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Description of document: Consumer Financial Protection Bureau (CFPB)
Congressional Correspondence, 2017

Requested date: 24-May-2017

Released date: 23-June-2017

Posted date: 24-July-2017

Source of document: FOIA Request
CFPB, Attn: Chief FOIA Officer
1700 G Street NW
Washington, D.C. 20552
Fax: (855) 329-3642
Email: CFPB_FOIA@consumerfinance.gov

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RE: FOIA Request #CFPB-2017-332-F

June 23, 2017

This letter is in final response to your Freedom of Information Act (FOIA) request dated May 24, 2017. Your request sought a copy of all Congressional Correspondence since January 21, 2017.

A search of our Office of External Affairs for documents responsive to your request produced a total of 1026 pages. Of those pages, I have determined that 1011 pages of the records are granted in full and 15 pages are granted in part pursuant to Title 5 U.S.C. § 552 (b)(6).

FOIA Exemption 6 exempts from disclosure personnel or medical files and similar files the release of which would cause a clearly unwarranted invasion of personal privacy. This requires a balancing of the public's right to disclosure against the individual's right to privacy. The privacy interests of the individuals in the records you have requested outweigh any minimal public interest in disclosure of the information. Any private interest you may have in that information does not factor into the aforementioned balancing test.

You may appeal any of the responses or decisions set forth above. If you choose to file an appeal, you must do so within 90 calendar days from the date of this letter. Your appeal must be in writing, signed by you or your representative, and should contain the rationale for the appeal. You may send your appeal via the mail (address below), email (CFPB_FOIA@cfpb.gov) or fax (1-855-FAX-FOIA (329-3642)).

Your appeal should be addressed to:

Consumer Financial Protection Bureau
Chief FOIA Officer
Freedom of Information Appeal
1700 G Street, NW
Washington, DC 20552

Provisions of the FOIA allow us to recover part of the cost of complying with your request. In this instance, we have waived all fees related to the processing of your request.

For inquiries concerning your request, please contact our FOIA Public Liaison at CFPB_FOIA@cfpb.gov or by phone at 1-855-444-FOIA (3642).

Additionally, you may contact the Office of Government Information Services (OGIS) at the National Archives and Records Administration to inquire about the FOIA mediation services they offer. The contact information for OGIS is as follows: Office of Government Information Services, National Archives and Records Administration, 8601 Adelphi Road-OGIS, College Park, MD 20740; e-mail at ogis@nara.gov; telephone at 202-741-5770; toll free at 1-877-684-6448; or facsimile at 202-741-5769.

Sincerely,

A handwritten signature in blue ink, appearing to read "R. D. Lazier".

Raynell D. Lazier
FOIA Manager
Operations Division

WASHINGTON

1414 Longworth Building
Washington, DC 20515-2107
(202) 225-5111
Fax: (202) 225-9322

Committee on Financial Services
Ranking Democratic Member
Subcommittee on Housing
& Insurance

Committee on Transportation &
Infrastructure

Committee on Ethics



Congress of the United States
House of Representatives

Michael E. Capuano

7th District, Massachusetts

MASSACHUSETTS

110 First Street
Cambridge, MA 02141-2109
(617) 621-6208
Fax (617) 621-8628

Roxbury Community College
Campus Library
Room 211

Stetson Hall
Room 124
Randolph

January 23, 2017

Hon. Richard Cordray, Director
Consumer Financial Protection Bureau
1700 G Street
Washington, DC 20552

Re: Loosening of Mortgage Credit Standards

Dear Director Cordray:

High risk lending by U.S. financial institutions was a key contributor to the 2008 financial crisis. In the wake of that crisis, your agency promulgated the Ability to Repay (ATR) rule, monitoring lender compliance with standards designed to ensure that high risk, poor quality home loans will never again be allowed to proliferate and upend the U.S. economy. Some institutions, however, continue to place profit before prudence ignoring the risks to borrowers, communities and the economy so long as there is enough money to be made.

A recent Moody's Investor Service report highlighted a move by one Residential Mortgage Backed Securities (RMBS) fund, the Caliber Home Loans Trust, to include 65 loans where only a 30 day bank statement was used to verify income. As noted in the report, "mortgage programs that use bank statements and CPA letters to verify borrower income (bank statement loans), particularly those that rely on less than 24 months of statements (short-term bank statement loans), are riskier than typical mortgages in that they are more susceptible to income fraud and risk non-compliance with the ATR rule. They are also more susceptible to an inadequate assessment of the borrower's capacity to repay the loan."¹

I would urge the CFPB, if you are not doing so already, to investigate this disturbing drift away from prudent underwriting. This movement is all the more troubling in light of Caliber Home

¹ Moody's Investors Service Sector Profile, RMBS – US Q3 2016 Originator and Servicer Dashboard, 2 December 2016

Loans' track record and its capacity to engage in far larger transactions as a subsidiary of the private equity giant, the Lone Star Funds.

Lone Star has emerged as one of the largest purchasers of distressed loans from the Federal Housing Administration (FHA) and the Government Sponsored Enterprises (GSEs). Lone Star has also made a name for itself as one of the purchasers least likely to offer realistic loan modifications so that families can remain in their homes. On the contrary, “buried in a confidential bond document, in a jumble of legalese, Lone Star explains to investors one way it profits from delinquent loans. Lone Star’s mortgage subsidiary will lower a borrower’s monthly payment if the net present value of a modification is greater than the net present value of a foreclosure, loan sale or short sale. Translation: If foreclosing on a homeowner is the most profitable option, Lone Star is likely to foreclose.”² Last year, FHA acknowledged the temerity of Caliber’s mortgage modification practices by explicitly banning Caliber’s strategy of offering temporary loan modifications with a “five-year interest-only” term which resulted in homeowners owing as much after five years of payments as they did prior to the modification. This pattern of behavior does not instill confidence that Lone Star and Caliber will work with homeowners in good faith should the Caliber Home Loans Trust mortgages become distressed.

The New York Attorney General has opened an investigation into Lone Star and Caliber following a rash of complaints about the company’s mortgage servicing practices, including loan modifications that temporarily reduce a borrower’s payments but then revert back to the original payments often with all the deferred payments added to the back end of the loan.³ And just this month, news reports disclosed that Deutsche Bank, as part of its mortgage settlement with the U.S. Department of Justice, is considering lending to firms that have profited from buying up distressed loans, such as the Lone Star Funds, instead of using its own balance sheet to provide relief to borrowers.⁴

While there may be legitimate reasons for offering short-term bank statement loans to a limited segment of the home buying public, institutions offering such programs should be held to the highest standards to ensure that home buyers are not abused. They should also have track records that do not repeatedly display a propensity to take advantage of homeowners, communities, and the U.S. housing market. In fact, “the quality of loans originated through bank statement income documentation programs depends heavily on the strength of the lender’s practices in determining the borrower’s income...”⁵ The Moody’s report suggests that a third party review can “reveal how well the lender adheres to its underwriting guidelines, affecting the likelihood that it could originate loans that are riskier than the guidelines indicate.”⁶

² How Housing's New Players Spiraled into Banks' Old Mistakes, by Matthew Goldstein, Rachel Abrams and Ben Protess, *New York Times*, June 26, 2016

³ New York Attorney General Examining Private Equity Firm's Mortgage Business, *New York Times*, Oct. 6 2015

⁴ Deutsche Bank Eyes Private Equity Help in U.S. Settlement, by Matt Scully, *Bloomberg*, January 4, 2017

⁵ Moody's Investor Service, Sector In-Depth RMBS - US, February 9, 2016

⁶ *Id.*

Before Caliber, Lone Star, or any other entity determines that a movement back to the days of risky or predatory lending practices can grow unnoticed and unchecked, the CFPB should examine these bank statement loan programs and the institutions marketing them.

Thank you for your consideration of this letter. I look forward to your response. If you would like to discuss any of these issues further, please contact me directly or have your staff contact Gira Bose in my office at gira.bose@mail.house.gov or via phone at 202-225-5111.

Sincerely,



Michael E. Capuano
MEMBER OF CONGRESS



1700 G Street N.W. Washington, DC 20552

January 23, 2017

The Honorable Mike Crapo
Chairman
U.S. Senate
Committee on Banking, Housing, and Urban Affairs
534 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Sherrod Brown
Ranking Member
U.S. Senate
Committee on Banking, Housing, and Urban Affairs
534 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Jeb Hensarling
Chairman
U.S. House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Maxine Waters
Ranking Member
U.S. House of Representatives
Committee on Financial Services
2221 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairmen and Ranking Members,

Enclosed please find the FY 2016 annual independent audit report completed by KPMG, L.L.P. in accordance with Government Auditing Standards (GAS) issued by the Comptroller General of the United States. This report was commissioned by the Consumer Financial Protection Bureau (CFPB) in accordance with Section 1573 of the Full-Year Continuing Appropriations Act of 2011 (Pub. L. 112-10) which amended the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 to require the CFPB to order an annual independent audit of its operations and budget.

The FY 2016 independent audit evaluated: (1) CFPB's budget process relative to CFPB policies and procedures established over budget formulation, execution, and monitoring; (2) Asset management process relative to its policies and procedures over managing and maintaining accountability of CFPB assets; (3) Frequent Traveler Stipend Program process relative to its policies and procedures over issuing annual stipends to employees for extended overnight travel while on temporary official business; and (4) the corrective actions taken to resolve the findings included in CFPB's FY 2015 Independent Audit of Operations and Budget, also completed by KPMG, L.L.P. CFPB has partially remediated the finding from the 2015 Independent Audit. We will continue our work to fully remediate the finding during the upcoming year. Finally, the CFPB agrees with the two identified conditions around asset management and accompanying recommendations from the 2016 audit report and is already preparing to implement the proposed recommendations for this focus area. We are pleased to report these positive results and will continue to work to improve our processes.

Should you have any questions about this report, please do not hesitate to contact me or have your staff contact Matt Pippin or Patrick O'Brien of the Bureau's Legislative Affairs staff. Mr. Pippin can be reached (202) 435-7552 and Mr. O'Brien can be reached at (202) 435-7180.

Sincerely,

Catherine Galicia

Assistant Director for Legislative Affairs

*Consumer Financial Protection Bureau
Independent Audit of Selected Operations
and Budget*

December 16, 2016

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

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KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

EXECUTIVE SUMMARY

December 16, 2016

The Honorable Richard Cordray
Director
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

Dear Mr. Cordray:

This report presents the results of our work conducted to address the performance audit objectives relative to the Consumer Financial Protection Bureau (hereinafter referred to as “CFPB” or “Bureau”). Our work was performed during the period July 12, 2016 to December 16, 2016, and our results, reported herein, are as of December 16, 2016.

We conducted this performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and recommendations based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and recommendations based on our audit objectives.

As specified by CFPB, our audit objectives were to evaluate CFPB’s (1) budget process relative to its policies and procedures established over budget formulation, execution, and monitoring; (2) asset management process relative to its policies and procedures over managing and maintaining accountability of CFPB assets; (3) frequent traveler stipend program process relative to its policies and procedures over issuing annual stipends to employees for extended overnight travel while on temporary official business; and (4) corrective actions taken to resolve the findings and recommendations included in CFPB’s *2015 Independent Audit of Selected Operations and Budget*, which was performed by KPMG.

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As our report further describes, we identified the following finding as a result of the work performed to meet our audit objectives:

- A. Adherence with asset management policies and procedures needs to be improved and certain additional controls need to be adopted.

We recommend that CFPB:

1. Implement controls designed to ensure that barcoded asset tags are affixed to all servers upon acquisition and that they can be physically accessed for scanning purposes during the inventory process.
2. Update inventory observation-related standard operating procedures to provide guidance on how to document the results of the annual inventory, including (1) the date the observation(s) was performed, (2) the number and type of discrepancies identified (e.g., items that were found to be damaged or defective, as well as assets observed to be in use that were not included on the inventory tracking spreadsheet, and (3) disposition of the discrepancies identified, including any corrections or adjustments made to the inventory tracking spreadsheet.
3. Reinforce key objectives and procedures in the inventory observation process to help ensure that:
 - a. All assets within CFPB's possession are safeguarded and can be readily located using the inventory tracking spreadsheets;
 - b. Appropriate documentation is maintained regarding the performance of the inventory observations;
 - c. Inventory-related discrepancies are resolved; and
 - d. Necessary updates are made to inventory listings.
4. Provide training to applicable personnel regarding annual inventory policies and procedures.

Through our procedures, we determined that the prior year audit's control deficiency has been partially remediated. Draft procedures and options available to ensure positive destruction of storage that contains personally identifiable information has been completed, but finalization of the procedures and the Chief Information Officer's approval were in progress and not started, respectively, as of the corrective action plan's September 30, 2016 target completion date. We note, however, that CFPB management provided a



copy of the final CFPB Media Sanitization and Destruction Standard, which was signed by the Acting Chief Information Officer in November, 2016.

In addition, we identified certain areas for improvement, as presented in *Appendix A – Additional Improvement Observations*. We determined that these observations are not reportable findings. However, understanding these observations may be useful to CFPB in strengthening the budget and frequent traveler stipend program practices.

This performance audit did not constitute an audit of financial statements in accordance with *Government Auditing Standards* or *U.S. Generally Accepted Auditing Standards*. KPMG LLP was not engaged to and did not render an opinion on the CFPB's internal controls over financial reporting or over financial management systems (for purposes of Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Internal Control*, dated December 21, 2004¹ and OMB Circular No. A-123, Appendix D, *Compliance with the Federal Financial Management Act of 1996*, dated September 20, 2013).

This report is intended solely for the information and use of the Consumer Financial Protection Bureau, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

KPMG LLP

¹ OMB Circular A-123 was updated on July 15, 2016 and retitled *Management's Responsibility for Enterprise Risk Management and Internal Control*. Among the major changes were the requirement for enterprise risk management, with initial implementation timeframes starting in 2017. Our 2016 audit applied the 2004 Circular A-123 in effect at the time of our performance audit.

BACKGROUND

The Consumer Financial Protection Bureau (CFPB) was established on July 21, 2010 under Title X of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act, Public Law No. 111-203) as an independent bureau within the Federal Reserve System (Federal Reserve). The Bureau is an Executive agency, as defined in Section 105 of Title 5, United States Code, with a mission to make consumer finance rules more effective, consistently and fairly enforce those rules, and empower consumers to take more control over their economic lives. To accomplish its mission, the CFPB seeks to educate consumers, enforce Federal consumer financial laws, and gather and analyze information to better understand consumers, financial service providers and consumer financial markets.

The CFPB has a diverse mandate and has assumed roles that were previously covered by seven different agencies responsible for rulemaking, supervision, and enforcement relating to consumer financial protection. The agencies which previously administered statutes transferred to the CFPB are the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Federal Trade Commission, and the Department of Housing and Urban Development.

To accomplish its mission, the CFPB developed and is continuing to build a workforce with a broad and diverse depth of public and private industry experience that is spread across the country, with its headquarters in Washington, D.C. and regional offices in Chicago, New York City, and San Francisco. The CFPB is organized into six primary divisions:

- *Consumer Education and Engagement* – Works to empower consumers with the knowledge, tools, and capabilities they need in order to make better-informed financial decisions by engaging them in the right moments of their financial lives, while addressing the unique financial challenges faced by four specific populations.
- *Supervision, Enforcement, and Fair Lending* – Ensures compliance with Federal consumer financial laws by supervising market participants and bringing enforcement actions when appropriate.
- *Research, Markets, and Regulations* – Conducts research to understand consumer financial markets and consumer behavior, evaluates whether there is a need for regulation, and determines the costs and benefits of potential or existing regulations.
- *Legal Division* – Ensures the Bureau’s compliance with all applicable laws and provides advice to the Director and the Bureau’s divisions.

- *External Affairs* – Manages the Bureau’s relationships with external stakeholders and ensures that the Bureau maintains robust dialogue with interested stakeholders to promote understanding, transparency, and accountability.
- *Operations Division* – Builds and sustains the CFPB’s operational infrastructure to support the entire organization and hears directly from consumers about challenges they face in the marketplace through their complaints, questions, and feedback.

