the Director of the CFPB on the impact of the policies and regulations of the agency on minority-owned and women owned businesses.

10.3.1 Diversity in the CFPB's workforce

As of March 31, 2015, the Bureau had 1,437 total employees. Women represent 47% 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. Along with gender equality, the Bureau aims to increase workforce diversity with greater representation of minorities. As Table 19 shows, minorities constituted 35% percent of the workforce at the end of March 2015.[101]

TABLE 19: CFPB WORKFORCE DIVERSITY AS OF MARCH 2015

Demographic group	CFPB MARCH 2015 #	CFPB MARCH 2015 %
Male	764	53%
Female	673	47%
Non-Minority	931	65%
Total Minority	506	35%
Total Workforce	1,437	100%

Figure 15 shows the CFPB workforce by race and ethnicity. Of the 1,437 employees at the end of the reporting period, 68% self-identify as White, 18% as Black/African-American, 9% as Asian American, and 4% as another racial group or belonging to two or more racial groups. In terms of ethnicity, 6% of employees self-identify as Hispanic, and 94% as Non-Hispanic.

[101] March 21, 2015

FIGURE 15: CFPB WORKFORCE BY ETHNICITY AND RACE AS OF MARCH 2015

Ethnic or racial group	CFPB MARCH 2015 #	CFPB MARCH 2015 %
Ethnic Group		
Non-Hispanic	1,357	94%
Hispanic	80	6%
Racial Group		
White	983	68%
African American	259	18%
Asian	133	9%
American Indian or Alaska Native	6	0.4%
Native Hawaiian or Pacific Islander	2	0.1%
2 or More Races	40	3%
Other	14	1%

10.3.2 Workplace Initiatives

OMWI spearheads the Bureau's efforts to bring diverse perspectives to the CFPB's work by ensuring that the talents of employees are maximized and that inclusion strategies are incorporated into the policies, practices, and training at the Bureau. One of OMWI's areas of focus is on efforts to create an inclusive organizational culture by promoting policies and procedures to ensure that the Bureau's workplace is hospitable and welcoming to all employees. OMWI's training for managers provide supervisors and managers with the tools to build inclusive work environments for all employees. In addition, OMWI has embarked on several initiatives to better understand and improve the employee experience. OMWI is also working to promote greater diversity in hiring and contracting practices at the Bureau. OMWI currently offers comprehensive training that will enable managers and employees to both understand and appreciate diversity and how to support an inclusive work environment.

The CFPB is committed to fostering an environment in which every individual has an equitable 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 works closely through the Bureau's executive diversity council consisting of Bureau-wide leaders that support and promote diversity and inclusion (D&I) programs throughout the Bureau. In conjunction with the council, a staff-level working group through which employees may communicate to management on broad-based diversity and inclusion insights and challenges, and participate in activities that increase awareness of D&I, is also currently being launched. OMWI utilizes its 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 enhance the workplace culture.

OMWI continues to provide diversity and inclusion training to Bureau employees to expand awareness, knowledge and cultural competencies to aid understanding of the value of a diverse workforce to the CFPB mission. OMWI provides a two day comprehensive diversity and inclusion training to all managers to help them develop awareness, knowledge and skills for managing a diverse workforce, for creating inclusive teams and for incorporating consideration for diversity and inclusion in the work products for the benefit on consumers.

The office will launch a mentoring program to equip employees with the tools necessary to navigate their career path. OMWI works closely with OHC, and the Office of Civil Rights (OCR), in analyzing annual employee survey results, exit survey trends, and workforce analytics to determine trends and areas of opportunity.

Workforce diversity

OMWI is responsible for promoting diverse and inclusive hiring practices at the Bureau. OMWI continues to collaborate with OHC and OCR to develop tools to monitor and analyze the diversity of applicants and hires. OMWI participates in 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 developed strategic partnerships with colleges, universities, professional organizations and affinity groups that we believe will continue to connect us to a diverse applicant pool.

This year OMWI has focused on:

- Conducting listening sessions for Bureau employees to hear concerns about diversity, inclusion, equality, and fairness and issuing a report with recommendations;

- Developing and administering diversity and inclusion training programs for employees at all levels to increase awareness and understanding of diversity and inclusion issues in the workplace, including a two day workshop for supervisors and managers;

- Collaborating with OHC and OCR to conduct robust structured interview training and reduce bias in hiring, including tips on recruitment, interviewing, managing unconscious bias, and promoting inclusion;

- Collaborating with the CFPB's Hispanic Outreach working group to develop multifaceted and targeted recruitment strategies;

- Partnering with OHC to conduct analysis of the Annual Employee Survey (AES) to measure differences in perception among demographic groups;

- Providing subject matter expertise to the Performance Management Working Group on attending to diversity and inclusion in the development of the new performance management policy;

- Increasing the OMWI's impact on Bureau-wide hiring through a series of recruitment, hiring, and relationship building events;

- Working in a consulting capacity with Divisions to incorporate consideration for diversity and inclusion in their strategic plans and on the implementation of their diversity and inclusion goals; and

- Streamlining information sharing by elevating OMWI and the Office of Civil Rights to work in the Office of the Director under a new umbrella organization called the Office of Equal Opportunity and Fairness. The consolidation raises the profile of the offices, reiterates the importance of these functions to the Bureau, and enhances collaboration and information sharing between these offices and within the Bureau.

OMWI continues to collaborate with OHC and OCR to ensure that our policies support the hiring, retention and development of a diverse and inclusive workforce. OMWI participates in 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 developed strategic partnerships with colleges, universities, professional organizations and affinity groups that we believe will continue to connect us to a diverse applicant pool. OMWI has assisted with the development of internal systems and processes, as well as training, to ensure that the CFPB has the benefit of a diverse and qualified pool of candidates for all job openings. OMWI has 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 interagency 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.

Minority-owned and women-owned business initiatives

OMWI and the Bureau's Procurement Office (Procurement) are committed to greater economic empowerment for women and minorities and aim to promote procurement opportunities for minority-owned and women-owned businesses.

