

# CFPB Supervision: Smart Strategies for Getting Ready

Wednesday, January 14, 2015

1:00 p.m. – 2:30 p.m. EST

# Speakers

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Anne Wallace, Esq.  
Financial Services  
Roundtable



Linda Gallagher  
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# Speakers

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David Luigs, Esq.  
Debevoise &  
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Georgette Sierra  
Financial Services  
Roundtable



# Agenda

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- What is a "good" compliance management system from the CFPB's perspective?
- Likely areas of supervisory focus: fair lending, debt collection, and add-on products
- The Washington perspective
- Managing your relationship with the CFPB
- Questions and Answers

# What is a "good" compliance management system?

## Formal Structure

- Documented, risk-based program to govern firm-wide compliance efforts
- Core components include monitoring and testing, complaint management, and third-party oversight
- UDAAP and fair lending require specialized approaches

## Credible Commitment

- Informed vision of the firm's strategic compliance position
- Defined approach to building on existing compliance competencies across the firm
- Proactive compliance culture
- Collaboration between business and compliance

## Operational Excellence

- Heightened focus on compliance performance
- Replicable, high-quality processes
- Systems infrastructure to support accurate servicing and informed, timely customer service
- Capturing and learning from information about how products work from entire lifecycle

# Focal Points for Preparation

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## No Surprises

- Understand the difference between “good compliance” and “mere compliance”
- Assess compliance strength across the entire product lifecycle

## Telling Your Story

- Be your own best advocate by:
  - Educating your audience about your business and its compliance efforts
  - Communicating a credible commitment to continued development of your compliance program

## Be Data-Driven

- Develop the analytic foundation to support your business practices
- Prepare to demonstrate your firm’s compliance performance



# Supervisory Focus Areas

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- Fair Lending
- Debt Collection
- Add-on Products

# Supervisory Focus Areas: Fair Lending

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## ECOA Review: What to Expect

- Review of policies, procedures, fair lending compliance management
  - How much discretion given?
  - How robust is compliance management—preventive measures, self-monitoring, voluntary corrective action?
- Statistical analysis
  - Controls
  - Methodological issues



# Supervisory Focus Areas: Fair Lending

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## Building a Fair Lending Compliance Management System

- Up-to-date fair lending policy statement
- Fair lending policies and procedures
- Ongoing review of lending policies for disparate impact
- Regular statistical analysis of loan data
- Marketing of loan products

# Supervisory Focus Areas: Debt Collection

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- Third-party providers (external law firms)
- Data integrity
- Servicemember debt
- Other

# Supervisory Focus Areas: Add-on Products

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- Multiple enforcement actions regarding the *marketing* of credit card add-on products
- 2012 Bulletin:
  - Marketing must reflect actual terms and conditions
  - Eligibility criteria should be explained to consumers
  - Make clear that products cost extra and are not a condition of credit

# Supervisory Focus Areas: Add-on Products

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- Once auto finance companies are supervised, CFPB likely to scrutinize add-on products such companies sell and/or finance
- Potential areas of scrutiny:
  - Clear explanation of eligibility for and limitations on benefits
  - Express consumer consent to enroll in products
  - Separate non-mandatory cost of products

# The Washington Perspective

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- Challenges to modifying the CFPB:
  - Politics
  - Advocates
  - Perception
- Proposals making changes to CFPB:
  - Incremental & narrowly focused

# Managing Your Relationship with the CFPB

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- Prepare for the requests in “first day letters” before receiving them
- CMS exams likely will be conducted first, followed by targeted exams
- During examinations, request meetings with CFPB staff

# Managing Your Relationship with the CFPB

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- Review the online CFPB Exam Manual
- Understand the relationship between the Supervision Office, Enforcement Office and Fair Lending Office
- Role of outside counsel



# Questions and Answers

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