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives and Scope

As specified by the CFPB, the objectives of our performance audit were to evaluate CFPB’s:

1. Budget process relative to its policies and procedures established over budget formulation, execution, and monitoring;
2. Asset management process relative to its policies and procedures over managing and maintaining accountability of CFPB assets;
3. Frequent Traveler Stipend Program process relative to its policies and procedures over issuing annual stipends to employees for extended overnight travel while on temporary official business; and
4. Corrective actions taken to resolve the findings and recommendations included in CFPB’s *2015 Independent Audit of Selected Operations and Budget*.

Methodology and Approach

We conducted our performance audit in accordance with the performance audit standards in *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and recommendations based on our audit objectives. Our responsibility is to provide findings and recommendations based on the results of our audit. We believe that the evidence obtained provides a reasonable basis for our finding and recommendations based on our audit objectives.

Our methodology consisted of the following four-phased approach:

1. *Project Initiation and Planning* – We met with CFPB key personnel to (1) reaffirm CFPB’s and our collective understanding of the performance audit objectives and scope, (2) highlight our methodology and approach to meet the audit objectives, (3) request certain information from CFPB needed to perform our audit, and (4) gain an understanding of the status of corrective actions plans related to our prior year findings and recommendations.

2. *Data Gathering* – We interviewed key CFPB personnel to obtain an understanding of processes, controls, and available documentation for each audit objective. For each audit objective, we (1) researched leading practices, (2) obtained and reviewed relevant documentation, (3) selected samples for detailed testing and further analysis, when appropriate, and (4) documented the work performed and results of our audit procedures.
3. *Analysis Using Established Criteria* – Our evaluation criteria was developed from a variety of sources, including requirements and technical guidance published by the Office of Management and Budget (OMB) and used by CFPB as leading practices² at the time of our audit (e.g., OMB Circular No. A-123, *Management’s Responsibility for Internal Control*; OMB Circular No. A-123,³ Appendix D, *Compliance with the Federal Financial Management Improvement Act of 1996*; OMB Circular No. A-11, *Preparation, Submission and Execution of the Budget*); and CFPB’s policies and procedures.
4. *Finding and Recommendations* – The results of our audit work were the basis for our audit finding and recommendations. The finding and recommendations were formally communicated to CFPB management through our Notice of Findings and Recommendations process. We met with CFPB management to discuss our finding, recommendations, the content of the auditor’s report, and steps related to the final reporting process.

The sections below present an overview of each of the audit objectives and the key procedures performed with respect to each area.

CFPB’s Budget Process

Pursuant to the Dodd-Frank Act (“the Act”), the CFPB is funded principally by transfers from the Federal Reserve System, up to a limit set forth in the Act. In addition, pursuant to the Act, the CFPB is also authorized to collect and use, for specified purposes, civil penalties collected from any person or entity in any judicial or administrative action brought under federal consumer financial law. During fiscal years 2015 and 2016, the CFPB’s annual transfers from the Board totaled approximately \$485 million and \$564 million, respectively. The CFPB budget process consists of budget formulation (including budget submission and approval), budget execution, and budget monitoring (including reporting). The CFPB and the Federal Reserve have entered into an inter-agency agreement for the continued funding of the operations of the CFPB as set forth in Section 1017(b) of the Dodd-Frank Act. Under this agreement, the Federal

² While not required to comply with OMB regulations, CFPB uses OMB requirements and guidance as indicators of leading practices.

³ See footnote 1.

Reserve will transfer funds quarterly to the CFPB based on notification by the Director of the amounts needed.

The annual budget formulation process begins approximately 18 months before the beginning of the fiscal year in which the budget will be executed. This is a collaborative effort between the CFPB's Office of the Chief Financial Officer (OCFO) and CFPB divisions and their offices. To facilitate a standardized and consistent budget formulation process, the OCFO has developed policies and procedures, including templates for gathering relevant data. The program or division is required to support the amounts requested and link to the CFPB goals set by the Director.

The CFPB's Operations Division is responsible for coordinating activities for budget formulation across the Bureau. Working in collaboration with other CFPB divisions, the OCFO has primary responsibility for developing the budget (including staffing estimates) consistent with statutory requirements, performance goals, and CFPB priorities. The CFPB Director has final approval authority over the budget. Once the annual budget is approved by the Director, it is distributed internally, communicated to OMB (but not subject to approval by OMB), and posted on the CFPB website.

To execute its budget, CFPB exercises administrative control of funds through several measures. A financial plan is developed for each division and distributed at the beginning of each fiscal year. Within the financial plan, each division is allocated a target staffing headcount and personnel and non-personnel funding for the fiscal year. Divisions are expected to adhere to their financial plan allocations and to work collaboratively with the OCFO to request any additional funding and/or staffing if needed throughout the year. The OCFO has established policies and procedures for the approvals of requisitions and commitments related to CFPB's funds.

To process budgetary transactions and enforce fund controls, CFPB has entered into an inter-agency agreement for accounting services with the U.S. Department of the Treasury's Bureau of the Fiscal Service. Accounting services provided to CFPB include recording financial transactions, such as budget authority, allocations, collections, accounts receivable, commitments, obligations, accruals, accounts payable, disbursements, and journal entries. The Bureau of the Fiscal Service's automated accounting systems provide the budgeting and funds control at various organizational and spending levels, which are established at the request of the customer agency. To complement these fund controls, CFPB has established a number of additional monitoring controls, such as monthly budget execution summary reports, quarterly OCFO reviews, and the mid-year budget review. In addition, the OCFO has established policies and procedures to

perform a quarterly accrual analysis of obligations of \$100,000 or greater to determine if goods and services were received.

The CFPB has established and maintains an Operating Reserve to protect the Bureau's ability to carry out its authority and ensure the stability of its mission, programs, and ongoing operations in the event of unanticipated and unbudgeted one-time funding needs. This reserve is intended to provide a source of funds internal to the CFPB for unexpected situations, such as sudden increases in expenses, one-time unbudgeted expenses, unanticipated delays in funding, and uninsured losses. The CFPB's Operating Reserve Policy has been implemented in concert with its other governance and financial policies and is intended to support the goals and strategies contained in those related policies and in strategic and operational plans. Additionally, maintenance of such a reserve is expected to minimize or eliminate the need to request fund transfers from the Board of Governors of the Federal Reserve (Board) outside the predetermined schedule, which could place an undue burden on the Federal Reserve System.

Our methodology and approach for evaluating the budget process included the following procedures:

- Interviewing CFPB key budget personnel within the individual division/program offices and the OCFO regarding formulation, execution, and monitoring;
- Reviewing the policies and procedures for budget formulation, execution, and monitoring;
- Obtaining a further understanding of the budget formulation, execution, and monitoring process through discussions with management of the OCFO and select CFPB divisions;
- Reviewing documents used to support the budget formulation process;
- Comparing the CFPB budget formulation, execution, and monitoring process to the applicable requirements and guidance in OMB Circular A-11 as an indicator of leading practice;
- Reviewing documents to support the fact that the fiscal year 2016 budget was discussed with the program offices, was reviewed and approved by CFPB's Director, and was widely communicated throughout the organization;
- Obtaining an understanding of the budget execution and monitoring process through discussions with OCFO management and select CFPB offices;
- Reviewing CFPB's support for its mid-year budget review, and
- Reviewing CFPB's use of the Operating Reserve during fiscal year 2016, including its conformance with the Operating Reserve Policy.

Our procedures did not identify any findings related to CFPB's budget process. However, as a result of our procedures, we reported an observation for CFPB's consideration in further enhancing its budget process.

specifically as it relates to its Operating Reserve Policy, which is included in *Appendix A – Additional Improvement Observations*. This observation is related to our 2016 audit of selected operations and budget and is presented for the purpose of finalizing the results of the audit.

CFPB's Asset Management Process

CFPB has established asset management policies for both information technology (IT) and non-IT assets. CFPB's IT and non-IT policies together provide the responsibilities and procedures pertaining to the tracking and physical inventory of CFPB-owned assets. These policies and procedures outline the process by which physical inventories are to be performed, newly-acquired assets are to be tagged with a barcode, assets are tracked in a spreadsheet, and lost or stolen assets are disposed of.

During the annual wall-to-wall inventory process, inventory specialists are equipped with a hand-held barcode scanner and a listing of barcodes organized by building, floors, and hardware models. The hand-held barcode scanner stores an Excel spreadsheet file of all property in the accounting records and is updated based on the scanned information. Once the inventory process is complete, the stored information is aggregated into the Master Inventory Spreadsheet.

A Facilities Office (Facilities) Asset Program Manager (APM) oversees non-IT asset management program activities, including creating and maintaining property inventory records in a tracking spreadsheet. The Facilities APM ensures compliance with regulatory and other mandates, including initiation of annual inventories and coordinating excess property requests requiring intergovernmental cooperation.

The Technology and Innovation (T&I) Office Infrastructure Operations Asset Management Team has developed asset management standard operating procedures (SOP) for managing and maintaining CFPB's IT end user assets. These procedures describe inventory and accountability controls for tracking and recording assets throughout the asset lifecycle. The procedures are used by T&I Asset Management Team members (at both headquarters and regional offices), who are responsible for and tasked with managing CFPB's IT end user assets. End user assets are to be managed and tracked using Remedyforce. T&I server assets are managed and tracked by the Infrastructure Engineering team using an excel spreadsheet.

Our methodology and approach for evaluating CFPB's asset management process included the following procedures:

- Conducted a kickoff and interviews with CFPB key asset management personnel within the Office of Facilities (Facilities) and the T&I Office;
- Reviewed the policies and procedures for asset management;

- Obtained an understanding of the asset management process through discussions with both T&I Office and Facilities Office management;
- Reviewed documents used to support the asset management process to help us identify risks (inherent, fraud, and control) in the process and the controls designed to mitigate those risks;
- Selected and tested a sample of asset additions to determine CFPB's conformance with its asset management-related policies and procedures;
- Selected samples and performed observation procedures of both a "book-to-floor" and a "floor-to-book" nature to determine the accuracy of CFPB's asset inventory listings; and
- Obtained and reviewed the CFPB's June 30, 2016 quarterly submission of the Inventory Tracking Log (inventory procedure results) for reference and comparison purposes in conjunction with our own book-to-floor and a floor-to-book inventory observation test procedures.

Refer to **Finding A** in the *Finding and Recommendations* section of this report for our finding and recommendations related to our asset management process audit objective.

CFPB's Frequent Traveler Stipend Program (FTSP) Process

CFPB employees who travel frequently on temporary official business are eligible to receive an annual stipend if they spend more than 50 nights in eligible temporary duty travel (ETDY) status. The travel period for the program is January 1 through December 31 of each year. Approved travel stipend payments are made through the payroll process, with lump sum payments to eligible employees included in the payroll for hours worked during the fourth pay period in the year following the travel period.

To be considered for the annual stipend employees are required to (1) complete, obtain supervisory approval of, and submit to the OCFO Travel Section a Frequent Traveler Stipend Claim Form detailing the purpose of the travel, the ETDY travel dates, and the number of qualifying nights of travel, and (2) maintain copies of the claim form and related documentation and comply with other travel-related CFPB travel policy recordkeeping requirements.

Employees' supervisors are required to review, approve, and sign Frequent Traveler Stipend Claim Forms to ensure that lodging nights claimed are in accordance with the Frequent Traveler Stipend Program policy and that the travel was performed as claimed. The OCFO Travel Section performs a review of the claim forms and supporting documentation, interprets and applies CFPB's travel policy and frequent traveler stipend program policy requirements, and provides the information necessary for payments to be processed. The OCFO may request or review additional documentation or information (e.g., travel vouchers) to support the claim or perform post-payment audits, as considered necessary.

Our methodology and approach for evaluating CFPB's FTSP process included the following procedures:

- Conducted a kickoff meeting and interviews with CFPB key FTSP personnel within the OCFO Travel Section;
- Reviewed the policies and procedures for the FTSP;
- Obtained an understanding of the FTSP process through discussions with members of the OCFO Travel Section;
- Reviewed documents used to support the FTSP process to help us identify risks (inherent, fraud, and control) in the process and the controls designed to mitigate those risks; and
- Selected and tested a sample of FTSP claim forms to determine conformance with CFPB's travel stipend policies and procedures

Our procedures did not identify any findings related to CFPB's FTSP process. However, as a result of our procedures, we reported in *Appendix A – Additional Improvement Observations* an observation for CFPB's consideration in further enhancing its FTSP process. This observation is related to our 2016 audit of selected operations and budget and is presented for the purpose of finalizing the results of the audit.

Corrective Actions Taken to Resolve the FY2015 Audit Report Findings and Recommendations

CFPB developed corrective action plans to address the prior year recommendations included in the *2015 Independent Audit of Operations and Budget* report.⁴ Our methodology and approach for the corrective actions process included the following procedures:

- Reviewed the finding and related recommendations included in the *2015 Independent Audit of Operations and Budget*, which was defined as deficiency in internal control;
- Obtained and reviewed the corrective action plans (CAP) developed by CFPB for the recommendations mentioned above;
- Reviewed documentation supporting the CFPB actions specified in the CAP and how the actions taken address the prior year findings.

The table below depicts the status of the prior year recommendations based on the results of our 2016 performance audit procedures:

2015 Finding	2015 Finding Type	2016 Status
Information Privacy policies and procedures need to be updated	Control Deficiency	Partially Remediated as of September 30, 2016 – We noted

⁴ *2015 Independent Audit of Selected Operations and Budgets, KPMG, December 18, 2015.*

2015 Finding	2015 Finding Type	2016 Status
		<p>that the data cataloging corrective actions had been completed as of the CAP's September 30, 2016 planned correction date. However, the corrective actions related to data destruction had not been completed and implemented as of September 30, 2016. Draft procedures and options available to assure positive destruction of storage that contains personally identifiable information had been completed, but finalization of the procedures and Chief Information Officer approval were in progress and not started, respectively. (We note that CFPB management provided a copy of the final CFPB Media Sanitization and Destruction Standard, which was signed by the Acting Chief Information Officer in November, 2016.)</p>

Finding and Recommendations

Our 2016 performance audit identified one internal control deficiency⁵ finding, which is presented below. We discussed the results of the performance audit with CFPB's CFO and audit focus area leads. We held an exit conference on December 15, 2016.

A. Asset management annual inventory policies and procedures need to be reinforced and certain additional controls need to be adopted

Background:

Periodic inventories are not only a sign of good stewardship of public funds and assets, but they are a required and intrinsic component of CFPB's Asset Management policy⁶. Annual inventories are conducted at a specified time during each fiscal year and involve a full inventory of all assets identified within the Bureau. CFPB's asset tracking system is reliant on a set of unique CFPB barcoded asset tags that are placed on each item. During the annual inventory process, CFPB manually scans the barcoded asset tag affixed to every item within the facility. The results are then uploaded into a tracking spreadsheet, and items are grouped by asset types (e.g., facilities and technology and innovation).

Condition:

As a result of test procedures performed over the CFPB's FY 2016 inventory process, we noted the following conditions:

1. Controls over the identification and documentation of IT-related inventory items are not operating effectively to provide reasonable assurance that all IT assets are properly identified, tagged, and logged accurately onto the inventory tracking spreadsheet. From a sample of 63 items selected for testing, we noted 7 inventory recordkeeping discrepancies, including instances where an asset tag was missing from an asset, multiple asset tags with different numbers were affixed to the same asset, assets were traceable to the inventory spreadsheet using their serial numbers but the asset tag numbers affixed to the assets were not recorded on the inventory spreadsheet, and an asset that was in service had been inadvertently deleted from the inventory spreadsheet.

⁵ *Government Auditing Standards*, 2011 Revision Paragraph 6.21. "In performance audits, a deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct (1) impairments of effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) noncompliance with provisions of laws, regulations, contracts, or grant agreements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective is not met."

