



CFPB 2014 Regulatory Outlook: Nonbanks

Webinar

January 8, 2014, 2:00 – 3:30 pm ET

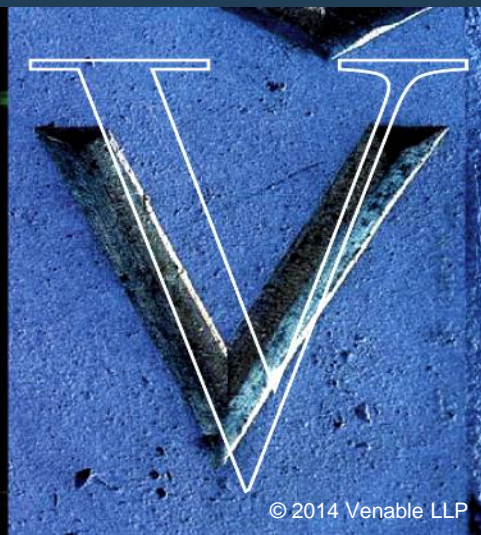
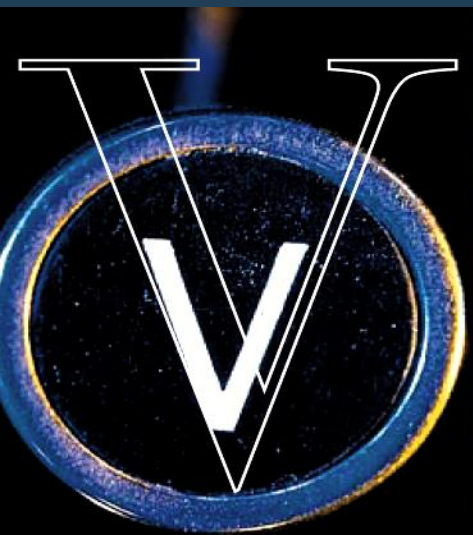
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Agenda

- **Welcome**
- A look back at **2013**
- **Enforcement Actions:**
 - Who's at risk and what to expect
- **Nonbank Supervision and Examination:**
 - Lessons learned and which markets are next?
- **Rulemaking Updates:**
 - The latest on rulemakings and proposals related to mortgage, small dollar loan, debt collection, arbitration, and more
- **Congress:**
 - Reform and criticism



Welcome to Today's Webinar

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A look back at 2013...



Consumer Financial
Protection Bureau



A Look Back at 2013



Richard Cordray confirmed to a 5-year term as Director (July 16, 2013)



A Look Back at 2013 (cont'd.)

- Enforcement
 - Enforcement actions against credit card companies netted over \$400 million to over 2 million consumers
 - Assessed over \$50 million in Civil Monetary Penalties
- Rulemakings
 - \$10 trillion mortgage market
 - Remittance Transfers
 - Debt Collection Market
- Reports / Roundtables
- Bulletins
- Examinations
 - Mortgage
 - Debt Collection
 - Credit Bureaus
- Consumer Education and Engagement
 - Student loans
- Over, 1,300 employees (from 58 employees at the beginning FY2011)
- Complaint portal usage increases



Enforcement Actions



CFPB Has Taken Action Against...

Examples from 2013:

- Credit Card Lenders
- Mortgage Servicer(s)
- Small Dollar Lender(s)
- Loan Modification Provider(s)
- Debt Relief Companies (and payment processor)
- National Mortgage Insurers

Hot Subject Matter:

- UDAAP (including state law compliance)
- Debt Collection (robosigning)
- MARS Rule
- Telemarketing Sales Rule
- RESPA
- Home Mortgage Disclosure Act



Enforcement: What to Expect in 2014

- More joint enforcement actions with other banking regulators
- More joint enforcement actions with the Department of Justice:
 - Criminal Referrals, Joint Civil Actions, Fair Lending
- More enforcement actions that grow out of supervisory activities
- More enforcement actions that rely on “Related Person,” and “Substantial Assistance,” as well as state law compliance and other aggressive theories of liability.
- More enforcement actions with larger dollar numbers
 - Restitution and civil money penalties