OMWI and Procurement have engaged in outreach efforts to raise awareness of procurement opportunities available at CFPB. These include:

- 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;
- Holding an in-house, monthly OMWI Supplier Diversity Procurement Workshop in an effort to assist and educate small businesses on CFPB's needs and the general Federal procurement process;

- Hosting monthly workshops at CFPB to introduce potential vendors to the CFPB and to provide information on how to do business with the CFPB; and
- Distributing literature and educational materials aimed at minority- and women-owned businesses.

The CFPB is a regular participant in an interagency working group consisting of other OMWI staff from the FDIC, FHFA, FRB, Treasury, NCUA, OCC, and SEC. Procurement is currently measuring obligations for certain small business contracts awarded to minority-owned small disadvantaged businesses, women-owned small businesses, service disabled veteran-owned small businesses, and HUBZone small businesses. As of the end of the second quarter in FY 2015,[102] the Bureau awarded 9% of contract dollars to small businesses. As shown in Table 20, of the total contract dollars awarded in FY 2015, 2% went to small disadvantaged businesses. Additionally, 3% of total contract dollars went to woman-owned small businesses. In December 2014, the General Services Administration awarded a $99 million construction contract, on CFPB's behalf, to renovate the Bureau's headquarters building in Washington, DC. Thus, it is expected that CFPB's small business percentage will be affected in FY 2015.

TABLE 20: CONTRACT DOLLARS AWARDED TO SMALL BUSINESS BY TYPE

	Obligated dollars*
Small business	$14,584,065
Small disadvantaged business	$2,532,199
Woman-owned small business	$4,134,225
Service disabled veteran owned small business	$2,168,369
HubZone small business	$137,349

[102] Data source is from the Federal Procurement Data System (FPDS) for FY 2015 through March 31, 2015. The data was pulled, and is current, as of May 12, 2015. FPDS data is subject to an OMB annual validation each January for the previous fiscal year.

*Dollars may apply to multiple socio-economic categories.

Coordinating with OMWI, Procurement uses its external website to provide a forecast of procurement opportunities. Procurement and OMWI jointly present important tips for potential businesses at the CFPB monthly workshops and provide email addresses to foster 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 women-owned and minority-owned businesses. OMWI has created brochures and pamphlets for diverse suppliers. These materials include information on historical obligations by products and service categories, a forecast of future procurements, and information on small business set-asides. OMWI works with Procurement to make these resources available digitally and update them regularly on the CFPB's website.[103]

The two offices have also extended outreach efforts both locally and nationally, including presence at the Reservation Economic Summit and the 25th Annual Government Procurement Conference, in addition to the monthly OMWI Supplier Diversity Procurement Workshops held at the Bureau's headquarters. Finally, in furthering OMWI's mandate to ensure fair inclusion among its suppliers, OMWI and Procurement have developed a contractual provision requiring contractors, and subcontractors when applicable, "good-faith efforts" to ensure, to the maximum extent possible, the "fair inclusion of women and minorities in the[ir] workforce", as required under Section 342(c)(2)-(3) of the Dodd-Frank Act. In addition, Director Cordray has approved a CFPB Supplier Diversity Statement, reaffirming the Bureau's commitment to providing an environment of inclusion amongst qualified, diverse suppliers. The Statement can be seen in full on CFPB's external website.

External Affairs/Consumer Education and Engagement

In collaboration with External Affairs and Consumer Education and Engagement, OMWI conducts outreach to consumer groups, advocacy organizations, and other stakeholders to

---

[103] http://www.consumerfinance.gov/doing-business-with-us/ .

develop strong and productive partnerships. The offices collaborate to reach consumers and potential candidates at recruiting events, community outreach events and others events. They also engage in meetings with these groups to discuss concerns and issues such as how policies may impact consumers, and how they may increase their participation in contracting opportunities for minority and women-owned businesses and to learn about the consumer experience firsthand. OMWI will continue to develop productive relationships with the representatives of the communities that we serve.

APPENDIX A:

More about the CFPB

GENERAL INFORMATION:
Email address: info@consumerfinance.gov
Phone number: (202) 435-7000

WEBSITE:
www.consumerfinance.gov

MAILING ADDRESS:
Consumer Financial Protection Bureau
ATTN: Employee name, Division, and/or Office Number
1700 G Street, NW
Washington, DC 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	55-60
2	A justification of the Bureau's budget request for the previous year	Budget; Appendix I – Financial and budget reports	134-43 183-85
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	161–69
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	17-55

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 Fair lending enforcement actions	103-19 124-27
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	170-72
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	173-74
8	An analysis of the Bureau's efforts to fulfill its fair lending mission	Fair lending	120-30
9	An analysis of the Bureau's efforts to increase workforce and contracting diversity consistent with the procedures established by OMWI	Diversity and excellence	144-56

APPENDIX C:

Significant rules, orders, and initiatives[104]

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.[105] 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:[106]

- Final Policy Statement: Disclosure of Consumer Complaint Narrative Data;[107]
- Request for Information Regarding the Consumer Complaint Database;[108]

[104] 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/ and consumerfinance.gov/guidance.

[105] The preceding year is defined as April 1, 2014 – March 31, 2015.

[106] 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. Items are listed in chronological order of *Federal Register* publication, beginning with the most recently-published document.

[107] http://www.gpo.gov/fdsys/pkg/FR-2015-03-24/pdf/2015-06722.pdf.