⁶ CFPB Service Desk Asset Management Standard Operating Procedure – Section 3.1 (Purpose of the Inventory).

In addition, we noted 215 network items that were identified by serial numbers on the fiscal year 2016 inventory tracking spreadsheet; however, there were no asset tag numbers associated with these assets on the spreadsheet.

2. CFPB's IT and non-IT asset management policies and procedures lack guidance related to how the results of the annual inventory, including discrepancies noted and adjustments made to the inventory tracking spreadsheet, are to be documented. Consequently, upon inspection of CFPB's fiscal year 2016 inventory observation results, we were not able to determine:
 - a. When the inventory observations were performed;
 - b. The number and type of discrepancies found (e.g., assets that could not be located or additional items found during the inventory that were not included on the inventory tracking spreadsheet); and
 - c. Actions taken to resolve any discrepancies noted.

Criteria:

- CFPB Service Desk Asset Management Standard Operating Procedure - Section 3.1 (Purpose of the Inventory).
- United States Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government Principles* (September 2014) Section 10.03, Design of Appropriate Control Activities and Section 12.02, Documentation of Responsibilities through Policies.

Cause and Effect:

The CFPB's inventory process is manually-intensive in nature and prone to errors that may not be prevented or detected and corrected on a timely basis. CFPB's inventory policies and procedures do not include specific policies and procedures to direct staff members on the documentation requirements over the performance of the annual inventory, including identifying discrepancies found during the inventory process, and corrective actions taken as a result of the annual inventory. If not corrected, these control deficiencies may prevent the Bureau from effectively managing and safeguarding its inventory assets.

Recommendations:

- To improve controls over the asset management and annual inventory processes, we recommend that CFPB:
- a. Implement controls designed to ensure that barcoded asset tags are affixed to all servers upon acquisition and that they can be physically accessed for scanning purposes during the inventory process.
 - b. Update inventory observation-related standard operating procedures to provide guidance on how to document the results of the annual inventory, including (1) the date the observation(s) was performed,

(2) the number and type of discrepancies identified (e.g., items that were found to be damaged or defective, as well as assets observed to be in use that were not included on the inventory tracking spreadsheet, and (3) disposition of the discrepancies identified, including any corrections or adjustments made to the inventory tracking spreadsheet.

- c. Reinforce key objectives and procedures in the inventory observation process to help ensure that:
- All assets within CFPB's possession are safeguarded and can be readily located using the inventory tracking spreadsheets;
 - Appropriate documentation is maintained regarding the performance of the inventory observations;
 - Inventory-related discrepancies are resolved; and
 - Necessary updates are made to inventory listings.
- d. Provide training to applicable personnel regarding annual inventory policies and procedures.

Appendix A – Additional Improvement Observations

Our current audit procedures did not identify any findings related to the budget or Frequent Traveler Stipend Program (FTSP) processes. However, as a result of our procedures, we are reporting certain observations for CFPB's consideration in further enhancing these processes. These observations are related to our 2016 audit of selected operations and budget and are presented for the purpose of finalizing the results of that audit.

Our additional observations are as follows:

1. *Budget Function:* We reviewed documentation related to the CFPB's use of the Operating Reserve during fiscal year 2016 for conformance to the Operating Reserve Policy. CFPB could benefit from introducing enhancements to the Operating Reserve Policy in the form of additional clarity in the guidance related to (1) the frequency of recalculating the amount of the reserve from year to year, and (2) documentation requirements when the reserve is used. Specifically, CFPB may consider:
 - a. Developing Standard Operating Procedures (SOP) complementing the existing policy to more clearly specify the required frequency of and the method and inputs for calculating the level or range of the amount of the reserve, including the Bureau's considerations in developing the relevant inputs associated with the current year's or near-future budgetary resources.
 - b. Developing an SOP to complement the existing policy that specifies the documentation requirements related to (i) support for the case-by-case justifications for requests to utilize operating reserve funds, and (ii) the form or method for documenting the Director's approval of the use of the reserve when its use is expected to increase the Bureau's approved annual budget.

2. *Frequent Traveler Stipend Program:* We reviewed CFPB's eligibility determinations resulting in fiscal year 2016 FTSP payments being made to eligible employees for conformance to the FTSP policy. CFPB could benefit from introducing improvements over the FTSP policies and procedures. Specifically, CFPB may consider:
 - a. Implementing physical and electronic access controls around the OCFO Travel Section's FTSP claims review spreadsheet to help ensure that only authorized individuals with a valid need can access the document and enter or change information.
 - b. Issuing an SOP that complements the existing Frequent Traveler Stipend Program policy to more clearly describe the level of review expected of the employees' supervisors when reviewing and approving an employee's Frequent Traveler Stipend Program claim form prior to its submission to the OCFO Travel Section for processing.

Appendix B – CFPB’s Management Response

Management Responses

We provided a draft of this report to CFPB management for review and comment. CFPB’s responses to our finding and recommendations are included in a letter from CFPB’s Acting Chief Financial Officer dated December 16, 2016. CFPB’s responses were not subjected to the auditing procedures applied in the performance audit objectives relative to CFPB; accordingly, we expressed no opinion on these responses.



Consumer Financial
Protection Bureau

December 16, 2016

Mr. Jorge Asef-Sargent
KPMG, L.L.P.
1801 K Street, NW
Suite 12000
Washington, DC 20006

Dear Mr. Asef-Sargent,

Thank you for the opportunity to review and comment on KPMG, L.L.P.'s report "*Consumer Financial Protection Bureau Independent Audit of Selected Operations and Budget*," for Fiscal Year 2016, dated December 16, 2016. We have reviewed the audit report and concur with the recommendations contained therein. As noted in the report, CFPB has partially remediated the finding from the 2015 Independent Audit conducted by your firm. We will continue our work to fully remediate the finding during the upcoming year.

We agree with the two identified conditions and accompanying recommendations in the 2016 audit report. My colleagues are already preparing to implement the proposed recommendations from the Asset Management audit focus area. The comments on the recommendations in this letter provide additional detail on planned actions to enhance the processes and controls in the Asset Management audit focus area.

In an effort to enhance the Bureau's operations and to address the performance improvement opportunities in the audit focus areas that KPMG studied, the Bureau will evaluate how best to incorporate the observed opportunities for improvement in the audit focus areas into the existing policies and procedures of these audit focus areas.

Thank you again for your review.

Sincerely,

A handwritten signature in black ink, appearing to read 'Elizabeth Reilly', is written over a light blue rectangular background.

Elizabeth Reilly
Acting Chief Financial Officer

Auditor's Condition 1: CFPB's Asset Management Function

Condition: The Auditor noted that controls over the identification and documentation of IT-related inventory items are not operating effectively to provide reasonable assurance that all IT assets are properly identified, tagged, and logged accurately onto the inventory tracking spreadsheet. From a sample of items selected for testing, the Auditor noted several inventory recordkeeping discrepancies.

CFPB Response: The CFPB agrees with the Condition described above.

Auditor's Condition 2: CFPB's Asset Management Function

Condition: The Auditor noted that CFPB's IT and non-IT asset management policies and procedures lack guidance related to how the results of the annual inventory, including discrepancies noted and adjustments made to the inventory tracking spreadsheet, are to be documented. Consequently, upon inspection of CFPB's fiscal year 2016 inventory observation results, the Auditor was not able to determine: When the inventory observations were performed; The number and type of discrepancies found (e.g., assets that could not be located or additional items found during the inventory that were not included on the inventory tracking spreadsheet); and Actions taken to resolve any discrepancies noted.

CFPB Response: The CFPB agrees with the Condition described above.

Auditor's Recommendation(s) Related to Conditions 1 and 2: CFPB's Asset Management Function

Recommendation: The Auditor recommends that CFPB:

1. Implement controls designed to ensure that barcoded asset tags are affixed to all servers upon acquisition and that they can be physically accessed for scanning purposes during the inventory process.
2. Update inventory observation-related standard operating procedures to provide guidance on how to document the results of the annual inventory, including (1) the date the observation(s) was performed, (2) the number and type of discrepancies identified (e.g., items that were found to be damaged or defective, as well as assets observed to be in use that were not included on the inventory tracking spreadsheet), and (3) disposition of the discrepancies identified, including any corrections or adjustments made to the inventory tracking spreadsheet.
3. Reinforce key objectives and procedures in the inventory observation process to help ensure that:
 - All assets within CFPB's possession are safeguarded and can be readily located using the inventory tracking spreadsheets;
 - Appropriate documentation is maintained regarding the performance of the inventory observations;
 - Inventory-related discrepancies are resolved; and
 - Necessary updates are made to inventory listings.
4. Provide training to applicable personnel regarding annual inventory policies and procedures.

CFPB Response: The CFPB agrees with the Auditor's recommendations. In FY 2017, T&I will continue to refine its asset management process. We will work to consolidate the T&I inventory, as well as input all T&I assets into our asset management database. Consolidation of the inventory will provide one process for tracking and accounting for all equipment as it is received. Consolidation will also ensure that the inventory details are readily available and discrepancies easily identified.



1700 G Street N.W. Washington, DC 20552

January 23, 2017

The Honorable Mike Crapo
Chairman
U.S. Senate
Committee on Banking, Housing, and Urban Affairs
534 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Sherrod Brown
Ranking Member
U.S. Senate
Committee on Banking, Housing, and Urban Affairs
534 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Jeb Hensarling
Chairman
U.S. House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Maxine Waters
Ranking Member
U.S. House of Representatives
Committee on Financial Services
2221 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairmen and Ranking Members,

Enclosed please find the FY 2016 annual independent audit report completed by KPMG, L.L.P. in accordance with Government Auditing Standards (GAS) issued by the Comptroller General of the United States. This report was commissioned by the Consumer Financial Protection Bureau (CFPB) in accordance with Section 1573 of the Full-Year Continuing Appropriations Act of 2011 (Pub. L. 112-10) which amended the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 to require the CFPB to order an annual independent audit of its operations and budget.

The FY 2016 independent audit evaluated: (1) CFPB's budget process relative to CFPB policies and procedures established over budget formulation, execution, and monitoring; (2) Asset management process relative to its policies and procedures over managing and maintaining accountability of CFPB assets; (3) Frequent Traveler Stipend Program process relative to its policies and procedures over issuing annual stipends to employees for extended overnight travel while on temporary official business; and (4) the corrective actions taken to resolve the findings included in CFPB's FY 2015 Independent Audit of Operations and Budget, also completed by KPMG, L.L.P. CFPB has partially remediated the finding from the 2015 Independent Audit. We will continue our work to fully remediate the finding during the upcoming year. Finally, the CFPB agrees with the two identified conditions around asset management and accompanying recommendations from the 2016 audit report and is already preparing to implement the proposed recommendations for this focus area. We are pleased to report these positive results and will continue to work to improve our processes.

Should you have any questions about this report, please do not hesitate to contact me or have your staff contact Matt Pippin or Patrick O'Brien of the Bureau's Legislative Affairs staff. Mr. Pippin can be reached (202) 435-7552 and Mr. O'Brien can be reached at (202) 435-7180.

Sincerely,

Catherine Galicia

Assistant Director for Legislative Affairs



1700 G Street N.W. Washington, DC 20552

January 23, 2017

The Honorable Mike Crapo
Chairman
U.S. Senate
Committee on Banking, Housing, and Urban Affairs
534 Dirksen Senate Office Building
Washington, D.C. 20510

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Sincerely,

Catherine Galicia

Assistant Director for Legislative Affairs



1700 G Street N.W. Washington, DC 20552

January 23, 2017

The Honorable Mike Crapo
Chairman
U.S. Senate
Committee on Banking, Housing, and Urban Affairs
534 Dirksen Senate Office Building
Washington, D.C. 20510

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Sincerely,


Catherine Galicia
Assistant Director for Legislative Affairs

JEFF FLAKE

ARIZONA

SR-413 RUSSELL SENATE OFFICE BUILDING
(202) 224-4521

COMMITTEE ON FOREIGN RELATIONS
COMMITTEE ON
ENERGY AND NATURAL RESOURCES
COMMITTEE ON THE JUDICIARY
COMMITTEE ON AGING

United States Senate

WASHINGTON, DC 20510-0305

STATE OFFICES:

2200 EAST CAMELBACK ROAD
SUITE 120
PHOENIX, AZ 85016
(602) 840-1891

6840 NORTH ORACLE ROAD
SUITE 150
TUCSON, AZ 85704
(520) 575-8633

January 24, 2017

The Honorable Richard Cordray
Director
Consumer Financial Protection Bureau
1700 G Street, NW
Washington, DC 20552

Dear Director Cordray:

I write to follow up on my letter to you from August 19, 2016. As you recall this letter regarded the Bureau's proposed rulemaking on pre-dispute arbitration related to consumer financial products.

In my letter I requested answers to the following questions:

1. The study compares total awards from class action settlements over a five-year period with arbitral awards over only a two-year period.
 - a) Please explain why, given the inherent differences between settlements and damage awards, the Bureau believes this to be an apple-to-apple comparison?
 - b) Please explain why, given the inherent differences between settlements and damage awards, the Bureau did not compare class action settlements to pre-arbitral alternatives like mediation and "customer service" settlements?
2. On what basis did the Bureau exclude data on arbitral settlements? On what basis did it exclude data on mediation and "customer service" settlements?
3. Please describe any and all of the alternatives to the proposed new regulatory regime that the Bureau considered.
4. Is it possible for an arbitration agreement between consumers and financial institutions to be fair and non-deceptive? If yes, would such an agreement meet the Bureau's approval?
5. The Bureau has only operated since July 2011. In that time, it has supposedly recovered \$11.2 billion for consumers through enforcement actions and \$300 million through supervisory actions.
 - a) Given the Bureau's enforcement record since July 2011, why did the Bureau deem it appropriate to only study data from 2008 to 2012?

b) What effect does the existence of the Bureau's enforcement power since July 2011 have on the net benefit of class actions?

6. The Arbitration Rule is based on the premise that banning the use of agreements that prohibit class-action lawsuits is "in the best interest of the public." However, in many instances, attorney fees comprise large portions of the aggregate payments made to classes in settlements. As Judge Richard Posner has observed:

[C]lass counsel ... have an opportunity to maximize their attorneys' fees ... at the expense of the class. The defendant cares only about the size of the settlement, not how it is divided between attorneys' fees and compensation for the class. From the selfish standpoint of class counsel and the defendant, therefore, the optimal settlement is one modest in overall amount but heavily tilted toward attorneys' fees. *Eubank, et al. v. Pella Corp. & Pella Windows & Doors, Inc.*, 753 F.3d 718, 720 (2014).

Indeed, the Bureau's study confirmed this, finding that in settlements of \$100,000 or less attorney fees comprised 57 percent of total payouts.

a) Did the Bureau consider placing a limit on the percentage of fees an attorney can demand in a lawsuit?

b) What would you consider to be a reasonable range of attorney fees by percentage of payments made in a settlement? Why?

7. You stated on February 16, 2016, "the Bureau's rule requires companies to provide the Bureau with arbitral claims and awards, which might be made public, the proposals we are considering would bring the arbitration of individual disputes into the sunlight of public scrutiny." You have argued that this information is vital in evaluating arbitration. If the information is vital to evaluate the effectiveness of arbitration, why didn't the Bureau require it in the study?

8. Did the Bureau consider whether the restriction of mandatory arbitration agreements would affect the availability of arbitration as a means to settle disputes between consumers and financial institutions? If so, why did the Bureau disregard this concern?

My letter did not include a deadline for your response, but four months have now passed without hearing from you. A December 2, 2016 "rulemaking agenda" blog on the Bureau's website reaffirmed that your agency is still conducting rulemaking process for this rule.

I am therefore requesting that you provide answers to my questions by January 31, 2017. If you are unable to reply with this request, please provide me a specific explanation as to why you cannot by January 31, 2017.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jeff Flake", written over a white background.