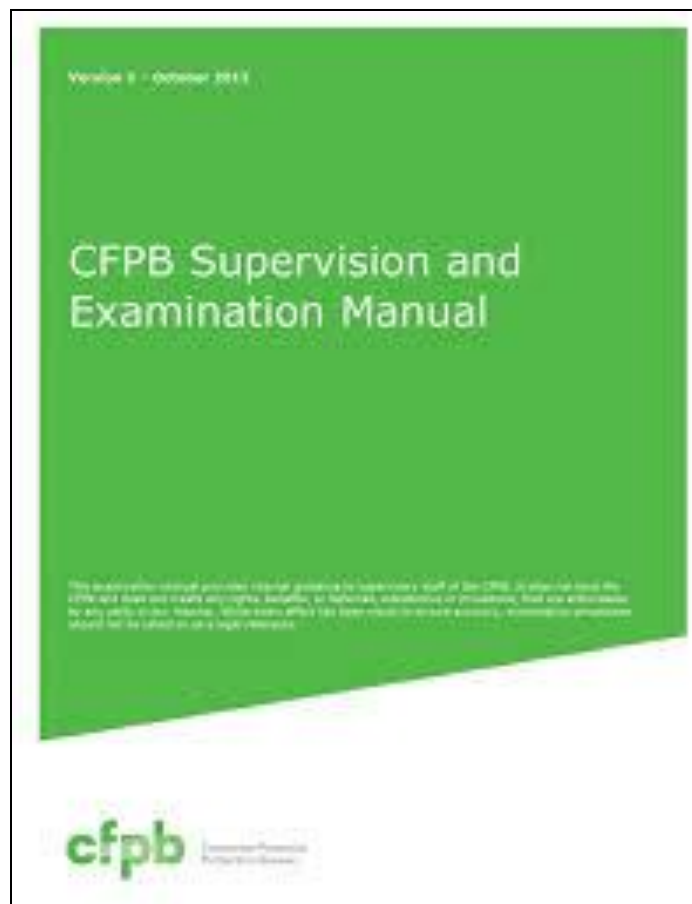


Consumer Complaint Database

The screenshot shows a web browser window with the URL www.consumerfinance.gov/complaintdatabase/. The page header includes the CFPB logo, contact information (855) 411-2372, and a search bar. The main navigation menu contains: HOME, INSIDE THE CFPB, GET ASSISTANCE, PARTICIPATE, LAW & REGULATION, and SUBMIT A COMPLAINT. The page content includes a breadcrumb trail (HOME > CONSUMER COMPLAINT DATABASE), social media icons for Facebook, Twitter, and Email, and a title "Consumer Complaint Database". A sub-header reads "These are complaints we've received about financial products and services." Below this is a link to "Learn about the complaint process." A paragraph explains that the bureau does not verify all facts but takes steps to confirm commercial relationships, and that complaints are listed after a 15-day response period. A "DATA BY PRODUCT" section lists categories: All, Bank accounts or services, Credit cards, Credit reporting, Debt collection, Money transfers, Mortgages, Student loans, and Other consumer loans. A "Download, sort, and visualize" section mentions the use of the Socrata tool and provides links for "Visualization tutorials from data.gov" and "Technical documentation".



Nonbank Supervision and Examination



Why is a Compliance Management System (CMS) Important?

As contemplated by the CFPB, a CMS is how a supervised entity:

1. Establishes its compliance responsibilities;
2. Communicates those responsibilities to employees;
3. Ensures that responsibilities for meeting legal requirements and internal policies are incorporated into the business process;
4. Review operations to ensure responsibilities are carried out and legal requirements are met; and
5. Takes corrective action and update tools, systems and materials as necessary.