- Request for Information Regarding Credit Card Market;[109]
- Proposed Rule: Submission of Credit Card Agreements under the Truth in Lending Act (Regulation Z);[110]
- Final Rule: Amendments to the 2013 Integrated Mortgage Disclosures Rule under the Real Estate Settlement Procedures Act (Regulation X) and the Truth in Lending Act (Regulation Z) and the 2013 Loan Originator Rule under the Truth in Lending Act (Regulation Z);[111]
- Proposed Rule: Amendments Relating to Small Creditors and Rural or Underserved Areas Under the Truth in Lending Act (Regulation Z);[112]
- Request for Information Regarding an Initiative on Safe Student Banking;[113]
- Final Rule: Appraisals for Higher-Priced Mortgage Loans Exemption Threshold Adjustment;[114]
- Final Rule: Truth in Lending Act (Regulation Z) Adjustment to Asset-Size Exemption Threshold;[115]
- Final Rule: Home Mortgage Disclosure (Regulation C) Adjustment to Asset-Size Exemption Threshold;[116]

---

[108] http://www.gpo.gov/fdsys/pkg/FR-2015-03-24/pdf/2015-06707.pdf.

[109] http://www.gpo.gov/fdsys/pkg/FR-2015-03-19/pdf/2015-06351.pdf.

[110] http://www.gpo.gov/fdsys/pkg/FR-2015-02-26/pdf/2015-03879.pdf.

[111] http://www.gpo.gov/fdsys/pkg/FR-2015-02-19/pdf/2015-01321.pdf.

[112] http://www.gpo.gov/fdsys/pkg/FR-2015-02-11/pdf/2015-02125.pdf.

[113] http://www.gpo.gov/fdsys/pkg/FR-2015-02-13/pdf/2015-02982.pdf.

[114] http://www.gpo.gov/fdsys/pkg/FR-2014-12-30/pdf/2014-30419.pdf.

[115] http://www.gpo.gov/fdsys/pkg/FR-2014-12-29/pdf/2014-30405.pdf.

- Proposed Rule: Prepaid Accounts Under the Electronic Fund Transfer Act (Regulation E) and the Truth in Lending Act (Regulation Z);[117]
- Proposed Rule: Amendments to the 2013 Mortgage Rules under the Real Estate Settlement Procedures Act (Regulation X) and the Truth in Lending Act (Regulation Z);[118]
- Final Rule: Amendments to the 2013 Mortgage Rules Under the Truth in Lending Act (Regulation Z);[119]
- Proposed Rule: Amendments to the 2013 Integrated Mortgage Disclosures Rule Under the Real Estate Settlement Procedures Act (Regulation X) and Truth in Lending Act (Regulation Z) and the 2013 Loan Originator Rule Under the Truth in Lending Act (Regulation Z);[120]
- Final Rule: Amendment to the Annual Privacy Notice Requirement Under the Gramm-Leach-Bliley Act (Regulation P);[121]
- Proposed Policy: No-Action Letters;[122]
- Proposed Plan: Proposed Language Access Plan for the Consumer Financial Protection Bureau;[123]

---

[116] http://www.gpo.gov/fdsys/pkg/FR-2014-12-29/pdf/2014-30404.pdf.

[117] http://www.gpo.gov/fdsys/pkg/FR-2014-12-23/pdf/2014-27286.pdf.

[118] http://www.gpo.gov/fdsys/pkg/FR-2014-12-15/pdf/2014-28167.pdf.

[119] http://www.gpo.gov/fdsys/pkg/FR-2014-11-03/pdf/2014-25503.pdf.

[120] http://www.gpo.gov/fdsys/pkg/FR-2014-10-29/pdf/2014-24739.pdf.

[121] http://www.gpo.gov/fdsys/pkg/FR-2014-10-28/pdf/2014-25299.pdf.

[122] http://www.gpo.gov/fdsys/pkg/FR-2014-10-16/pdf/2014-24645.pdf.

[123] http://www.gpo.gov/fdsys/pkg/FR-2014-10-08/pdf/2014-24122.pdf.

- Proposed Rule: Defining Larger Participants of the Automobile Financing Market and Defining Certain Automobile Leasing Activity as a Financial Product or Service;[124]
- Final rule: Defining Larger Participants of the International Money Transfer Market;[125]
- Final Rule: Electronic Fund Transfers (Regulation E);[126]
- Proposed Rule: Home Mortgage Disclosure (Regulation C);[127]
- Final Rule: Truth in Lending (Regulation Z) Annual Threshold Adjustments (CARD Act, HOEPA and ATR/QM);[128]
- Proposed policy statement: Disclosure of Consumer Complaint Narrative Data;[129]
- Final Rule: Application of Regulation Z's Ability-to-Repay Rule to Certain Situations Involving Successors-in-Interest;[130]
- Final Rule: Rules of Practice for Issuance of Temporary Cease-and-Desist Orders;[131]
- Request for Information Regarding the Use of Mobile Financial Services by Consumers and Its Potential for Improving the Financial Lives of Economically Vulnerable Consumers;[132]

---

[124] http://www.gpo.gov/fdsys/pkg/FR-2014-10-08/pdf/2014-23115.pdf.

[125] http://www.gpo.gov/fdsys/pkg/FR-2014-09-23/pdf/2014-22310.pdf.

[126] http://www.gpo.gov/fdsys/pkg/FR-2014-09-18/pdf/2014-20681.pdf.

[127] http://www.gpo.gov/fdsys/pkg/FR-2014-08-29/pdf/2014-18353.pdf.

[128] http://www.gpo.gov/fdsys/pkg/FR-2014-08-15/pdf/2014-18838.pdf.

[129] http://www.gpo.gov/fdsys/pkg/FR-2014-08-04/pdf/2014-18355.pdf.

[130] http://www.gpo.gov/fdsys/pkg/FR-2014-07-17/pdf/2014-16780.pdf.

[131] http://www.gpo.gov/fdsys/pkg/FR-2014-06-18/pdf/2014-14228.pdf.