JEFF FLAKE
United States Senator



Consumer Financial
Protection Bureau

1700 G Street N.W. Washington, DC 20552

January 25, 2017

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
U.S. House of Representatives
4340 Thomas P. O'Neill, Jr. Federal Office Building
Washington, D.C. 20515

Dear Ranking Member Waters:

Thank you for your letter regarding the Consumer Financial Protection Bureau's recent proposal to regulate pre-dispute arbitration agreements in contracts for consumer financial products and services.¹

As you know, in May 2016, the Bureau published a proposed rule that would prohibit pre-dispute arbitration clauses that deny groups of consumers the ability to get relief through the courts. The proposal would prohibit covered providers of certain consumer financial products and services from using an arbitration agreement to bar the consumer from filing or participating in a class action. Under the proposal, companies would still be able to include pre-dispute arbitration clauses in their contracts. However, for contracts subject to the proposal, the clauses would have to state explicitly that they cannot be used to stop consumers from being part of a class action in court. The proposal would also require a covered provider that has an arbitration agreement and that is involved in arbitration pursuant to a pre-dispute arbitration agreement to submit specified arbitral records to the Bureau.

This proposal is based on a number of preliminary findings outlined in the proposed rule. These findings include the Bureau's preliminary determination that companies widely use pre-dispute arbitration agreements to prevent consumers from seeking relief for potential violations of the law on a class basis and consumers rarely file individual lawsuits or arbitration cases to obtain such relief. The Bureau's proposal is designed to protect consumers' rights to pursue justice and relief and to deter companies from violating the law. The Bureau expects that the proposal, if finalized, would allow consumers who remain subject to pre-dispute arbitration agreements to file a class action or join a class action when someone else files it. The Bureau is currently reviewing the comments on the proposed rule and will consider any comments received in accordance with its obligations for notice-and-comment rulemaking.

¹ Arbitration Agreements Notice of Proposed Rulemaking. 81 FR 32829 (May 24, 2016), *available at* <https://federalregister.gov/a/2016-10961>.

Should you have any questions, please do not hesitate to contact me or have your staff contact Patrick O'Brien in the Bureau's Office of Legislative Affairs. Mr. O'Brien can be reached at (202) 435-7180. I look forward to working with you on this and other consumer financial protection matters of importance to you and your constituents.

Sincerely,



Richard Cordray
Director



Thanks for all your interest in us.
Rich



January 30, 2017

The Honorable Jeff Flake
United States Senate
413 Russell Senate Office Building
Washington, DC 20510

Dear Senator Flake:

Thank you for your letters regarding the Consumer Financial Protection Bureau's proposal to regulate pre-dispute arbitration agreements in contracts for consumer financial products and services.¹ The Bureau welcomes your feedback as we continue to engage with you and other stakeholders on our rulemaking.

As you know, in May 2016, the Bureau published a proposed rule that would prohibit pre-dispute arbitration clauses that deny groups of consumers the ability to get relief through the courts. The proposal would prohibit covered providers of certain consumer financial products and services from using an arbitration agreement to bar the consumer from filing or participating in a class action. Under the proposal, companies would still be able to include pre-dispute arbitration clauses in their contracts. However, for contracts subject to the proposal, the clauses would have to state explicitly that they cannot be used to stop consumers from being part of a class action in court. The proposal would also require a covered provider that is involved in arbitration pursuant to a pre-dispute arbitration agreement to submit specified arbitral records to the Bureau.

This proposal is based on a number of preliminary findings outlined in the proposed rule. These findings include the Bureau's preliminary determination, noted in your letter, that companies widely use pre-dispute arbitration agreements to prevent consumers from seeking relief for potential violations of the law on a class basis and consumers rarely file individual lawsuits or arbitration cases to obtain such relief. The Bureau's proposal is designed to protect consumers' rights to pursue justice and relief and to deter companies from violating the law. The proposal, if finalized, would allow consumers who remain subject to pre-dispute arbitration agreements to file a class action or join a class action when someone else files it. The Bureau is currently reviewing the comments on the proposed rule and will consider any comments received in accordance with its obligations for notice-and-comment rulemaking.

The Arbitration Study and the Proposed Rule address many of the questions posed in your letter. As the rulemaking process continues, the Bureau will act in accordance with its obligations under

¹ Arbitration Agreements Notice of Proposed Rulemaking (NPRM), 81 FR 32829 (May 24, 2016), available at <https://federalregister.gov/a/2016-10961>.

the Administrative Procedures Act and appropriately consider issues raised by commenters.

1. *The study compares total awards from class action settlements over a five-year period with arbitral awards over only a two-year period.*

a. *Please explain why, given the inherent differences between class action settlements and damage awards, the Bureau believe this to be an apple-to-apple comparison?*

Response

The Bureau did not draw comparisons between class action settlements and damage awards in either the Study or the NPRM. As the Study's frequency analysis shows, in significant respects, the disputes that are filed in arbitration differ from the disputes that are filed in litigation. To a greater or lesser degree of certainty, these differences result from decisions that the parties make about arbitration and litigation, such as the company's decision to have an arbitration clause, the consumer's willingness to initiate either arbitration or litigation, the company's or consumer's decision to invoke the arbitration clause in a given litigation, and the parties' decision to settle or litigate. Disputes, in short, are not randomly assigned to the two different fora. They exist in one forum or the other because of purposeful decisions by one or both parties. And the known outcomes — principally the cases resolved through an arbitrator's or court's decision — likewise reach that form of outcome, at least in part because of purposeful decisions by one or both parties.

As also noted in the Study, while the Bureau was able to locate federal class settlements dating back to 2008 in the Courtlink database maintained by LexisNexis, electronic records for arbitral awards only became available in 2010. As the Study also noted, more than half of the arbitrations filed in 2012 were still outstanding as of the time the Bureau began its analysis in 2013, such that it was not feasible to analyze a sufficient number of outcomes in those cases.

b. *Please explain why, given the inherent differences between settlements and damage awards, the Bureau did not compare class action settlements to pre-arbitral alternatives like mediation and "customer service" settlements?*

Response

As stated in its proposal, the Bureau preliminarily found that informal dispute resolution mechanisms are insufficient to fully resolve potential violations of the law that broadly apply to many or all customers of a particular company for a given product or service. The Bureau stated that it understands that when an individual consumer complains about a particular charge or other practice, it is often in the financial institution's interest to provide the individual with a response explaining that charge and, in some cases, a full or partial refund or reversal of the practice, in order to preserve the customer relationship. But, many consumers may not be aware that a company is behaving in a particular way, let alone that the company's conduct is unlawful. Thus, an informal dispute resolution system may be unlikely to provide relief to all consumers who are adversely affected by a particular practice. Indeed, the Bureau has observed that its enforcement

actions deliver relief to consumers who have not received it already through informal dispute resolution.

Moreover, even where consumers do make complaints informally, the outcome of these disputes may be unrelated to the underlying merits of the claim. Nothing requires a company to resolve a dispute in a particular consumer's favor, to award complete relief to that consumer, to discontinue the complained of practice in the future, to decide the same dispute in the same way for all consumers, or to reimburse consumers who had not raised their dispute to a company. Regardless of the merits of or similarities between the complaints, the company retains discretion to decide how to resolve them. For example, if two consumers bring the same dispute to a company, the company might resolve the dispute in favor of a consumer who is a source of significant profit while it might reach a different resolution for a less profitable consumer. Indeed, the Bureau understands that it is quite common for financial institutions (especially the larger ones that interact with the greatest number of consumers) to maintain profitability scores on each customer and to cabin the discretion of customer service representatives to make adjustments on behalf of complaining consumers based on such scores.

The Bureau noted in its proposal that it has considered arguments that arbitration agreements provide a sufficiently strong incentive to providers to address consumers' concerns and obviate the need to strengthen private enforcement mechanisms. One such argument is that many agreements contain filing fee-shifting provisions that require providers to pay consumers' up front filing fees. Some stakeholders have posited that the ease and low up front cost of arbitration may change many negative-value individual legal claims into positive-value arbitrations that, in turn, create an additional incentive for providers to resolve matters internally. In principle, if arbitration agreements had the effect of transforming many negative-value claims into positive ones, that would affect not just providers' incentives to resolve individual cases (as some stakeholders have posited) but also their incentives to comply with the law *ex ante*.

As noted in the Bureau's proposal, however, there has been little if any empirical support for such an argument. The Bureau has only been able to document several hundred consumers per year actually filing arbitration claims and the Bureau is unaware that providers have routinely concluded that considerably more consumers were likely to file. The Bureau has received comments on the proposal, including on the issue of this type of "informal" dispute resolution and its relationship to arbitration, and is considering the comments that it has received.

2. *On what basis did the Bureau exclude data on arbitral settlements? On what basis did it exclude data on mediation and "customer service" settlements?*

Response

For the most part, the arbitral settlements are data that has not been available to researchers, including the Bureau. Arbitrators do not resolve the vast majority of consumer financial disputes filed with the American Arbitration Association (which is the largest administrator of consumer

arbitrations), as disputes are frequently settled or reach other procedural outcomes, and the content of those settlements are not set forth in the case file. The Bureau's ability to review substantive outcomes in arbitration therefore is generally limited to arbitration decisions on the merits, and the substantive outcomes of most consumer financial arbitration disputes are unknown and largely unknowable to reviewers.²

The Study also focused on formal dispute resolution, of which arbitration is one type, and litigation is another. As discussed above, customer service accommodations may preclude a need for formal dispute resolution of a given consumer's issue. However, formal dispute resolution exists, is used, and generates the relief described in the Study, and the Bureau preliminarily found in the proposal that these data substantiate its view, as described in the previous question, that informal dispute resolution does not adequately resolve all claims of legal violations. The Bureau has received comments on the nature and extent of informal dispute resolution and will consider those comments in accordance with its obligations for notice-and-comment rulemaking.

3. Please describe any and all of the alternatives to the proposed new regulatory regime that the Bureau considered.

Response

The proposed rule describes several potential alternatives, including consumer disclosures, consumer education, opt-in or opt-out requirements, a total ban on pre-dispute arbitration agreements, as well as specific exemptions such as for small entities or matters that entities have reported to regulators.³ As noted in the proposal, the goals of the proposal are to ensure adequate deterrence of and remedies for violations of law in consumer financial markets. In the proposal, the Bureau stated its belief that none of the alternatives described would be significant alternatives insofar as they would not accomplish the goal of the proposed rulemaking with substantially less regulatory burden. However, the Bureau requested comment on these potential alternative policy options, including any evidence that would indicate that the option could achieve such goals. The Bureau is currently reviewing the comments received on the proposed rule and potential alternatives thereto and will consider any comments received in accordance with its obligations for notice-and-comment rulemaking.

4. Is it possible for arbitration agreement between consumers and financial institutions to be fair and non-deceptive? If yes, would such an agreement meet the Bureau's approval?

Response

Yes, it is possible for arbitration agreements between consumers and financial institutions to be fair and non-deceptive. As is stated in the proposal, arbitration clauses, apart from blocking class

² See also, answer to 1b.

³ See Arbitration Agreements Notice of Proposed Rulemaking, 81 FR 32920-32922.

actions, have historically included provisions that have been used to harm consumers. Nevertheless, the Bureau has not proposed to prohibit arbitration agreements generally because of its preliminary finding that the relative fairness of individual arbitration, as compared to individual litigation, was inconclusive. The Bureau has received comments on this preliminary finding and will consider those comments in accordance with its obligations for notice-and-comment rulemaking.

5. *The Bureau has only operated since July 2011. In that time, it has supposedly recovered \$11.2 billion for consumers through enforcement actions and \$300 million through supervisory actions.*

a. *Given the Bureau's enforcement record since 2011, why did the Bureau deem it appropriate to only study data from 2008 to 2012?*

Response

The Study identified public and private enforcement actions that occurred between 2008-2012 and then searched for the respective matching private and public enforcement actions without a date limitation of 2012.⁴ The Study showed private class actions often complement public enforcement rather than duplicate it. In 88 percent of the public enforcement actions the Bureau identified, the Bureau did not find an overlapping private class action. Similarly, in 68 percent of the private class actions the Bureau identified, the Bureau did not find an overlapping public enforcement action. Moreover, in a sample of class action settlements of less than \$10 million, the Bureau did not find overlapping public enforcement action 82 percent of the time. Even where there was overlap, private class actions tended to precede public enforcement actions, roughly two-thirds of the time. The Bureau has received comments on the methods used for its analysis of public and private enforcement actions, including on whether it selected the appropriate time period for its analysis, and will consider those comments in accordance with its obligations for notice-and-comment rulemaking.

b. *What effect does the existence of the Bureau's enforcement power since July 2011 have on the net benefit of class actions?*

Response

As is noted in the proposed rule, the Bureau preliminarily concluded, based upon the results of the Study and its own experience and expertise, that public enforcement is not itself a sufficient means to enforce consumer protection laws and consumer finance contracts. As the Bureau noted, the market for consumer finance products and services is vast, encompassing trillions of dollars of assets and revenue and the proposal alone would cover about 50,000 firms. In contrast, the resources of public enforcement agencies, including the Bureau, are limited. For example, the Bureau enforces over 20 separate Federal consumer financial protection laws with respect to every

⁴ *Arbitration Study: Report to Congress, pursuant to Dodd-Frank Wall Street Reform and Consumer Protection Act §1028, Appendix U.*

depository institution with assets of more than \$10 billion and all non-depository institutions. Yet the Bureau has about 1,500 employees, only some of whom work in its Division of Supervision, Enforcement, and Fair Lending, which supervises for compliance and enforces these laws. The Bureau has received comments on the proposal, including on the issue of the impact of its recent enforcement activity, and will consider the comments it has received in accordance with its obligations for notice-and-comment rulemaking.

6. *The Arbitration Rule is based on the premise that banning the use of agreements that prohibit class-action lawsuits is “in the best interest of the public.” However, in many instances, attorney fees comprise large portions of the aggregate payments made to classes in settlements. As Judge Richard Posner has observed:*

[C]lass counsel...have an opportunity to maximize their attorneys’ fees...at the expense of the class. The defendant cares only about the size of the settlement, not how it is divided between attorneys’ fees and compensation for the class. From the selfish standpoint of class counsel and the defendant, therefore, the optimal settlement is one modest in overall amount but heavily tilted toward attorneys’ fees. Eubank, et al. v. Pella Corp. & Pella Windows & Doors, Inc., 753 F.3d 718, 720 (2014).

Indeed the Bureau’s study confirmed this, finding that in settlements of \$100,000 or less attorney fees comprised 57 percent of total payouts.

- a. *Did the Bureau consider placing a limit on the percentage of fees an attorney can demand in a lawsuit?*

Response

As discussed above in the response to Question 3, the goals of the proposal are to ensure adequate deterrence of and remedies for violations of law in consumer financial markets. The Bureau has requested comment on alternative policy options, including any evidence that would indicate that the option could achieve such goals. Further, as the proposal noted, Congress, state legislatures, and the courts have adopted mechanisms for managing class procedures over time. As part of these procedures, courts must approve all class actions settlements, including the reasonableness of the award of attorneys’ fees to the class plaintiffs’ lawyers. The Bureau has received comments on the proposal, including on the issue of attorney’s fees, and is considering those comments in accordance with its obligations for notice-and-comment rulemakings.

- b. *What would you consider to be a reasonable range of attorney fees by percentage of payments made in a settlement? Why?*

Response

In the Arbitration Study, the data presented showed that there were differences in the amount of attorneys' fees in settlements in relation to the amount awarded.⁵ However, the Bureau did not use this data to determine whether a certain percentage of a settlement would be a reasonable amount to award to plaintiffs' attorneys.⁶ As stated above, Congress, state legislatures, and the courts have the ability to determine the proper rules and procedures for the approval of class action settlements, including attorneys' fees. Courts may also consider the prospect for success on the merits when determining what fees are reasonable in a class settlement. In addition, Congress has passed legislation, such as the Class Action Fairness Act, that limits frivolous suits and allows courts to reduce the amount of attorneys' fees that are deemed to be excessive.⁷ Again, as noted above, the Bureau has received comments on the issue of attorney's fees and will consider them in accordance with its obligations for notice-and-comment rulemakings.