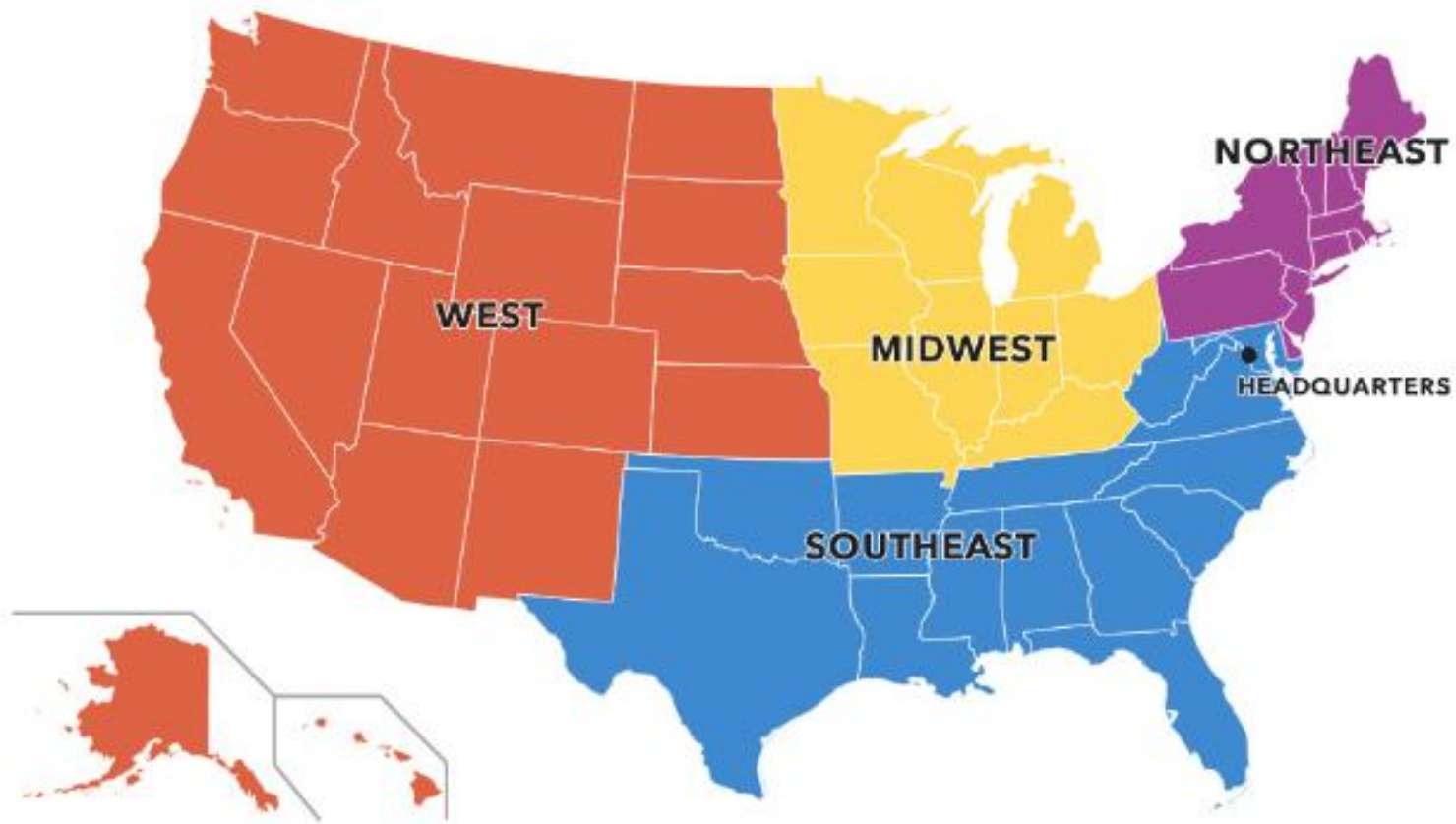


What is a Compliance Management System?

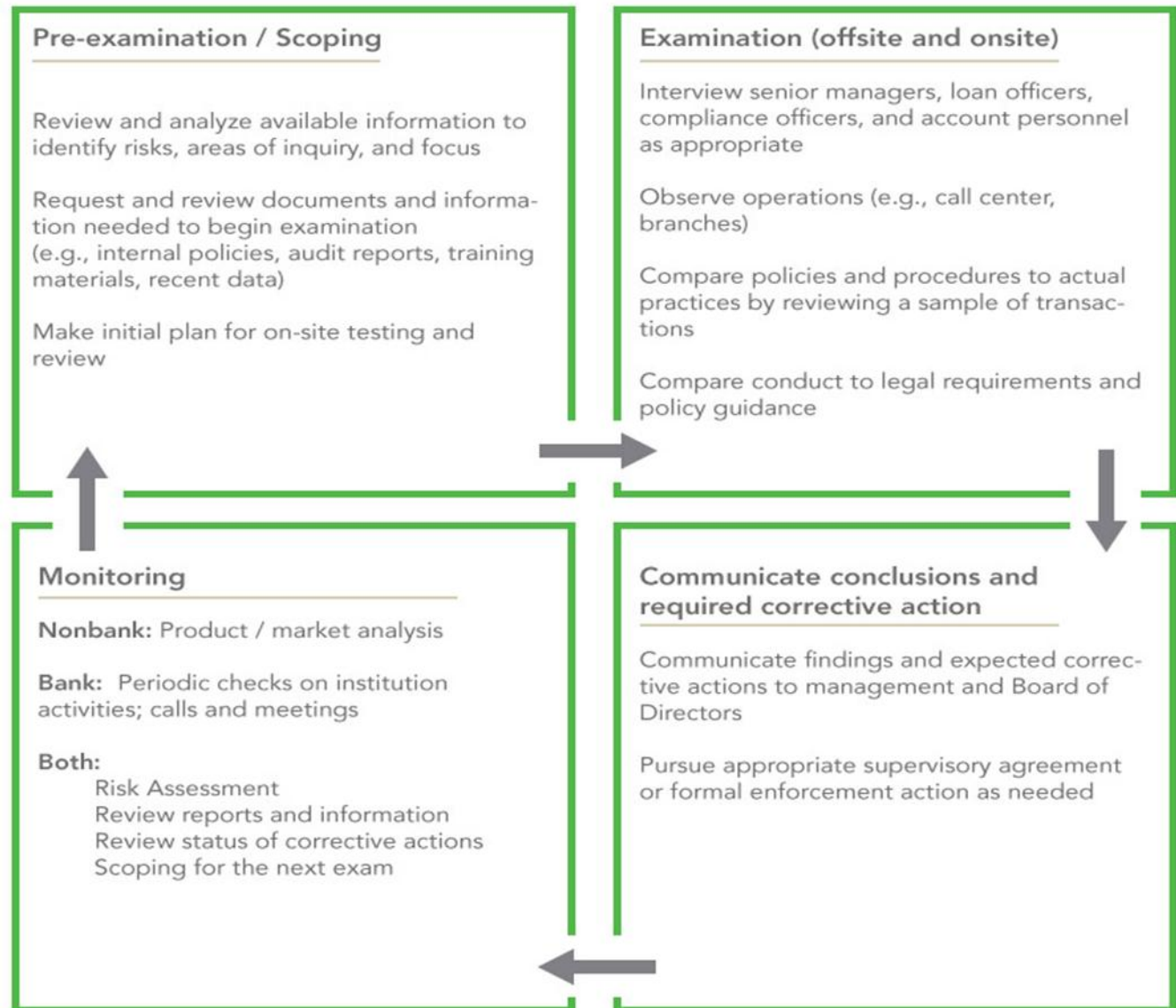
1. Operations
2. Policies and Procedures
3. Training
4. Audits
5. Complaints