- Proposed Rule: Amendment to the Annual Privacy Notice Requirement Under the Gramm-Leach-Bliley Act (Regulation P);[133]
- Proposed Rule: Amendments to the 2013 Mortgage Rules under the Truth in Lending Act (Regulation Z);[134]
- Proposed Rule: Electronic Fund Transfers (Regulation E);[135] and
- Proposed Rule: Minimum Requirements for Appraisal Management Companies.[136]

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 to address issues in connection with implementation of the Dodd-Frank Act's mortgage requirements and implementation of the Bureau's 2013 Mortgage Rules;
- Continue work toward a final rulemaking to implement the Dodd-Frank Act amendments to HMDA;
- 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 Receiving Financial Assistance from the Bureau;

---

[132] http://www.gpo.gov/fdsys/pkg/FR-2014-06-12/pdf/2014-13552.pdf.

[133] http://www.gpo.gov/fdsys/pkg/FR-2014-05-13/pdf/2014-10713.pdf.

[134] http://www.gpo.gov/fdsys/pkg/FR-2014-05-06/pdf/2014-10207.pdf.

[135] http://www.gpo.gov/fdsys/pkg/FR-2014-04-25/pdf/2014-09036.pdf.

[136] http://www.gpo.gov/fdsys/pkg/FR-2014-04-09/pdf/2014-06860.pdf.

- Propose additional rules to further define the scope of the Bureau's nonbank supervision program; and
- Working jointly with the FRB, 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:[137]

- Bulletin on Treatment of Confidential Supervisory Information;[138]
- Bulletin on Social Security Disability Income Verification;[139]
- Bulletin on Marketing of Credit Card Promotional APR Offers;[140]
- Interagency Guidance Regarding Unfair or Deceptive Credit Practices;[141]
- Bulletin 2014-01 on Mortgage Servicing Transfers;[142]
- Policy Guidance on Supervisory and Enforcement Considerations Relevant to Mortgage Brokers Transitioning to Mini-Correspondent Lenders;[143] and

---

[137] The past year is defined here as April 1, 2014 – March 31, 2015. The Bureau posts all bulletins and guidance documents on its website, http://www.consumerfinance.gov.

[138] CFPB Bulletin 2015-01 was published on the Bureau's website on January 27, 2015. http://files.consumerfinance.gov/f/201501_cfpb_compliance-bulletin_treatment-of-confidential-supervisory-information.pdf.

[139] CFPB Bulletin 2014-03 was published on the Bureau's website on November 18, 2014. http://files.consumerfinance.gov/f/201411_cfpb_bulletin_disability-income.pdf.

[140] CFPB Bulletin 2014-02 was published on the Bureau's website on September 3, 2014. http://files.consumerfinance.gov/f/201409_cfpb_bulletin_marketing-credit-card-promotional-apr-offers.pdf.

[141] This document was issued jointly by the FRB, CFPB, FDIC, NCUA, and OCC on August 22, 2014. http://www.gpo.gov/fdsys/pkg/FR-2014-08-29/pdf/2014-18353.pdf.

[142] CFPB Bulletin 2014-01 was published to the Bureau's website on August 19, 2014. http://files.consumerfinance.gov/f/201408_cfpb_bulletin_mortgage-servicing-transfer.pdf.

- Application of Regulation Z's Ability-to-Repay Rule to Certain Situations Involving Successors-in-Interest.[144]

The Bureau has issued the following orders to remedy violations of Federal consumer financial protection law over the past year:[145]

- *In the Matter of: Flagship Financial Group, LLC;*[146]
- *In the Matter of: American Preferred Lending, Inc.;*[147]
- *In the Matter of: NewDay Financial, LLC;*[148]
- *In the Matter of: Continental Finance Company, LLC;*[149]
- *In the Matter of: JPMorgan Chase Bank, N.A.;*[150]
- *In the Matter of: Wells Fargo Bank, N.A.;*[151]

---

[143] This document was published on the Bureau's website on July 11, 2014. http://files.consumerfinance.gov/f/201407_cfpb_guidance_mini-correspondent-lenders.pdf.

[144] This final rule was published on the Bureau's website on July 8, 2014. http://files.consumerfinance.gov/f/201407_cfpb_bulletin_mortgage-lending-rules_successors.pdf.

[145] April 1, 2014 – March 31, 2015.

[146] File No. 2015-CFPB-0006. Consent order entered February 12, 2015. http://files.consumerfinance.gov/f/201502_cfpb_consent-order_flagship-financial-group.pdf.

[147] File No. 2015-CFPB-0005. Consent order entered February 12, 2015. http://files.consumerfinance.gov/f/201502_cfpb_consent-order_american-preferred-lending.pdf.

[148] File No. 2015-CFPB-0004. Consent order entered February 10, 2015. http://files.consumerfinance.gov/f/201502_cfpb_consent-order_newday-financial.pdf.

[149] File No. 2015-CFPB-0003. Consent order entered February 4, 2015. http://files.consumerfinance.gov/f/201502_cfpb_consent-order_continental-finance.pdf.

[150] File No. 2015-CFPB-0001. Consent order entered January 22, 2015. http://files.consumerfinance.gov/f/201501_cfpb_consent-order_jp-morgan-chase-bank-na.pdf.

- *In the Matter of: DriveTime Automotive Group, Inc. and DT Acceptance Corp.;*[152]
- *In the Matter of: Manufacturers and Traders Trust Company;*[153]
- *In the Matter of: Lighthouse Title, Inc.;*[154]
- *In the Matter of: Flagstar Bank, F.S.B.;*[155]
- *In the Matter of: U.S. Bank N.A.;*[156]
- *In the Matter of: First Investors Financial Services Group, Inc.;*[157]
- *In the Matter of: USA Discounters, Ltd.;*[158]
- *In the Matter of: Amerisave Mortgage Corporation, et al.;*[159]

[151] File No. 2015-CFPB-0002. Consent order entered January 22, 2015. http://files.consumerfinance.gov/f/201501_cfpb_consent-order_wells-fargo-bank-na.pdf.

[152] File No. 2014-CFPB-0017. Consent order entered November 19, 2014. http://files.consumerfinance.gov/f/201411_cfpb_consent-order_drivetime.pdf.

[153] File No. 2014-CFPB-0016. Consent order entered October 9, 2014. http://files.consumerfinance.gov/f/201410_cfpb_consent-order_m-t.pdf.