7. *You stated on February 16, 2016, "the Bureau's rule requires companies to provide the Bureau with arbitral claims and awards, which might be made public, the proposals we are considering would bring the arbitration of individual disputes into the sunlight of public scrutiny." You have argued that this information is vital in evaluating arbitration. If the information is vital to evaluate the effectiveness of arbitration, why didn't the Bureau require it in the study?*

Response

The Bureau did study this information on a retrospective basis, as detailed in Section 5 of the Study. Insofar as the proposal would allow consumer arbitration to continue into the future, the Bureau wants to be able to continue to study the role arbitration plays in the resolution of consumer disputes on a going forward basis, as the use of arbitration continues to evolve, in a manner that also informs the public.

8. *Did the Bureau consider whether the restriction of mandatory arbitration agreements would affect the availability of arbitration as a means to settle disputes between consumers and financial institutions? If so, why did the Bureau disregard this concern?*

Response

Yes, the proposal did preliminarily consider the potential for continued use of arbitration agreements for individual disputes. The proposal explained that, to the extent some providers find that the arbitration agreement provides insufficient benefits to themselves or their consumers in individual disputes then it is possible the agreement would not be maintained if the Bureau adopted the class part of its proposal. For any such providers, however, as explained in the proposal, the

⁵ *Arbitration Study: Report to Congress, pursuant to Dodd-Frank Wall Street Reform and Consumer Protection Act §1028*, pp. 236-40; 353-57

⁶ *Id.*

⁷ 28 U.S.C. § 1712

Bureau believes the arbitration agreement has thus effectively been serving no significant function other than as a class action lawsuit waiver. Further, the Bureau has received comments on the proposal, including on the potential effect on the use of arbitration agreements going forward, and is considering the comments it has received in accordance with its obligations for notice-and-comment rulemakings.

Thank you once again for your interest in the Bureau and for providing feedback on our proposal. The Bureau will give due consideration to the issues raised in your letter. Please feel free to contact me should you have any additional questions, or have your staff contact Matthew Pippin in the Bureau's Office of Legislative Affairs. Mr. Pippin can be reached at (202) 435-7552. I look forward to working with you on this and other consumer financial protection matters of importance to you and your constituents.

Sincerely,



Richard Cordray
Director

*Let me know if you need anything further.
Rich*

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CLERK AND STAFF DIRECTOR
TELEPHONE
(202) 225-2771

January 30, 2017

The Honorable Richard Cordray
Director
Consumer Financial Protection Bureau
1700 G Street, N.W.
Washington, D.C.

Dear Director Cordray,

I have received your request to meet in the coming days and I welcome the opportunity to meet and discuss with you issues affecting American consumers. However, I would like to first seek clarification regarding the Consumer Financial Protection Bureau's (CFPB) compliance with a memorandum entitled, "Regulatory Freeze Pending Review," that was sent by White House Chief of Staff Reince Priebus, on the behalf of President Donald J. Trump, to the heads of all executive departments and agencies on January 20, 2017.

As you know, the memorandum requests that the heads of executive departments and agencies "send no regulation to the Office of the Federal Register (the "OFR") until a department or agency head appointed or designated by the President after noon on January 20, 2017, reviews and approves the regulation." Furthermore, the Administration urges executive departments and agencies to temporarily postpone the effective date of most rules that have been published, but not taken effect, by 60 days. These actions prevent new regulations from taking effect before the incoming Administration has the ability to fully review them and their impact on working families across Georgia and the United States.

Similar memoranda were published at the outset of the incoming Administrations of Presidents George W. Bush and Barack Obama and required the cooperation of all parties in order to ensure an effective, working government.

Therefore, I was surprised by your public hesitancy last week to affirm that the President's regulatory freeze applies to the CFPB, but understand that your legal team has been working to reach a consensus on the matter.

Given that it has now been 11 days since the freeze on new and pending regulations was issued, I ask that you provide written clarification on this matter before our meeting.

I look forward to meeting with you in the near future.

Sincerely,

A handwritten signature in blue ink that reads "Tom Graves". The signature is written in a cursive style with a large, prominent "T" and "G".

TOM GRAVES

Chairman



Consumer Financial
Protection Bureau

1700 G Street, N.W., Washington, DC 20552

January 31, 2017

The Honorable Ron Johnson
Chairman
Committee on Homeland Security and
Governmental Affairs
United States Senate
340 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Jason Chaffetz
Chairman
Committee on Oversight and
Government Reform
U.S. House of Representatives
2157 Rayburn House Office Building
Washington, DC 20515

Dear Chairmen Johnson and Chaffetz,

Pursuant to 31 U.S.C. Section 720, I am responding on behalf of the Consumer Financial Protection Bureau to the Government Accountability Office recommendations set forth in its report entitled "*STUDENT LOANS: Oversight of Servicemembers' Interest Rate Cap Could be Strengthened.*" The Bureau appreciates the requesting members' interest in improving the Servicemembers Civil Relief Act (SCRA) protections for servicemembers and responds to the recommendation below.

GAO Recommendation for Executive Action:

- **To better ensure that servicemembers with private student loans benefit from the SCRA interest rate cap we recommend that the Director of the Consumer Financial Protection Bureau and the Attorney General of the Department of Justice coordinate with each other, and with the four federal financial regulators, as appropriate, to determine the best way to ensure routine oversight of SCRA compliance for all nonbank private student loan lenders and servicers. If CFPB and DOJ determine that additional statutory authority is needed to facilitate such oversight, CFPB and DOJ should develop a legislative proposal for Congress.**

The Bureau concurs with this recommendation and believes that we are in full compliance with the recommendation, and that it may be closed. As explained below, extensive coordination is already occurring among the Bureau, the Department of Justice (DOJ), and the four federal financial regulators concerning SCRA compliance.

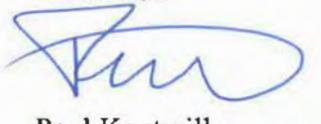
The Bureau has in place already a number of mechanisms to coordinate with the DOJ regarding SCRA issues, which cover any potential SCRA violations that the Bureau observes while exercising its examination authority over nonbank private student loan lenders. As of September 2016, the Bureau enhanced its existing coordination with the DOJ by providing real-time access to our growing database of consumer complaints, including those regarding the SCRA, through a secure government portal. Additionally, DOJ has access to the Bureau's public Consumer Complaint Database. Where Bureau staff identify SCRA-related complaints (as indicated by the information consumers provide) they may share those potential SCRA violations with DOJ. The

four federal financial regulators have the same level of access as the DOJ to the Bureau's government portal and the Bureau will continue to coordinate with them, as appropriate, to facilitate oversight of SCRA compliance.

In addition, to the extent Bureau examiners may uncover potential violations of the SCRA during onsite supervisory reviews, they may refer those matters to DOJ, state regulators, or one or more of the prudential regulators, as appropriate. The Bureau has written agreements (MOUs) in place for interagency coordination and information sharing with the DOJ, the federal prudential regulators, and most state regulators. The Bureau's Office of Servicemember Affairs also meets regularly with the DOJ. Of course, the Bureau is always interested in improving cooperation and coordination with our interagency partners and will continue to build upon these mechanisms and relationships. Based on the extensive coordination already occurring among these agencies, however, the Bureau believes that it has complied with the recommendation, and that it may be closed.

We appreciate the opportunity to provide our response on this important issue, and we thank you for your continued support of servicemembers, veterans, and their families. Should you have any additional questions, please have your staff contact Anne Tindall in the Bureau's Legal Division or Matt Pippin in the Bureau's Office of Legislative Affairs. Ms. Tindall can be reached at 202-435-9591 and Mr. Pippin can be reached at 202-435-7552.

Sincerely,



Paul Kantwill
Assistant Director, Servicemember Affairs

cc: The Honorable Claire C. McCaskill
Ranking Member, Committee on Homeland Security and Governmental Affairs

The Honorable Elijah E. Cummings
Ranking Member, Committee on Oversight and Government Reform

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ADAM B. SCHIFF
28TH DISTRICT, CALIFORNIA

February 3, 2017

WASHINGTON OFFICE
2411 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-4176
FAX: (202) 225-5828

✓
DISTRICT OFFICE
245 EAST OLIVE AVENUE
SUITE 2100
BUREAU, CA 91502
(618) 450-2900
FAX: (618) 450-2928

DISTRICT OFFICE
5500 HOLLYWOOD BOULEVARD
SUITE 410
LOS ANGELES, CA 90028
(323) 315-5555
(BY APPOINTMENT ONLY)

Mr. Richard Cordray
Director
Consumer Financial Protection Bureau
1700 G Street Northwest
Washington, DC 20552-0004

Re:

(b)(6)

Dear Mr. Cordray:

I am writing on behalf of my constituent, (b)(6) who has concerns relative to the Consumer Financial Protection Bureau.

Enclosed is the request for assistance I received from (b)(6). As you will read, he states that he and his business partner were the victims of investment fraud. Please review (b)(6) correspondence and advise my district office accordingly.

I look forward to your written response.

Sincerely,

ADAM B. SCHIFF
Member of Congress

ABS/mg
Enclosure

Congress of the United States
Washington, DC 20515

February 8, 2017

The Honorable Richard Cordray
Director
Consumer Financial Protection Bureau
1700 G Street, NW
Washington, D.C. 20552

Re: CFPB's Use of "Close-Hold" Media Embargoes

Dear Director Cordray,

I write you to express concerns regarding the use of close-hold media embargoes by the Consumer Financial Protection Bureau ("CFPB" or "Bureau"). Transparent communication with the public is important for any government agency. However, the Bureau's aggressive and opaque media tactics do not further its mandate of consumer protection and appear designed only to advance a political agenda.

The Bureau must be more balanced and transparent in its communication. A close-hold media embargo violates that balance and transparency by delivering important news in the middle of the night to pre-selected media outlets ahead of the general public, while at the same time restricting the ability for news organizations to provide proper analysis and outside comment. As Director, you have oftentimes made use of close-hold midnight embargoes where important information such as rulemakings, the publication of research, or prepared remarks are made available to certain favored media outlets in advance of others, or the general public. This close-hold embargo exacerbates an already fundamental lack of public debate on issues under consideration by the Bureau, given that decisions are made in a black box rather than in a forum that includes public discourse.

Restricting public debate through close-hold media embargoes hampers public input. The close-hold media embargo may permit the Bureau to advance its agenda, by controlling the story, but it also prevents the inclusion of differing views. This embargo constrains the journalists that are privy to this information from providing a story with multiple perspectives that has been properly fact-checked. For example, under a close-hold embargo, a journalist given early access to a regulation is not permitted to share the regulation with an impacted party for comment.

Furthermore, I am not aware of any other independent financial regulator making use of a close-hold midnight embargo. This sort of political approach is highly inappropriate for an independent federal agency.

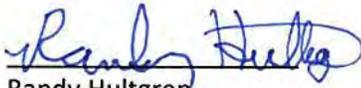
I would appreciate your assistance in answering the following questions:

1. What is the Bureau's justification for using a "close-hold embargo"? Why is the embargo often lifted at 12:00am midnight?
2. How does such a midnight embargo advance the Bureau's consumer protection mandate?

3. What controls must the Bureau adhere to prevent the leaking of sensitive information? Have there been any violations of these controls?
4. Under what circumstances does the Bureau believe it would be in violation of law for leaking, via close-hold embargo, certain sensitive information such as rulemakings, enforcement actions, studies, and prepared remarks?

Given the importance of these concerns, I would value a response by February 22, 2017.

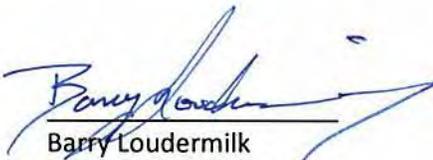
Respectfully,



Randy Hultgren
Member of Congress



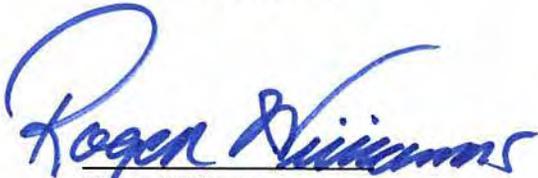
Dave Trott
Member of Congress



Barry Loudermilk
Member of Congress



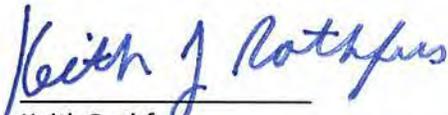
Dennis A. Ross
Member of Congress



Roger Williams
Member of Congress



Robert Pittenger
Member of Congress



Keith Rothfus
Member of Congress



Andy Barr
Member of Congress



Consumer Financial
Protection Bureau

1700 G Street, N.W., Washington, DC 20541

February 9, 2017

The Honorable Ron Johnson
Chairman
Committee on Homeland Security and
Governmental Affairs
United States Senate
340 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Jason Chaffetz
Chairman
Committee on Oversight and
Government Reform
U.S. House of Representatives
2157 Rayburn House Office Building
Washington, DC 20515

Dear Chairmen Johnson and Chaffetz,

I am writing to provide information regarding actions taken by the Consumer Financial Protection Bureau related to the recommendation by the Government Accountability Office in its report entitled "Permanent Funding Authorities: Some Selected Entities Should Review Financial Management, Oversight, and Transparency Policies (GAO-17-59)," publicly released December 9, 2016.

GAO's report examined five case studies of entities with authority to collect and obligate funds outside of the annual appropriations process. GAO reviewed the different types of permanent funding authorities for entities with authority to collect and obligate funds without further congressional action and assessed the entities' policies and procedures to manage funds and report information that facilitates oversight. Included in GAO's review were the CFPB's Bureau Fund, which is primarily funded by transfers from the Board of Governors of the Federal Reserve System and is used to fund Bureau operations, and the CFPB's Civil Penalty Fund, which is funded by civil penalties and used primarily for payments to victims of Federal consumer financial law violations.

GAO's report concludes that the Bureau maintains policies and procedures to help ensure prudent stewardship of resources, facilitate oversight, promote transparency, and foster public accountability. GAO recommended that the Bureau could improve how it reviews and documents its operating reserve targets. GAO's recommendation and the specific actions taken and planned to be taken by the Bureau to address this recommendation follow.

GAO Recommendation for Executive Action:

- **To ensure efficient use of resources and plan for realistic risks, we recommend that the Director of CFPB review and document its operating reserve targets for the Bureau Fund, including an analysis of program needs, risks, and probable contingencies.**

The Bureau concurred with this recommendation and has begun reviewing the Bureau's operating reserve targets and related justifications to help ensure the Bureau continues to use its resources efficiently and responsibly.

GAO notes in its report that maintaining a reserve balance is important for certain entities to ensure that program operations can be sustained in case of unexpected changes. The Bureau maintains an operating reserve in the Bureau Fund to provide a source of funds for unexpected situations such as a sudden, unanticipated increase in expenses due to unforeseen events, potential timing delays in receiving funds into the Bureau Fund, and uninsured losses.

GAO's report highlights that when unobligated balances are used as operating reserves, it is important for entities to establish a target range that is justified with program data and risk management considerations. The Bureau agrees with this view and is reviewing historical data to update the overall operating reserve amount and calculations. The Bureau is documenting its underlying assumptions based on actual program needs and probable contingencies to ensure appropriate analyses support the Bureau's calculations. In addition, internal Bureau stakeholders have met and continue to consult on any contingencies that may result from litigation, disputes, or protests, as well as damages or repairs to capital assets. Lastly, the Bureau will review the justifications and assumptions used in determining its reserve targets to ensure they remain relevant and to determine whether the target amounts should be decreased, increased, or remain the same. Once these determinations are made, the Bureau will finalize its updated policy.