CFPB Supervision by Regions



The CFPB Examination Process



Which nonbanks are being supervised and who is next?

- Mortgage originators and servicers
- Private student loan originators
- Small dollar lenders
- Student loan servicers
- Larger debt collectors
- Larger consumer reporting agencies
- Companies that pose risk to consumers
- Who's next?
 - Consumer credit and related activities
 - Money services businesses (money transmitting, check cashing, and related activities)
 - Prepaid cards
 - Debt relief service providers
 - Other enumerated markets within Dodd-Frank (e.g., financial advisory services)



CFPB 2013 Bulletins

- **December 11, 2013** – FFIEC Guidance on Social Media
- **November 8, 2013** – Bulletin on Homeownership Counseling list requirements
- **October 15, 2013** – Implementation guidance for certain mortgage servicing rules
- **October 9, 2013** – Home Mortgage Disclosure Act (HMDA) and Regulation C – Compliance Management; CFPB HMDA Resubmission Schedule and Guidelines; and HMDA Enforcement
- **September 24, 2013** – Interagency guidance on privacy laws and reporting financial abuse of older adults
- **September 12, 2013** – Bulletin on payroll card accounts (Regulation E)
- **September 4, 2013** – Bulletin on the FCRA’s requirement to investigate disputes and review “all relevant” information provided by consumer reporting agencies about the dispute.
- **July 10, 2013** – Bulletin on prohibition of unfair, deceptive, or abusive acts or practices in the collection of consumer debts
- **July 10, 2013** – Bulletin on representations regarding effect of debt payments on credit reports and scores
- **June 25, 2013** – Bulletin about responsible business conduct: self-policing, self-reporting, remediation, and cooperation
- **April 10, 2013** – Disclosure of consumer complaint data as published in the Federal Register
- **May 20, 2013** – Bulletin about the SAFE Act – uniform state test for state-licensed mortgage loan originators
- **March 21, 2013** – Bulletin about indirect auto lending and compliance with the Equal Credit Opportunity Act
- **February 11, 2013** – Bulletin about mortgage servicing transfers



Rulemaking Updates

The screenshot shows a web browser window displaying the Federal Register website. The address bar shows the URL: https://www.federalregister.gov/agencies/consumer-financial-protection-bureau#recent_articles. The page features the Federal Register logo and the text "FEDERAL REGISTER The Daily Journal of the United States Government". Below this, there is a navigation menu with options like "Sections", "Browse", "Search", "Policy", "Learn", "Blog", and "My FR". A search bar is also present. The main content area is titled "Consumer Financial Protection Bureau" with the CFPB logo. A search box for the agency is provided, along with a link to the agency's website: <http://www.consumerfinance.gov/>. The text describes the CFPB as an independent bureau within the Federal Reserve System that empowers consumers. A sidebar on the right contains a "Site Feedback" button and a "Legal Disclaimer" button.