[154] File No. 2014-CFPB-0015. Consent order entered September 30, 2014. http://files.consumerfinance.gov/f/201409_cfpb_consent-order_lighthouse-title.pdf.

[155] File No. 2014-CFPB-0014. Consent order entered September 29, 2014. http://files.consumerfinance.gov/f/201409_cfpb_consent-order_flagstar.pdf.

[156] File No. 2014-CFPB-0013. Consent order entered September 25, 2014. http://files.consumerfinance.gov/f/201409_cfpb_consent-order_us-bank.pdf.

[157] File No. 2014-CFPB-0012. Consent order entered August 20, 2014. http://files.consumerfinance.gov/f/201408_cfpb_consent-order_first-investors.pdf.

[158] File No. 2014-CFPB-0011. Consent order entered August 14, 2014. http://files.consumerfinance.gov/f/201408_cfpb_consent-order_usa-discounters.pdf.

- *In the Matter of: Colfax Capital Corp., et al.;*[160]
- *In the Matter of: ACE Cash Express, Inc.*;[161]
- *In the Matter of: Synchrony Bank, f/k/a GE Capital Retail Bank*;[162]
- *In the Matter of: Stonebridge Title Services, Inc.*;[163]
- *In the Matter of: JRHBW Realty, Inc., d/b/a RealtySouth; TitleSouth, LLC;*[164] and
- *In the Matter of: Bank of America, N.A., and FIA Card Services, N.A.*[165]

[159] File No. 2014-CFPB-0010. Consent order entered August 12, 2014. http://files.consumerfinance.gov/f/201408_cfpb_consent-order_amerisave.pdf.

[160] File No. 2014-CFPB-0009. Consent order entered July 29, 2014. http://files.consumerfinance.gov/f/201407_cfpb_consent-order_rome-finance.pdf.

[161] File No. 2014-CFPB-0008. Consent order filed on July 10, 2014. http://files.consumerfinance.gov/f/201407_cfpb_consent-order_ace-cash-express.pdf.

[162] File No. 2014-CFPB-0007. Consent order filed on June 19, 2014. http://files.consumerfinance.gov/f/201406_cfpb_consent-order_synchrony-bank.pdf.

[163] File No. 2014-CFPB-0006. Consent order filed on June 12, 2014. http://files.consumerfinance.gov/f/201406_cfpb_consent-order_stonebridge-title-services.pdf.

[164] File No. 2014-CFPB-0005. Consent order filed May 28, 2014. http://files.consumerfinance.gov/f/201405_cfpb_consent-order_realty-south-and-title-south.pdf.

[165] File No. 2014-CFPB-0004. Consent order filed April 9, 2014. http://files.consumerfinance.gov/f/201404_cfpb_bankofamerica_consent-order.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, 2014 and March 31, 2015, the Bureau has taken the following actions with respect to such covered persons:

- The Bureau's *Supervisory Highlights* publications provide general information about the Bureau's supervisory activities at banks and nonbanks without identifying specific companies. The Bureau published four issues of Supervisory Highlights between March 31, 2014 and March 31, 2015;[166]

[166] Spring 2014: http://www.consumerfinance.gov/reports/supervisory-highlights-spring-2014/; Summer 2014: http://www.consumerfinance.gov/reports/supervisory-highlights-summer-2014/; Fall 2014: http://www.consumerfinance.gov/reports/supervisory-highlights-fall-2014/; and Winter 2015: http://files.consumerfinance.gov/f/201503_cfpb_supervisory-highlights-winter-2015.pdf.

- *In the Matter of: JRHBW Realty, Inc., doing business as RealtySouth; TitleSouth, LLC* (File No. 2014-CFPB-0005) (consent order filed May 28, 2014);[167]

- *In the Matter of:* Stonebridge Title Services, Inc. (File No. 2014-CFPB-0006) (consent order filed on June 12, 2014);[168]

- *In the Matter of: ACE Cash Express, Inc.* (File No. 2014-CFPB-0008) (consent order filed on July 8, 2014);[169]

- *In the Matter of: Colfax Capital Corp., et al.* (File No. 2012-CFPB-0009) (consent order entered July 29, 2014);[170]

- *In the Matter of: Amerisave Mortgage Corporation, et al.* (File No. 2014-CFPB-0010) (consent order entered August 12, 2014);[171]

- *In the Matter of: USA Discounters, Ltd.* (File No. 2014-CFPB-0011) (consent order entered August 14, 2014);[172]

- *In the Matter of: First Investors Financial Services Group, Inc.* (File No. 2014-CFPB-0012) (consent order entered August 20, 2014);[173]

- *In the Matter of: Lighthouse Title, Inc.* (File No. 2014-CFPB-0015) (consent order entered September 30, 2014);[174]

---

167 http://files.consumerfinance.gov/f/201405_cfpb_consent-order_realty-south-and-title-south.pdf.

168 http://files.consumerfinance.gov/f/201406_cfpb_consent-order_stonebridge-title-services.pdf.

169 http://files.consumerfinance.gov/f/201407_cfpb_consent-order_ace-cash-express.pdf.

170 http://files.consumerfinance.gov/f/201407_cfpb_consent-order_rome-finance.pdf.

171 http://files.consumerfinance.gov/f/201408_cfpb_consent-order_amerisave.pdf.

172 http://files.consumerfinance.gov/f/201408_cfpb_consent-order_usa-discounters.pdf.

173 http://files.consumerfinance.gov/f/201408_cfpb_consent-order_first-investors.pdf.