The Bureau appreciates the opportunity to provide our response on this important issue, and we look forward to fully implementing GAO's recommendation. Should you have any additional questions, please do not hesitate to contact me or have your staff contact Matthew Pippin in the Bureau's Office of Legislative Affairs or Anne Tindall in the Bureau's Legal Division. Mr. Pippin can be reached at 202-435-7552 and Ms. Tindall can be reached at 202-435-9591.

Sincerely,



Catherine Galicia
Assistant Director for Legislative Affairs

cc: The Honorable Claire C. McCaskill
Ranking Member, Committee on Homeland Security and Governmental Affairs

The Honorable Elijah E. Cummings
Ranking Member, Committee on Oversight and Government Reform



Consumer Financial
Protection Bureau

1700 G Street, N.W., Washington, DC 20552

February 10, 2017

The Honorable Michael E. Capuano
U.S. House of Representatives
1414 Longworth House Office Building
Washington, DC 20515

Dear Congressman Capuano:

Thank you for your letter regarding financial institutions' use of bank statement loan programs to verify borrower income and the potential for this practice to undermine prudent mortgage underwriting standards. While the Consumer Financial Protection Bureau cannot comment on or confirm any Bureau supervisory activity or investigations, the Bureau takes allegations of potentially unlawful lending practices very seriously. Moreover, if consumers become aware of conduct that potentially violates Federal consumer financial law, we encourage them to send that information to the Bureau via our whistleblower tip line at 855-695-7974 or whistleblower@cfpb.gov.

As you may know, in January 2013, the Bureau issued several rules implementing changes made by the Dodd-Frank Wall Street Reform and Consumer Protection 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. For any loan covered by the Bureau's Ability-to-Repay and Qualified Mortgage rule,¹ a creditor must make a reasonable and good faith determination at or before consummation that the consumer will have a reasonable ability to repay the loan according to its terms.² Creditors making Qualified Mortgages qualify for either a safe harbor or presumption of compliance with regard to this standard.³ Certain QMs originated pursuant to a special rule⁴ or other Federal agencies' ability to repay rules follow the robust documentation requirements of those other Federal agencies or the Government Sponsored Enterprises.⁵ For all other covered loans, whether QM or not, a creditor must verify the amounts of

¹ 12 CFR 1026.43. For a general overview of the rule's requirements, see the Bureau's Ability-to-Repay and Qualified Mortgage Rule Small Entity Compliance Guide, available at http://files.consumerfinance.gov/f/201603_cfpb_atr-qm_small-entity-compliance-guide.pdf.

² 12 CFR 1026.43(e)(1).

³ 12 CFR 1026.43(e)(1).

⁴ 12 CFR 1026.43(e)(4). The Federal agencies originally included in the special rule are the Department of Housing and Urban Development, the Department of Veterans Affairs, the Department of Agriculture, and the Rural Housing Service. As these agencies have promulgated their own Ability to Repay rules, they have ceased to be part of the special rule.

⁵ The Federal National Mortgage Association (Fannie Mae) and the Federal Mortgage Home Loan Corporation (Freddie Mac).

income or assets that the creditor relies on to determine a consumer's ability to repay using third-party records that provide reasonably reliable evidence of the consumer's income or assets.⁶

It is also important to note that the requirements of the Qualified Residential Mortgage risk retention rule,⁷ promulgated by six prudential Federal regulatory agencies⁸ other than the Bureau, closely parallel the requirements of the Bureau's Ability-to-Repay and Qualified Mortgage rule. Further information about compliance with and enforcement of the QRM rule can be obtained from those agencies.

Thank you for bringing this matter to the Bureau's attention and for your ongoing interest in the Bureau's work. Should you have any additional questions, please do not hesitate to contact me, or have your staff contact Patrick O'Brien in the Bureau's Office of Legislative Affairs. Mr. O'Brien can be reached at 202-435-7180. I look forward to working with you on this and other consumer financial protection matters of importance to you and your constituents.

Sincerely,



Richard Cordray
Director

*Thanks for your continuing interest in our work—
Rich*

⁶ 12 CFR 1026.43(c)(4).

⁷ 79 FR 77602 (Dec. 24, 2014).

⁸ The Federal Reserve Board, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Securities and Exchange Commission, the Federal Housing Finance Agency, and the Department of Housing and Urban Development.



Consumer Financial
Protection Bureau

1700 C Street, N.W. Washington, DC 20552

February 13, 2017

The Honorable Emanuel Cleaver
U.S. House of Representatives
2335 Rayburn House Office Building
Washington, DC 20515

Dear Congressman Cleaver:

Later this month, the Consumer Financial Protection Bureau will convene our employees to celebrate Black History Month. We would be honored to hear your perspectives on black history and the importance of diversity, inclusion, and fairness in the financial services marketplace. I cordially invite you to be our keynote speaker.

The event will take place at Bureau headquarters, located at 1275 1st Street, NE. We will gladly accommodate your schedule in any way possible to enable Bureau employees to be enriched by your presence during this important celebration.

The duration of the event is planned for one hour. You are invited to give remarks and if time permits, your remarks would be followed by a question and answer session with Bureau employees. We expect approximately 75 attendees in person and more by conference call as Bureau staff is located throughout the country.

Thank you for your strong support of Bureau employees and for considering this request. Please do not hesitate to contact me should you have any questions or have your staff contact Derek Conrad in my office at (202) 435-9180, or Patrick O'Brien in our Office of Legislative Affairs at (202) 435-7180.

Sincerely,

Richard Cordray
Director

We are keen to have you back by popular acclaim!
Ruh



1700 G Street, N.W., Washington, D.C. 20551

February 15, 2017

The Honorable Jon Tester
U.S. Senate
311 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Tester:

Thank you for your letter and for your support of the Dodd Frank Wall Street Reform and Consumer Protection Act and the Consumer Financial Protection Bureau. Your letter asks about the Bureau's Civil Penalty Fund and using amounts in that Fund for the purpose of consumer education and financial literacy programs.

Under the Dodd-Frank Act, funds in the Civil Penalty Fund may be used for payments to the victims of activities for which civil penalties have been imposed under the Federal consumer financial laws. To the extent that such victims cannot be located or such payments are otherwise not practicable, the Bureau may use funds in the Civil Penalty Fund for the purpose of consumer education and financial literacy programs. On May 7, 2013, the Bureau issued a Civil Penalty Fund rule that specifically governs how the Bureau uses the money in the Civil Penalty Fund.¹

The rule created a transparent process for allocating money from the Civil Penalty Fund. Among other things, the rule provides that the Bureau will designate a Fund Administrator who will manage the Civil Penalty Fund in accordance with the rule and explains the conditions under which victims may receive payments from the Fund. The rule establishes procedures that the Fund Administrator will follow to decide how money in the Fund will be allocated, both to classes of victims and to consumer education and financial literacy programs. Consistent with the statutory purpose of the Civil Penalty Fund, monies may be allocated for the purpose of consumer education and financial literacy programs only if all eligible victims have been fully compensated, to the extent practicable.

The Bureau also has adopted a set of criteria for selecting programs that serve consumers and improve consumer education and financial literacy in the event that Civil Penalty Fund money is allocated to consumer education and financial literacy programs. The federal procurement process is used to deploy such programs. All procurement opportunities related to Civil Penalty Fund consumer education and financial literacy programs are posted publicly on the Bureau's website, with guidance on doing business with the Bureau.² The criteria and information about Civil

¹ <https://www.federalregister.gov/articles/2013/05/07/2013-10320/consumer-financial-civil-penalty-fund>

² <https://www.consumerfinance.gov/about-us/doing-business-with-us/>

Penalty Fund consumer education and financial literacy programs are also available on our website, along with other related Frequently Asked Questions.³

In 2015 the Bureau launched its first consumer education and financial literacy program funded with Civil Penalty Fund money, the Financial Coaching for Transitioning Veterans and Economically Vulnerable Consumers program. To date, a total of \$28.8 million has been allocated to consumer education and financial literacy programs, and all of that funding has been designated to the Financial Coaching program.

The Financial Coaching program integrates financial coaching into existing service delivery programs at sites serving transitioning veterans and economically vulnerable consumers across the country. For the veteran population served, the financial coaching is provided primarily at Department of Labor American Job Centers and is designed to help veterans with financial challenges they face when transitioning from military to civilian life. For the economically vulnerable consumers served, the financial coaching is provided through selected nonprofit organizations.

These sites were selected through a public and open process through which interested organizations were encouraged to submit expressions of interest.⁴ We anticipate that if there are any future opportunities for new localities or sites to be selected, those opportunities will likewise be made open to interested organizations, including local counseling agencies. Similarly, any future opportunities related to consumer education and financial literacy programs funded through an allocation from the Civil Penalty Fund will be posted on the Bureau's website on the "Doing Business With Us" page.⁵

The Bureau has also worked with Rural Dynamics and other Montana groups on activities not related to Civil Penalty Fund projects. Bureau staff would be happy to provide a briefing on any of the Bureau's consumer education efforts in Montana. Should you have any questions about the Bureau's work, please do not hesitate to contact me or have your staff contact Matt Pippin in the Bureau's Office of Legislative Affairs. Mr. Pippin can be reached at 202-435-7552. I look forward to working with you on this and other consumer financial protection matters of importance to you and your constituents.

Sincerely,



Richard Cordray
Director



³ http://files.consumerfinance.gov/f/201207_cfpb_civil_penalty_fund_criteria.pdf

⁴ <http://www.consumerfinance.gov/about-us/blog/hosting-a-financial-coach-in-your-community/>

⁵ <http://www.consumerfinance.gov/about-us/doing-business-with-us/>. Organizations interested in doing business with CFPB should monitor FedBizOpps (www.fbo.gov), the government-wide procurement point of entry, which is the vehicle used by the Bureau to announce the issuances of full and open competitive acquisitions.



February 15, 2017

Director Richard Cordray
Consumer Financial Protection Bureau
1700 G Street N.W.
Washington, DC 20552

Dear Director Cordray:

Thank you for attending the Financial Services Democratic Retreat and for sharing the work you and the Bureau do in fighting for everyday consumers. I have received very positive feedback from our Members and staff, all of whom felt that the conversation was both lively and informative. I appreciate the enthusiasm you were able to generate within the room, and I look forward to continuing our work together.

Again, thank you for your participation and your leadership despite sustained political opposition to protecting our nation's consumers. I am proud to stand by you.

With Regards,

A handwritten signature in blue ink that reads "Maxine Waters". The signature is written in a cursive, flowing style.

Maxine Waters

JIM COSTA

16TH DISTRICT, CALIFORNIA
WEB PAGE www.costa.house.gov

COMMITTEE ON NATURAL RESOURCES
SUBCOMMITTEE ON
ENERGY AND MINERAL RESOURCES
SUBCOMMITTEE ON
WATER, POWER AND OCEANS



CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515

COMMITTEE ON AGRICULTURE
SUBCOMMITTEE ON
LIVESTOCK AND FOREIGN AGRICULTURE
RANKING MEMBER
SUBCOMMITTEE ON
GENERAL FARM COMMODITIES AND RISK MANAGEMENT

February 23, 2017

Mr. Richard Cordray
Director
Consumer Financial Protection Bureau
1625 Eye Street, N.W.
Washington, DC 20006

Dear Mr. Cordray:

This letter is to offer my strongest recommendation on behalf of (b)(6) to serve on the CFPB's Consumer Advisory Board. (b)(6) is someone I have known since we both began our careers in public service and can vouch for his character and dedication to the people of the San Joaquin Valley of California.

(b)(6)

Upon Senator Breaux's retirement (b)(6)

(b)(6) I know in talking to him about his experience at the Commission that he developed keen insight into the marketing of financial products as well the need to address financial fraud and financial literacy. Additionally, he was even asked by the Republican chairman at the time to represent the Commission before the President's Corporate Fraud Task Force.

My support for (b)(6) to serve on the Consumer Advisory Board can be summed up in a statement I put in the Congressional Record in 2009 upon his having been selected as (b)(6)

FRESNO OFFICE
855 M STREET, SUITE 940
FRESNO, CA 93721
PHONE: (559) 495 1620
FAX: (559) 495 1027

MERCED OFFICE
2222 M STREET, SUITE 305
MERCED, CA 95340
PHONE: (209) 384 1620
FAX: (209) 384 1629

WASHINGTON OFFICE
1314 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
PHONE: (202) 225 3341
FAX: (202) 225 9308

(b)(6)

As one example of that (b)(6) has established a scholarship fund for low-income students at CSU Fresno interested in pursuing careers in public service.

Please accept my recommendation of (b)(6) for appointment to the Consumer Advisory Board. I appreciate your consideration of the recommendation.

Sincerely,


Jim Costa
Member of Congress

ED PERLMUTTER
7TH DISTRICT, COLORADO



COMMITTEES:
FINANCIAL SERVICES
CAPITAL MARKETS AND
GOVERNMENT SPONSORED ENTERPRISES (GSEs)

MONETARY POLICY
AND TRADE

SCIENCE, SPACE, AND
TECHNOLOGY
SPACE

ENERGY

WASHINGTON OFFICE:
1410 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
PHONE: (202) 225-2645
FAX: (202) 225-5278

DISTRICT OFFICE:
12600 WEST COLFAX AVENUE
SUITE B-400
LAKEWOOD, CO 80215
PHONE: (303) 274-7944
FAX: (303) 274-6455

www.perlmutter.house.gov

Congress of the United States House of Representatives

February 24, 2017

Richard Cordray
Director
Consumer Financial Protection Bureau
1700 G Street N.W.
Washington, DC 20552

Dear Director Cordray,

It is my pleasure to recommend (b)(6) to serve on the Consumer Financial Protection Bureau's (CFPB) Consumer Advisory Board. (b)(6) has served the title insurance industry for more than three decades. (b)(6)

(b)(6)

(b)(6) life-long knowledge makes her uniquely suited to serve on the Consumer Advisory Board. I believe it is important to maintain geographical diversity on the board. So in addition to (b)(6) insight, she has a deep understanding of the entire Western region's real estate market. Thank you for giving this letter full and fair consideration.

Sincerely,

Ed Perlmutter
Member of Congress



1700 G Street NW Washington, DC 20552

February 22, 2017

The Honorable Jason Chaffetz
Chairman
Committee on Oversight and Government Reform
U.S. House of Representatives
2157 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Chaffetz:

Enclosed, please find the Fiscal Year 2016 Federal Information Security Management Act (FISMA) Report of the Consumer Financial Protection Bureau, as required under FISMA.

Should you have any questions concerning this report, please feel free to contact me at 202-435-9711.

Sincerely,

Catherine Galicia
Assistant Director for Legislative Affairs

November 2016

Consumer Financial Protection Bureau

Annual FISMA Report - Fiscal Year 2016





1275 First Street NE, Washington, DC 20552

November 9, 2016

The Honorable Shaun Donovan
Director, Office of Management and Budget
725 17th Street NW
Washington, DC 20503

Dear Director Donovan,

The Consumer Financial Protection Bureau (CFPB or Bureau) is pleased to submit the attached Fiscal Year (FY) 2016 Annual Federal Information Security Modernization Act (FISMA) Report. Over the course of the year, the CFPB continued to refine and mature its FISMA-based information security program to support the operational needs of the Bureau. The information security program is well established in policy, with defined processes and effective controls that are integrated with the Bureau's enterprise information technology management functions and aligned with our strategic objectives. The CFPB FY16 Annual FISMA Report speaks to the continued work that CFPB has accomplished towards the FISMA program. With the successful transition from Treasury's technology infrastructure in FY2015, and our continued cloud computing deployment efforts, the number of FISMA reportable systems has increased from eight to ten.

The Bureau's Inspector General concluded that the CFPB FISMA program is consistent with seven of the eight FISMA domains. CFPB is on-track with its efforts to attain consistency with the one remaining metric area of contingency planning by performing enterprise-wide business impact analyses. This will facilitate continued maturation of our Bureau-wide response and recovery capabilities.