Rulemaking Updates

- Mortgage rules
 - Regs. B, X, and Z
- Debt collection
 - Reg. F
- Larger participant
 - Supervision
- Small dollar lending
- Overdraft
- Prepaid cards
 - Reg. E
- Annual privacy notice
- Arbitration



The Role of Fair Lending

- Overarching policy – supervision, enforcement, and regulatory
- Overt
- Disparate treatment
- Disparate impact



CFPB and Congress



Senior Staff Testimony before Congress

- **February 14, 2013:** Richard Cordray before the Senate Committee on Banking, Housing, and Urban Affairs, “Wall Street Reform: Oversight of Financial Stability and Consumer and Investor Protections”;
- **March 12, 2013:** Richard Cordray before the Senate Committee on Banking, Housing, and Urban Affairs, “Nominations Hearing”;
- **April 23, 2013:** Richard Cordray before the Senate Committee on Banking, Housing, and Urban Affairs, “The Consumer Financial Protection Bureau’s Semi-Annual Report to Congress”;
- **May 7, 2013:** Corey Stone before the Senate Subcommittee on Consumer Protection, Product Safety, and Insurance, “Credit Reports: What Accuracy and Errors Mean for Consumers”;
- **May 16, 2013:** Gail Hillebrand before Thanks. House Energy and Commerce Committee, “Fraud on the Elderly: A Growing Concern for a Growing Population”;
- **May 21, 2013:** Peter Carroll and Kelly Cochran before the House Committee on Financial Services, “Qualified Mortgages: Examining the Impact of the Ability to Repay Rule”;
- **June 18, 2013:** Steven Agostini before the House Financial Services Committee, “CFPB Budget Review”;
- **June 25, 2013:** Rohit Chopra before the Senate Committee on Banking, Housing, and Urban Affairs, “Private Student Loans: Regulatory Perspectives”;
- **July 9, 2013:** Steven L. Antonakes before the House Committee on Financial Services, “Examining How the Consumer Financial Protection Bureau Collects and Uses Consumer Data”;
- **July 17, 2013:** Corey Stone before the Senate Committee on Banking, Housing, and Urban Affairs’ Subcommittee on Financial Institutions and Consumer Protection, “Shining a Light on the Consumer Debt Industry”;
- **July 23, 2013:** Hollister K. Petraeus before the Senate Committee on Homeland Security and Governmental Affairs, “The 90/10 Rule: Improving Educational Outcomes for Our Military and Veterans”;
- **July 24, 2013:** David Silberman before the Senate Special Committee on Aging, “Payday Loans: Short-term Solution or Long-term Problem”;
- **July 31, 2013:** Hollister K. Petraeus before the Senate Committee on Veterans’ Affairs, “Preserving the Rights of Servicemembers, Veterans, and their Families in the Financial Marketplace”;
- **September 12, 2013:** Richard Cordray before the House Committee on Financial Services, “The Semi-Annual Report of the Consumer Financial Protection Bureau”.



CFPB and Congress: Pending Proposals

House Financial Services Committee

- H.R. 2385 – CFPB Pay Fairness Act
- H.R. 2446 – Responsible Consumer Financial Protection Regulations Act
- H.R. 2571 – Consumer Right to Financial Privacy Act
- H.R. 3183 – Free Annual Disclosure of CFPB Information on consumers
- H.R. 3193 – Consumer Financial Protection Safety and Soundness Act
- H.R. 3519 – the CFPB Accountability and Transparency Act

Introduced in Current Congress

- H.R. 3770 – CFPB Inspector General Reform Act
- S. 1803 – Student Loan Borrower Bill of Rights
- S. 113 – Know Before You Owe Private Student Loan Act
- S. 897 – Bank on Student Loan Fairness
- S. 1773 – Andrew Prior Act (Discharge of Student Loans upon death or disability)
- S. 1867 – Prepaid Card Protection Act
- S. 1741 – Military Savings Act of 2013
- H.R. 3389 – CFPB Slush Fund Elimination Act
- S. 1577 – Mortgage Choice Act
- H.R. 1553 – Financial Institutions Examination Fairness Act
- S. 451 – Dodd-Frank Technical Corrections Act



Congressional Outlook for 2014

- Student loans
- Prepaid cards
- Payday loans
- Community bank regulatory relief
- Housing finance reform
- Event driven (e.g., data breach)



CONNECTING ALL THE PIECES OF THE CFPB PUZZLE



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