- *In the Matter of: DriveTime Automotive Group, Inc. and DT Acceptance Corp.* (File No. 2014-CFPB-0017) (consent order entered November 19, 2014);[175]
- *In the Matter of: Continental Finance Company, LLC* (File No. 2015-CFPB-0003) (consent order entered February 4, 2015);[176]
- *In the Matter of: NewDay Financial, LLC* (File No. 2015-CFPB-0004) (consent order entered February 10, 2015);[177]
- *In the Matter of: American Preferred Lending, Inc.* (File No. 2015-CFPB-0005) (consent order entered February 12, 2015);[178] and
- *In the Matter of: Flagship Financial Group, LLC* (File No. 2015-CFPB-0006) (consent order entered February 12, 2015).[179]

---

174 http://files.consumerfinance.gov/f/201409_cfpb_consent-order_lighthouse-title.pdf.

175 http://files.consumerfinance.gov/f/201411_cfpb_consent-order_drivetime.pdf.

176 http://files.consumerfinance.gov/f/201502_cfpb_consent-order_continental-finance.pdf.

177 http://files.consumerfinance.gov/f/201502_cfpb_consent-order_newday-financial.pdf.

178 http://files.consumerfinance.gov/f/201502_cfpb_consent-order_american-preferred-lending.pdf

179 http://files.consumerfinance.gov/f/201502_cfpb_consent-order_flagship-financial-group.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." The reporting period for this information is April 1, 2014 – March 31, 2015.

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 Section 1042 of the Dodd-Frank Act are "significant." The Bureau is aware of the following State Attorney General actions that were initiated during the reporting period and that asserted Dodd-Frank Act claims:

- *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), *removed* No. 14-cv-02783 (N.D. Ill. Apr. 17, 2014);
- *People of the State of Illinois, by Lisa Madigan, Illinois Attorney General, v. Alta Colleges, Inc., a Delaware Corporation, Westwood College, Inc., a Colorado Corporation d/b/a Westwood College and Westwood College Online; Wesgray Corporation, a Colorado corporation d/b/a/ Westwood College-River Oaks and Westwood College-Chicago Loop; Elbert, Inc., a Colorado Corporation d/b/a Westwood College-DuPage; and El Nell Inc., a Colorado corporation d/b/a Westwood College-O'Hare Airport*, No. 2012CH01587 (Cir. Ct. Cook Cnty. Mar. 20, 2014), *removed* No.1-cv-3786 (N.D. Ill. May 22, 2014);
- *Benjamin M. Lawskey, Superintendent of Financial Services of the State of New York, v. Condor Capital Corporation and Stephen Baron*, No. 14 CV 2863 (S.D.N.Y. Apr. 25, 2014);

- *State of Mississippi ex rel. Jim Hood, Attorney General of the State of Mississippi v. Experian Information Solutions, Inc.*, No. 14-1212(4) (Ch. Ct. Harrison Cty. May 16, 2014), *removed* No. 14-cv-00243-LG-JMR (S.D. Miss. June 12, 2014); and
- *Consumer Financial Protection Bureau, State of North Carolina, ex rel. Roy Cooper, Attorney General, and Commonwealth of Virginia, ex rel. Mark R. Herring, Attorney General v. Freedom Acceptance Corporation Military Credit Services, LLC, Leonard B Melley, Jr., and John F. Melley*, No. 2014-CV-00643 (E.D. VA. Dec. 18, 2014).

APPENDIX F:

Reports

The CFPB published the following reports from April 1, 2014 through March 31, 2015, which may be found at consumerfinance.gov/reports/:

April 4, 2014: Office of Minority and Women Inclusion Annual Report;

April 22, 2014: Mid-Year Update on Student Loan Complaints;

April 22, 2014: Mortgage Closings Today: A Preliminary Look at the Role of Technology in Improving the Closing Process for Consumers;

April 30, 2014: Fair Lending Report of the Consumer Financial Protection Bureau;

May 7, 2014: Snapshot of Older Consumers and Mortgage Debt;

May 20, 2014: Data Point: Medical Debt and Credit Scores;

May 22, 2014: Supervisory Highlights: Spring 2014;

May 28, 2014: Semi-Annual Report of the Consumer Financial Protection Bureau;

July 3, 2014: Report on the Use of Remittance Histories in Credit Scoring;

July 16, 2014: Consumer Response: A Snapshot of Complaints Received;

July 17, 2014: 2014 Financial Literacy Annual Report;

July 29, 2014: Plain Writing Act Compliance Report 2014;

July 31, 2014: Data Point: Checking Account Overdraft;

August 21, 2014: Building Financial Capability in Youth Employment Programs;

August 26, 2014: Financial Wellness at Work: A Review of Promising Practices and Policies;

September 17, 2014: Supervisory Highlights: Summer 2014;

September 17, 2014: Using Publicly Available Information to Proxy for Unidentified Race and Ethnicity;

September 30, 2014: Manufactured-housing consumer finance in the United States;

October 16, 2014: Annual Report of the CFPB Student Loan Ombudsman;

October 28, 2014: Supervisory Highlights: Fall 2014;

November 5, 2014: A snapshot of debt collection complaints submitted by older consumers;

November 6, 2014: Equal Employment Opportunity (EEO) Progress Status Report for Fiscal Year (FY) 2013;

November 13, 2014: Study of prepaid account agreements;

November 17, 2014: Financial Report of the Consumer Financial Protection Bureau Fiscal year 2014;

December 4, 2014: Semi-Annual Report of the Consumer Financial Protection Bureau;

December 10, 2014: 2014 CFPB annual employee survey;

December 11, 2014: Consumer credit reports: A study of medical and non-medical collections;

December 14, 2014: College credit card agreements: Annual report to Congress;

December 31, 2014: Growing Our Human Capital: Human Capital Annual Report to Congress;

December 31, 2014: Report of the Consumer Financial Protection Bureau Pursuant to Section 1017(e)(4) of the Dodd-Frank Act;

January 13, 2015: Consumers' mortgage shopping experience: A first look at results from the National Survey of Mortgage Borrowers;

January 27, 2015: Financial well-being: The goal of financial education;

February 9, 2015: Snapshot of reverse mortgage complaints December 2011 – December 2014;

February 19, 2015: Consumer voices on credit reports and scores;

March 10, 2015: Arbitration Study Report to Congress, pursuant to Dodd-Frank Wall Street Reform and Consumer Protection Act § 1028(a);

March 11, 2015: Supervisory Highlights: Winter 2015;

March 19, 2015: Consumer Financial Protection Bureau Independent Audit of Selected Operations and Budget;

March 26, 2015: Fair Debt Collection Practices Act CFPB Annual Report 2015; and

March 30, 2015: Consumer Response Annual Report January 1 – December 31, 2014.