Further, our Inspector General reported that the Bureau has remediated the matters related to six of the seven recommendations that were open from prior Inspector General reviews at the start of this FISMA review cycle. This year, our added focus and efforts in the Information Security Continuous Monitoring (ISCM), Security Training, Incident Response, Policies and Procedures, and Remote Access FISMA domains resulted in such improved performance in these areas that our Inspector General found their prior recommendations to have been successfully addressed by the Bureau. We are on-track to mitigate the final recommendation once the Department of Homeland Security deploys their Continuous Diagnostics and Mitigation (CDM) solution into our infrastructure.

The CFPB has continued to move forward with our efforts in support of the three Cybersecurity Cross-Agency Priorities (CAPs) defined by the Administration: Information Security Continuous Monitoring, Identity, Credential and Access Management (ICAM), and Anti-Phishing and Malware Defense. We will continue with these efforts throughout FY2017.

In the ISCM CAP domain, CFPB has completed its third year of collection, analysis and reporting through ISCM. We have continued to tailor and refine our security control design, implementation and program methodology based on the results obtained thus far. We have adapted our technology and processes in order to address the FISMA metrics published by DHS, as well as instructions from OMB memoranda, and feedback from our auditors. We will continue to improve the program throughout FY2017 by incorporating our lessons learned from previous cycles as well as the guidance and enhancements issued under new publications, memoranda, and other doctrine to keep pace with a shifting risk landscape.

In the Anti-Phishing and Malware defense CAP domain, we are working with DHS on the deployment of their Continuous Diagnostics and Mitigation (CDM) program as described in the Federal CIO Council's Concept of Operations. As CDM fuses into our ISCM technological platforms, we will have increased improved information that helps guide our defensive capabilities by improving our asset management and configuration management processes and automation. In FY2017, we will continue to actively participate in the Bureau's onboarding preparations with the CDM integration team. Also in FY2017, we will integrate next generation antivirus, behavioral analysis, and data loss prevention into our end user systems. These will result in a more proactive stance in remediating and managing phishing and malware threats, as well as overall enterprise risk. Finally, we are in the process of procuring specialized training and hands-on exercise capabilities to help further the education of our users regarding phishing and malware threats. This will augment our existing security education, training, and awareness programs for both routine users and those with significant security responsibilities.

In support of the ICAM CAP domain, the CFPB continues to move towards a holistic Homeland Security Presidential Directive (HSPD)-12 solution that will support Personal Identity Verification (PIV) authentication methods for both physical and logical access. Throughout this fiscal year, the CFPB ICAM program continued to integrate applications into the enterprise authentication system that supports PIV and multi-factor authentication. Also in FY2016, the Bureau deployed an enterprise identity management system, and has incrementally deployed capabilities for identity attribute synchronization and account creation. Our plans for FY2017 include the integration of additional applications, helping to improve overall security while reducing account management overhead. Our networks now support use of PIV credentials, and we have commenced a pilot of PIV enforcement for our privileged and unprivileged users.

The Bureau is pleased to report that in FY2016, we had no major incidents as defined in OMB M-16-03. As updated in OMB M-17-05, *Fiscal Year 2016 - 2017 Guidance on Federal Information Security and Privacy Management Requirements*, we reevaluated our historical incident data and found that we also have had no major incidents as defined in the new guidance.

Controlled Unclassified Information

Going forward, we will be using the OMB M-17-05 definitions and reporting instructions, and will report any major incidents to U.S. CERT, OMB, and Congress, as required.

Per the direction in OMB M-16-03, we reported a total of 153 cyber incidents that were provided to U.S. CERT in FY2016; all related to our low and moderate impact information systems. Of these 153 incidents, 117 of them were related to the loss of encrypted mobile devices. Compared to last year, we are seeing a slight increase in the rate of lost devices, and will be taking steps with our Security Education, Training, and Awareness program to raise awareness about mobile asset security and safekeeping. Aside from mobile device reports, CFPB reported an average of 2.5 incidents per month to U.S. CERT. April, 2016 was our peak month with 8 incidents due to the new EINSTEIN notifications that are being provided to us through our Managed Trusted Internet Protocol Service.

We continue to mature and improve our progress towards meeting FISMA metrics and CAP goals. Specifically:

Vulnerability and Weakness Management	Currently at 90% of goal, with anticipation of reaching the 95% federal target by mid-year.
Anti-Phishing Defense	Four of the five metrics are over the 90% federal target, and two have exceeded the target by reaching 100%. The remaining metric is progressing toward the 90% target.
Malware Defense	The applicable metrics have met and then exceeded the target of 90%, with two having reached 98%.

As is evident in the accompanying report and the results of our Inspector General FISMA audit for the year, we believe that the Bureau's information security and privacy controls are adequate, effective, and maturing as planned. We realize the significance of a robust information security program and work continuously to refine processes and enhance capabilities to achieve the highest levels of confidence and assurance in the Bureau's information security managerial, operational and technical control capabilities.

Sincerely,



Richard Cordray
Director

Enclosure

Controlled Unclassified Information

Chief Information Officer

Section Report

2016

Quarter 4/Annual
FISMA Report

Consumer Financial Protection Bureau

Section 0: Overall

0.0 Please provide an overall PMC self-assessment rating (PMC):

Yellow

Comments:

The CFPB does not participate in the PMC Cybersecurity Assessment Process as this activity is described as exclusive to CFO Act agencies, specifically those named in 31 U.S.C. 901 (b). The CFPB plans and prioritizes similar activities in the spirit of continuous improvement and best practice. CFPB does not yet possess the technical capability to perform all of the needed activities in this functional area of the Cybersecurity Framework. We are working to develop plans to address these areas.

0.1 Please provide an overall narrative assessment of your agency's information security program. Please note that OMB will include this information in the publicly available Annual FISMA Report to Congress to provide additional context for your agency's FISMA metrics. OMB may modify this response to conform with the grammatical and narrative structure of the Annual Report.

The Consumer Financial Protection Bureau (CFPB) continues to refine and mature its FISMA-based information security program to support the operational needs of the Bureau. The information security program is well established in policy with repeatable processes and effective controls that are integrated with the Bureau's risk management functions and aligned with our strategic objectives. Our Inspector General concluded that the program is consistent with seven of the eight FISMA domains. The Bureau is on-track to complete improvements in the final domain of contingency planning. Further, our Inspector General closed six of the seven recommendations that were open at the start of this year's FISMA review cycle and we continue to make progress toward closure on the seventh. We are actively involved in the DHS Continuous Diagnostics and Mitigation (CDM) program and awaiting deployment of the capabilities that the program is anticipated to provide. The CDM program will complement the Bureau's efforts to continuously refine process and operations to further evolve the Bureau's Information Security Continuous Monitoring (ISCM) program. We anticipate a steady tempo of progress throughout FY2017. We are excited to launch a new Cybersecurity training and awareness program in FY2017 that will equip the CFPB workforce with the tools and knowledge they need to help protect our systems and data from Cyber threats.

Section 1A: Identify - System Inventory

The goal of the Identify metrics section is to assist D/As with their inventory of government furnished equipment (GFE) and other hardware and software systems and assets, which are connected to their networks. Identifying these systems and assets helps D/As facilitate their management of cybersecurity risks to systems, assets, data, and capabilities. Additionally, implementing Continuous Diagnostics and Mitigation (CDM) solutions should allow agencies to automatically detect and inventory many of these systems and assets.

1.0 Please provide an Identify PMC self-assessment rating (PMC):

Yellow

Comments:

The CFPB does not participate in the PMC Cybersecurity Assessment Process as this activity is described as exclusive to

* This metric is required for all CFO agencies.

Section 1A: Identify - System Inventory

CFO Act agencies, specifically those named in 31 U.S.C. 901 (b). The CFPB plans and prioritizes similar activities in the spirit of continuous improvement and best practice. CFPB does not yet possess the technical capability to perform all of the needed activities in this functional area of the Cybersecurity Framework. We are working to develop plans to address these areas.

1.1 For each FIPS 199 impact level, what is the number of operational unclassified information systems by organization (i.e. Bureau or Sub-Department Operating Element) categorized at that level? (Organizations with fewer than 5,000 users may report as one unit.) Answer in the table below.

		1.1.1 Organization-Operated Systems (Base) *	1.1.2 Contractor-Operated Systems (Base) *	1.1.3 Systems (from 1.1.1 and 1.1.2) with Security ATO (signed, in-scope) (Base) *	1.1.4 Systems (from 1.1.3) that are in Ongoing Authorization (Base) *
CFPB	High	0	0	0	0
	Moderate	4	6	10	10
	Low	0	0	0	0
	Not Categorized	0	0	0	0
	Sub-Total	4	6	10	10
Agency Totals	High	0	0	0	0
	Moderate	4	6	10	10
	Low	0	0	0	0
	Not Categorized	0	0	0	0
	Total	4	6	10	10

Section 1B: Identify - Hardware Assets

1.2 Number of the organization's hardware assets connected to the organization's unclassified network(s). (Note: 1.2. is the sum of 1.2.1. through 1.2.4.)

7611

1.2.1 Number of GFE endpoints connected to the organization's unclassified network(s). (Base) *

3589

1.2.2 Number of GFE mobile assets connected to the organization's unclassified network(s). (Base) *

1827

* This metric is required for all CFO agencies.

Section 1B: Identify - Hardware Assets

1.2.3 Number of GFE networking devices connected to the organization's unclassified network(s). (Base) *
272

1.2.4 Number of other GFE input/output devices connected to the organization's unclassified network(s). (Base) *
1923

1.3 Number of non-GFE hardware assets that are assigned an IP address owned or used by the Agency.
0

1.4 Number of GFE hardware assets (from 1.2.) covered by an automatic (e.g. scans/device discovery processes) hardware asset inventory capability at the enterprise-level. (CAP) *
2581

1.5 Number of GFE endpoints and mobile assets (from 1.2.1. and 1.2.2.) covered by an automated software asset inventory capability at the enterprise-level. (CAP) *
4310

1.6 Policy empowering incident commanders to direct and manage incidents is in place.

Key Activities of Milestones	Target Date	Completed Date
No Entries		
Planned Activities of Milestones	Target Date	
No Entries		

1.7 All contracts with sensitive information contain clauses on protection/detection/reporting of information, in accordance with OMB guidance.

Key Activities of Milestones	Target Date	Completed Date
No Entries		
Planned Activities of Milestones	Target Date	
No Entries		

1.8 Review of contracts with sensitive information is completed (interim milestone: review of key prioritized contracts with sensitive information is completed).

Key Activities of Milestones	Target Date	Completed Date
No Entries		
Planned Activities of Milestones	Target Date	
No Entries		

* This metric is required for all CFO agencies.
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Section 1B: Identify - Hardware Assets

1.9 Using cloud services approved by the FedRAMP Program.

Key Activities of Milestones	Target Date	Completed Date
No Entries		
Planned Activities of Milestones	Target Date	
No Entries		

Section 2A: Protect - Configuration Management

The goal of the Protect metrics section is to ensure that D/As safeguard their systems, networks, and facilities with appropriate cybersecurity defenses. The protect function supports D/A's ability to limit or contain the impact of potential cybersecurity events.

2.0 Please provide a Protect PMC self-assessment rating (PMC):

Yellow

Comments:

The CFPB does not participate in the PMC Cybersecurity Assessment Process as this activity is described as exclusive to CFO Act agencies, specifically those named in 31 U.S.C. 901 (b). The CFPB plans and prioritizes similar activities in the spirit of continuous improvement and best practice. CFPB does not yet possess the technical capability to perform all of the needed activities in this functional area of the Cybersecurity Framework. We are working to develop plans to address these areas.

2.1 Percent (%) of the organization's unclassified network(s) covered by a capability that blocks unauthorized devices from connecting.
85%

2.2 Percent (%) of the organization's unclassified network(s) assessed for vulnerabilities using Security Content Automation Protocol (SCAP) validated products. (CAP) *.
90%

2.3 Please complete the table below. Future configurations will be added as needed.

* This metric is required for all CFO agencies.

Section 2A: Protect - Configuration Management

List of top U.S. Government Operating Systems.

Operating System	2.3.1 Number of hardware assets with each OS. (Base) *	2.3.2 The common security configuration baseline for each OS listed.(e.g., USGCB) (Base) *	2.3.3 Number of configuration exceptions granted. (Base) *	2.3.4 Number of assets in 2.3.1 covered by auditing for compliance with 2.3.2. (CAP) *
Windows 10.x	0	N/A	N/A	N/A
Windows 8.x	0	N/A	N/A	N/A
Windows 7.x	2,257	DISA	0	494
Windows Vista	0	N/A	N/A	N/A
Windows XP (Unsupported)	0			
Windows Server 2016	0	N/A	N/A	N/A
Windows Server 2012	106	DISA	106	106
Windows Server 2008	315	DISA	4	0
Windows Server 2003 (Unsupported)	0			
Linux (all versions)	670	DISA	5	163
Unix / Solaris (all versions)	0	N/A	N/A	N/A
Mac OS X	247	DISA	0	1

Section 2B: Protect - Network Accounts

Unprivileged Network Users

2.4 Number of users with unprivileged network accounts. (Exclude privileged network accounts and non-user accounts.) (Base) *

2137

2.4.1 Number of users (from 2.4) technically required to log onto the network with a two-factor PIV card or NIST Level of Assurance (LOA) 4 credential.(CAP) *

0

2.4.2 Number of users (from 2.4) allowed to use username and password as their primary method for network authentication.(CAP) *

2137

Privileged Network Users

* This metric is required for all CFO agencies.

Section 2B: Protect - Network Accounts

- 2.5 Number of users with privileged network accounts. (Exclude unprivileged network accounts and non-user accounts.) (Base) *
- 101
- 2.5.1 Number of users (from 2.5) technically required to log onto the network with a two-factor PIV card or NIST LOA 4 credential. (CAP) *
- 0
- 2.5.2 Number of users (from 2.5.1) that are also using the same PIV card or NIST LOA 4 credential for both unprivileged network accounts and privileged network accounts.
- 0
- 2.5.3 Number of users (from 2.5) allowed to use username and password as their primary method for network authentication. (CAP) *
- 100
- 2.5.4 What is your agency's target privileged user count?
- 86

Network Accounts

- 2.6 Number of unprivileged network accounts assigned to users. (Exclude privileged network accounts and non-user accounts.)
- 2137
- 2.7 Number of privileged network accounts assigned to users. (Exclude unprivileged network accounts and non-user accounts.)
- 101
- 2.8 Number of non-user privileged network accounts. (Exclude unprivileged network accounts and privileged network accounts assigned to a user.)
- 109

Least Privilege

- 2.9 Number of privileged network users (from 2.5) that had their privileges reviewed this fiscal year.
- 26
- 2.10 Number of privileged network users (from 2.9) that had their privileges adjusted or terminated after being reviewed this year.
- 14
- 2.11 Number of users with privileged local system accounts.
- 11

* This metric is required for all CFO agencies.