APPENDIX G:

Congressional testimony

Senior CFPB staff has testified before Congress a total of 53 times since the Bureau began in 2011, including on the following seven occasions between April 1, 2014 and March 31, 2015, which may be found at http://www.consumerfinance.gov/newsroom/?type=testimony:

April 8, 2014: Meredith Fuchs before the House Committee on Financial Services. "Who's in Your Wallet: Examining How Washington Red Tape Impairs Economic Freedom";

June 4, 2014: Rohit Chopra before the Senate Committee on the Budget. "The Impact of Student Loan Debt on Borrowers and the Economy";

June 9, 2014: Richard Cordray before the Senate Committee on Banking, Housing and Urban Affairs. "The Consumer Financial Protection Bureau's Semi-Annual Report to Congress";

June 18, 2014: Richard Cordray before the House Committee on Financial Services. "The Semi-Annual Report of the Consumer Financial Protection Bureau";

July 30, 2014: Richard Cordray before the House Committee on Financial Services Subcommittee on Oversight and Investigations. "Allegations of Discrimination and Retaliation and the CFPB Management Culture";

September 9, 2014: Richard Cordray before the Senate Committee on Banking, Housing and Urban Affairs. "Wall Street Reform: Assessing and Enhancing the Financial Regulatory System"; and

March 3, 2015: Richard Cordray before the House Committee on Financial Services. "The Semi-Annual Report of the Bureau of Consumer Financial Protection".

APPENDIX H:

Speeches

Director Richard Cordray or Deputy Director Steven Antonakes spoke at the following public events between April 1, 2014 and March 31, 2015:[180]

April 3, 2014: Remarks by Richard Cordray at the American Bar Association in Washington, DC;

April 4, 2014: Remarks by Richard Cordray at the Greenlining Institute's Economic Summit in Oakland, CA;

April 7, 2014: Remarks by Richard Cordray at the Federal Reserve Bank of Chicago in Chicago, IL;

April 8, 2014: Remarks by Richard Cordray at the Jump$tart Coalition Awards Dinner in Washington, DC;

April 23, 2014: Remarks by Richard Cordray at the Mortgage Closing Forum in Washington, DC;

May 9, 2014: Remarks by Richard Cordray at the Federal Reserve Bank of Chicago in Chicago, IL;

May 19, 2014: Remarks by Richard Cordray at the 2014 Boulder Summer Conference on Financial Decision Making in Boulder, CO;

---

[180] All speeches by CFPB senior staff are available at: http://www.consumerfinance.gov/newsroom/?type=speech-2.

May 29, 2014: Remarks by Richard Cordray at the Financial Literacy and Education Commission Meeting in Washington, DC;

June 9, 2014: Remarks by Steven Antonakes at the American Bankers Association Regulatory Compliance Conference in New Orleans, LA;

June 11, 2014: Remarks by Richard Cordray at the Mobile Request for Information Field Hearing in New Orleans, LA;

June 16, 2014: Remarks by Richard Cordray at the Marian J. Mohr Memorial Library in Johnston, RI;

June 18, 2014: Remarks by Steven Antonakes at the Consumer Advisory Board Meeting in Reno, NV;

July 9, 2014: Remarks by Richard Cordray at the U.S. Programme for International Student Assessment Financial Literacy Data Release in Washington, DC;

July 16, 2014: Remarks by Richard Cordray at the Consumer Response Field Hearing in El Paso, TX;

August 18, 2014: Remarks by Richard Cordray at the Association of Military Banks of America Fall Workshop in Washington, DC;

September 18, 2014: Remarks by Richard Cordray at the Auto Finance Field Hearing in Indianapolis, IN;

September 29, 2014: Remarks by Richard Cordray at the Society for Financial Education and Professional Development in Arlington, VA;

October 2, 2014: Remarks by Richard Cordray at the President's Advisory Council in Washington, DC;

October 8, 2014: Remarks by Richard Cordray at the Forum on Access to Checking Accounts in Washington, DC;

October 10, 2014: Richard Cordray's Prepared Lecture on Economic Rights as Civil Rights at Michigan State University in East Lansing, MI;

October 24, 2014: Prepared Remarks by Richard Cordray at the University of Michigan Law School in Ann Arbor, MI;

November 5, 2014: Prepared Remarks by Richard Cordray the Financial Literacy and Education Commission Meeting in Washington, DC;

November 6, 2014: Prepared Remarks by Richard Cordray at the Bank On 2.0 Conference in Washington, DC;

November 13, 2014: Prepared Remarks by Richard Cordray at the Prepaid Products Field Hearing in Wilmington, DE;

November 20, 2014: Prepared Remarks by Richard Cordray at The Clearing House in New York, NY;

December 5, 2014: Prepared Remarks by Richard Cordray at the Columbus Metropolitan Library in Columbus, OH;

December 11, 2014: Prepared Remarks by Richard Cordray at the Medical Debt Collection Hearing in Oklahoma City, OK;

January 13, 2015: Prepared Remarks by Richard Cordray at the Brookings Institute in Washington, DC;

January 16, 2015: Prepared Remarks by Richard Cordray at Operation HOPE in Atlanta, GA;

January 28, 2015: Prepared Remarks by Richard Cordray at the Financial Services Roundtable Event on Financial Education in Washington, DC;

February 10, 2015: Prepared Remarks by Richard Cordray at the National Credit Union Administration Webinar;

February 18, 2015: Prepared Remarks by Steven Antonakes at The Exchequer Club in Washington, DC;

February 19, 2015: Prepared Remarks by Richard Cordray at the Consumer Advisory Board Meeting in Washington, DC;

February 23, 2015: Prepared Remarks by Richard Cordray at the National Association of Attorneys General in Washington, DC;

February 23, 2015: Prepared Remarks by Richard Cordray at the Retirement Savings Event in Washington, DC;

February 25, 2015: Prepared Remarks by Richard Cordray at the Financial Literacy and Education Commission Meeting in Washington, DC;

March 3, 2015: Prepared Remarks by Richard Cordray at the President's Advisory Council in Washington, DC;

March 10, 2015: Prepared Remarks by Richard Cordray at the Arbitration Study Field Hearing in Newark, NJ;

March 20, 2015: Prepared Remarks by Richard Cordray at the Ruby Hutchinson Memorial Lecture in Sydney, Australia;

March 25, 2015: Prepared Remarks by Steven Antonakes to the Consumer Bankers Association in Washington, DC; and

March 26, 2015: Prepared Remarks by Richard Cordray at the Field Hearing on Payday Lending in Richmond, VA.

APPENDIX I:

Financial and budget reports

The CFPB has published the following financial reports from January 1, 2012 through May 15, 2015,[181] 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;

[181] While the reporting period for this report ended March 31, 2015, the Bureau includes this information through May 15, 2015, in an effort to be transparent and because it is available prior to publishing.

May 15, 2014: CFO Update for the second quarter of FY 2014;

August 15, 2014: CFO Update for the third quarter of FY 2014;

November 15, 2014: Financial Report of the CFPB – FY 2014;

November 15, 2014: CFO Update for the fourth quarter of FY 2014;

February 18, 2015: CFO Update for the first quarter of FY 2015; and

May 25, 2015: CFO Update for the second quarter of FY 2015.

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;
- CFPB Strategic Plan, Budget, and Performance Report – April 2013;
- CFPB Strategic Plan, Budget, and Performance Report – March 2014; and
- CFPB Strategic Plan, Budget, and Performance Report – February 2015.

The CFPB has published the following funding requests to and funding acknowledgements from the Federal Reserve Board, from January 1, 2012 through July 28, 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;

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;

January 22, 2014: Funding Acknowledgement from the Federal Reserve Board;

April 7, 2014: Funding Request to the Federal Reserve Board;

April 11, 2014: Funding Acknowledgement from the Federal Reserve Board;

July 9, 2014: Funding Request to the Federal Reserve Board;

July 28, 2014: Funding Acknowledgement from the Federal Reserve Board;

October 8, 2014: Funding Request to the Federal Reserve Board;

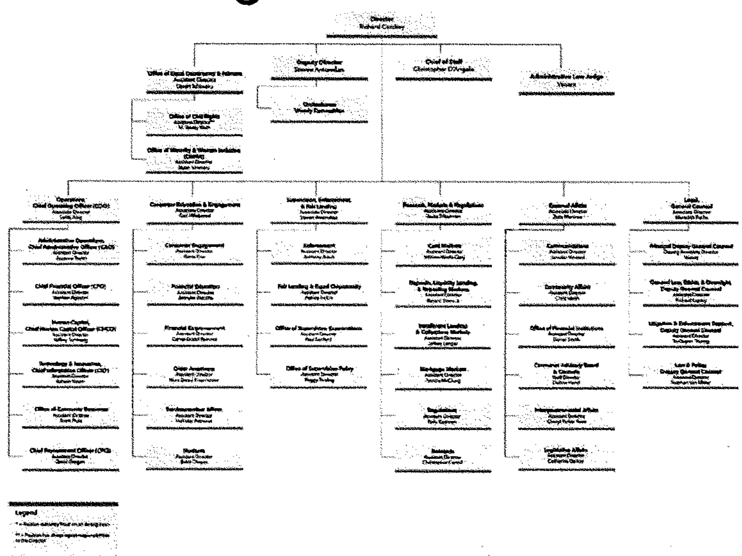
October 15, 2014: Funding Acknowledgment from the Federal Reserve Board;

January 14, 2015: Funding Request to the Federal Reserve Board; and

January 16, 2015: Funding Acknowledgment from the Federal Reserve Board.

APPENDIX J:

CFPB organizational chart



Last updated: March 25, 2015

APPENDIX K:

Defined terms

ACRONYM	DEFINED TERM
ARC	The CFPB's Academic Research Council
BUREAU	The Consumer Financial Protection Bureau
CAB	The CFPB's Consumer Advisory Board
CARD ACT	Credit Card Accountability Responsibility and Disclosure Act of 2009
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
CFPA	Consumer Financial Protection Act of 2010
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
DODD-FRANK ACT	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

ED	The U.S. Department of Education
EFTA	Electronic Fund Transfer Act
EITC	Earned Income Tax Credit
EMPOWERMENT	The CFPB's Office of Financial Empowerment
FAIR LENDING	The CFPB's Office of Fair Lending and Equal Opportunity
FCRA	Fair Credit Reporting Act
FDCPA	Fair Debt Collection Practices Act
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
GLBA	Gramm-Leach-Bliley Act
HHS	The U.S. Department of Health and Human Services
HMDA	Home Mortgage Disclosure Act of 1975
HUD	The U.S. Department of Housing and Urban Development
ICP	Interim Commissioning Policy
JAG	Judge Advocate General

M&T	Manufacturers and Traders Trust Company
MOU	Memorandum of Understanding
NCG	National Corrective Group
NCUA	The National Credit Union Administration
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
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
OJT	On-the-Job Training
OMWI	The CFPB's Office of Minority and Women Inclusion
OSA	The CFPB's Office of Servicemember Affairs
PROCUREMENT	The CFPB's Office of Procurement
RESPA	Real Estate Settlement Procedures Act of 1974
SCRA	Servicemembers Civil Relief 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

UWCS	Union Workers Credit Services
VITA	Volunteer Income Tax Assistance