Section 2B: Protect - Network Accounts

2.12 Number of users with privileged local system accounts (from 2.11) technically required to log onto the system with a two-factor PIV card or NIST LOA 4 credential.
0

Physical Access Control Systems

2.13 Percent (%) of D/A's operational Physical Access Control Systems (PACS) that comply with procurement requirements for purchasing products and services from the FIPS 201 Approved Products List maintained by General Services Administration (GSA) (per OMB M-06-18).
90%

2.14 Percent (%) of agency's operational PACS that electronically accept and authenticate internal users' PIV credentials for routine access in accordance with NIST standards and guidelines (e.g., FIPS 201-2 and NIST SP 800-116).
10%

Section 2C: Protect - Data Protection and Remote Access

Data Protection and Remote Access

2.15 Number of systems (from 1.1) that require all users (100% privileged and 100% unprivileged) to authenticate using a two-factor PIV card or NIST LOA 4 credential.
0

2.16 Number of GFE endpoints and mobile assets (from 1.2.1 and 1.2.2) with data encrypted at rest (FIPS 140-2).
5416

2.17 For the remote access connection methods identified in the table below, report the percentage that have each of the following properties:

Connection Method Type	2.17.1 Percent (%) utilizing FIPS 140-2 validated cryptographic modules.	2.17.2 Percent (%) configured in accordance with OMB M-07-16 to time out after 30 minutes (or less) of inactivity and requires re-authentication to re-establish a session.	2.17.3 Percent (%) prohibiting the use of split tunneling and/or dual-connected remote hosts where the connecting device has two active connections.	2.17.4 Percent (%) authorizing the use of split tunneling and/or dual-connected remote hosts between trusted entities.
VPN	77%	100%	100%	0%
VDI/RDP	0%	100%		
Dial up or other (without VPN)			0%	0%

Security Training

* This metric is required for all CFO agencies.
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Section 2C: Protect - Data Protection and Remote Access

- 2.18 Percent (%) of users that successfully completed annual Cybersecurity Awareness and Training (CSAT).
98%
- 2.18.1 Percent (%) of new users who satisfactorily completed Cybersecurity Awareness and Training (CSAT) before being granted network access or within an organizationally defined time limit.
88%
- 2.19 Number of users that participated in exercises focusing on phishing that are designed to increase awareness and/or measure effectiveness of training, (e.g. organization conducts spoofed phishing emails, clicking links leading to phishing information page).(Base) *
0
- 2.19.1 Number of users (from 2.19) that successfully passed the exercise.(CAP) *
0
- 2.19.2 Number of users (from 2.19) that identified and reported the phishing exercise to the appropriate agency cybersecurity resource.(Base) *
0
- 2.20 Number of users (from 2.4 & 2.5) that have significant security responsibilities.
383
- 2.20.1 Number of users (from 2.20) that have successfully completed role-based security training within the organization's defined periodicity.
375

Section 2D - 1: Protect - Boundary Protection

Trusted Internet Connection (TIC) Boundary Protection

The purpose of the TIC program is to ensure that D/A's are progressing in adopting TIC to protect their networks. The goals of the TIC Program are to inventory Federal external connections, meet the defined TIC security controls and route all agency traffic through defined access points. Agencies that operate their own TIC Access Points are referred to as TIC Access Providers (TICAPs). Agencies that need to acquire services are referred as Seeking Service Agencies (SSAs). (Smaller agencies are encouraged to seek Managed Trusted Internet Protocol Services (MTIPS) services through the GSA Network contract).

- 2.21 **For agencies that are TIC Access Providers (TICAP):** In the below table provide the TIC 2.0 critical capabilities that have been identified as NOT MET during your agencies last TIC Compliance Validation (TCV) assessment.

Your D/A noted all critical capabilities are met by your D/A or MTIPS provider. Please proceed to next question.

Section 2D - 2: Protect - Boundary Protection

- 2.22 For agencies that obtain TIC services through a provider (usually via an MTIPS provider):

* This metric is required for all CFO agencies.

Section 2D - 2: Protect - Boundary Protection

2.22.1 Identify all of the TIC 2.0 critical capabilities enabled by your provider.

TS.PF.01, TS.PF.02, TS.PF.03, TS.PF.04, TS.PF.05, TS.PF.06, TS.PF.07, TS.CF.01, TS.CF.02, TS.CF.04, TS.CF.05, TS.CF.06, TS.CF.10, TS.CF.11, TS.CF.13, TS.INS.02, TMAU.01, TM.PC.01, TM.PC.02, TM.PC.03, TM.PC.04, TM.PC.05, TM.PC.06, TM.TC.01, TM.TC.02, TM.TC.03, TM.TC.05, TM.TC.06, TM.TC.07, TM.COM.01, TM.COM.02, TM.DS.01, TM.DS.02, TM.DS.03, TM.DS.04, TM.LOG.01, TM.LOG.02, TM.LOG.03, TM.LOG.04, TO.RES.01, TO.RES.03, TO.MG.01, TO.MG.02, TO.MG.03, TO.MG.05, TO.MG.06, TO.MG.08, TO.MG.09, TO.MG.10, TO.MG.11, TO.MON.01, TO.MON.02, TO.MON.03, TO.REP.01, TO.REP.02, TO.REP.03, TO.REP.04, TS.PF.01, TS.PF.02, TS.PF.03, TS.PF.04, TS.PF.05, TS.PF.06, TS.PF.07, TS.CF.01, TS.CF.02, TS.CF.04, TS.CF.05, TS.CF.06, TS.CF.10, TS.CF.11, TS.CF.13, TS.INS.02, TMAU.01, TM.PC.01, TM.PC.02, TM.PC.03, TM.PC.04, TM.PC.05, TM.PC.06, TM.TC.01, TM.TC.02, TM.TC.03, TM.TC.05, TM.TC.06, TM.TC.07, TM.COM.01, TM.COM.02, TM.DS.01, TM.DS.02, TM.DS.03, TM.DS.04, TM.LOG.01, TM.LOG.02, TM.LOG.03, TM.LOG.04, TO.RES.01, TO.RES.03, TO.MON.01, TO.MON.02, TO.MON.03, TO.REP.01, TO.REP.02, TO.REP.03, TO.REP.04, TS.PF.01, TS.PF.02, TS.PF.03, TS.PF.04, TS.PF.05, TS.PF.06, TS.PF.07, TS.CF.01, TS.CF.02, TS.CF.04, TS.CF.05, TS.CF.06, TS.CF.10, TS.CF.11, TS.CF.13, TS.INS.02, TMAU.01, TM.PC.01, TM.PC.02, TM.PC.03, TM.PC.04, TM.PC.05, TM.PC.06, TM.TC.01, TM.TC.02, TM.TC.03, TM.TC.05, TM.TC.06, TM.TC.07, TM.COM.01, TM.COM.02, TM.DS.01, TM.DS.02, TM.DS.03, TM.DS.04, TM.LOG.01, TM.LOG.02, TM.LOG.03, TM.LOG.04, TO.RES.01, TO.RES.03, TO.MG.01, TO.MG.02, TO.MG.03, TO.MG.05, TO.MG.06, TO.MG.08, TO.MG.09, TO.MG.10, TO.MG.11, TO.MON.01, TO.MON.02, TO.MON.03, TO.REP.01, TO.REP.02, TO.REP.03, TO.REP.04

2.22.2 Identify all of the TIC 2.0 critical capabilities that your agency manages internally. (These are typically in place because they are not enabled by your provider.)

TS.RA.01, TS.RA.02

2.22.3 Identify all recommended capabilities that your agency provides internally via your provider (in addition to those identified in 2.22.1 and 2.22.2).

Not Applicable

Section 2E: Protect - Access Points

Technical Information: TIC Access Points (excluding MTIPS)

2.24 Please report the current and planned MTIPS connections for your agency.

2.24.1 Current MTIPS Access Points

MTIPS Provider	Capacity Rate (in Mbps)	Description	ATO Date
CenturyLink	600	Sterling, VA, 400Mbps, primary conne	8/5/2015

* This metric is required for all CFO agencies.

Section 2E: Protect - Access Points

2.24.2 Planned MTIPS Access Points (estimated)

MTIPS Provider	Capacity Rate (in Mbps)	Description	ATO Date
CenturyLink	0	None planned at this time.	8/5/2015

Section 2F - 1: Protect - Technical Information Internet

Technical Information: Internet

2.25 Please provide future growth and capacity of your internet connections.

Month and Year	Aggregate Internet Capacity (in Mbps)
Nov-16	600
Nov-17	600
Nov-18	600

2.26 Report the type of .gov user Internet traffic not going through the TIC (e.g., mobile government users to cloud assets, R&D networks, human resources applications accessible through the Internet, etc.):** **Example 1:** D/A Mobile users at an Internet cafe accessing their email/office automation that resides in a Microsoft Office 365 cloud instance directly (without routing through the agency TIC Access Points.)** **Example 2:** Users on a D/A network that is not the General Support System (e.g., guest Internet café at a government site, development network with sensitive data, etc.) accessing Internet web sites not directed through D/A TIC Access Points.** **Example 3:** D/A contractor networks containing government data with direct Internet connections that do not pass through D/A's TIC Access Points.

NMLS-R - Internet connected, third-party system.

Compliance Toolkit - Locked to CFPB Address space (can not reach directly from internet).

Consumer Response - Internet connected, third-party system.

Cf.gov (AWS) - Open to Internet.

Extranet MFT (AWS) - Open to Internet with authentication requirements.

sftp server (AWS) - Open to Internet with authentication requirements.

OpenVPN (AWS) - - Open to Internet with authentication requirements.

Telework Users - Policy is to use CFPB VPN but can users can go direct to internet if VPN not established (planning to make Always-On VPN in the future).

DSL Lines and FIOS - 32 installed at bank locations and at NOMA to provide internet access for examiners and the SOC.

Secure Internet Gateway - At NOMA, although a CenturyLink service, not part of MTIPS. Monitored via CFPB IDS and CTL firewall logs.

Salesforce - Open to Internet, currently being authorized.

Google Apps for Business - authorized for pilot use with IP restrictions and authentication requirements, included in plans for cloud office/collaboration project.

* This metric is required for all CFO agencies.

Section 2F - 2: Protect - Technical Information Extranet

Technical Information: Extranet

2.27 Please report your current and planned extranet connections (consolidated and non-consolidated) in the table below.

2.27.1 Extranet traverses (aka consolidated) through an agency MTIPS/TICAP connection

Comments:

Reported as a circuit, but this is done with a VPN to Department of Treasury via which the Bureau uses Treasury's offered Line of Business services, such as financial, human resources, and other such capabilities.

Month and Year	Number of Circuits	Total Extranet Capacity (In Mbps)
Apr-16	1	100

2.27.2 Extranet by-passes (aka non-consolidated) the agency's MTIPS/TICAP connection(s)

Month and Year	Number of Circuits	Total Extranet Capacity (In Mbps)
Apr-16	0	0

Extranet: A private network that uses Web technology, permitting the sharing of portions of an enterprise's information or operations with suppliers, vendors, partners, customers, or other enterprises. (NIST IR 7298 rev 1)

Consolidated at TIC Access Point: All Extranet connections that pass through a TIC Access Point.

Not Consolidated at TIC Access Point: Include any Internet links that are not located at a TIC Access Point.

Forecast: Enter the forecasted number of circuits and circuit size for the next four years.

Number of Circuits: The total number of Extranet data circuits (physical or logical) connected in all locations. A data circuit between two agency internal locations is considered an internal circuit, and not included.

Total Extranet Capacity: The total capacity of all Extranet connections. Provide the forecasted number for circuits both consolidated at a TIC Access Point and those that are not consolidated.

Section 2G: Protect - Cloud Services

Technical Information: Cloud Services

2.28 Report what types of Cloud Services your agency is using. Document your cloud service provider and service you are receiving (e.g., mail, database, etc.) in the table below.

Cloud Service Provider	Service Type	Service
Amazon Web Services, Inc.	IaaS	Virtual Private Cloud
Salesforce.com, Inc.	SaaS	CRM Application

* This metric is required for all CFO agencies.

Section 2G: Protect - Cloud Services

2.29 Test phishing attempts are caught.

Comments: This project is being redefined and now includes role-based training and other efforts along with the anti-phishing testing services. Therefore, the project timeline is being extended.

Key Activities of Milestones	Target Date	Completed Date
No Entries		
Planned Activities of Milestones	Target Date	
Complete requirements integration from all stakeholders		12/31/2016
Release RFP for combined services		01/31/2017
Acquisition		04/30/2017
Testing is completed		06/30/2017
Initial Operating Capability (IOC)		09/30/2017

2.30 Insider Threat Program, per Executive Order 13587, in place.

Comments: While the CFPB has determined that these requirements do not apply to the Bureau because it does not handle classified information, it acknowledges the NIST perspective that the standards and guidelines can also be employed effectively to improve the security of Controlled Unclassified Information in non-national security systems.

Key Activities of Milestones	Target Date	Completed Date
No Entries		
Planned Activities of Milestones	Target Date	
The Bureau plans to evaluate options to coordinate and enhance agency-wide insider threat capabilities to include (a) a strategy to raise organizational awareness; (b) an optimal organizational structure; and (c) integrated IR capabilities, such as ongoing activities around DLP.		05/31/2017

Section 3: Detect - Network Defense

The goal of the Detect metrics is to assess the extent that the D/As are able to discover cybersecurity events in a timely manner. D/As should maintain and test intrusion-detection processes and procedures to ensure they have timely and adequate awareness of anomalous events on their systems and networks.

Anti-Phishing Defense

* This metric is required for all CFO agencies.
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Section 3: Detect - Network Defense

3.0 Please provide a Detect PMC self-assessment rating (PMC):

Yellow

Comments:

The CFPB does not participate in the PMC Cybersecurity Assessment Process as this activity is described as exclusive to CFO Act agencies, specifically those named in 31 U.S.C. 901 (b). The CFPB plans and prioritizes similar activities in the spirit of continuous improvement and best practice. CFPB does not yet possess the technical capability to perform all of the needed activities in this functional area of the Cybersecurity Framework. We are working to develop plans to address these areas.

3.1 Percent (%) of incoming email traffic passing through anti-phishing and anti-spam filtration at the outermost border mail agent or server. (CAP) *
100%

3.2 Percent (%) of incoming email traffic analyzed using sender authentication protocols (e.g., DKIM, ADSP, DMARC, VBR, SPF, iprev). (CAP) *
53%

3.3 Percent (%) of incoming email traffic analyzed using a reputation filter (to perform threat assessment of sender).(CAP) *
95%

3.4 Percent (%) of incoming email traffic analyzed for detection of clickable URLs, embedded content, and attachments.(CAP) *
100%

3.5 Percent (%) of incoming email traffic analyzed for suspicious or potentially nefarious attachments opened in a sandboxed environment or detonation chamber. (CAP) *
0%

3.6 Percent (%) of outgoing email traffic that enables the recipients to verify the originator using sender authentication protocols (e.g., DKIM, ADSP, DMARC, VBR, SPF, iprev). (CAP) *
50%

Malware Defense

3.7 Number of GFE endpoints (from 1.2.1) covered by an intrusion prevention system. (CAP) *
3430

3.8 Number of GFE endpoints (from 1.2.1) covered by an antivirus (AV) solution using file reputation services, checking files against cloud-hosted, continuously updated malware information.(CAP) *
3518

* This metric is required for all CFO agencies.

Section 3: Detect - Network Defense

- 3.9 Number of GFE endpoints (from 1.2.1) covered by an anti-exploitation tool (e.g., Microsoft's Enhanced Mitigation Experience Toolkit (EMET) or similar). (CAP) *
- 16
- 3.10 Number of GFE endpoints (from 1.2.1) protected by a browser-based (e.g., Microsoft SmartScreen Filter, Microsoft Phishing Filter, etc.) or enterprise-based tool to block known phishing websites and IP addresses.(CAP) *
- 3518
- 3.11 Number of GFE endpoints and mobile assets (from 1.2.1 and 1.2.2) authorized for remote access connection to the unclassified network.(Base) *
- 2246
- 3.11.1 Number of assets (from 3.11) scanned for malware prior to an authorized remote access connection to the unclassified network.(CAP) *
- 0

Other Defenses (capabilities beyond those provided by traditional Anti-Phishing & Malware defenses)

- 3.12 Percent (%) of privileged user network accounts (from 2.5) that have a technical control limiting access to only trusted sites.(CAP) *
- 0%
- 3.13 Percent (%) of inbound network traffic that passes through a web content filter, which provides anti-phishing, anti-malware, and blocking of malicious websites (e.g., fake software updates, fake antivirus offers, and phishing offers). (CAP) *
- 100%
- 3.14 Percent (%) of outbound communications traffic checked at the external boundaries to detect encrypted exfiltration of information (i.e. D/A's capability to decrypt/interrogate and re-encrypt). (CAP) *
- 0%
- 3.15 Percent (%) of email messages processed by systems that quarantine or otherwise block suspected malicious traffic.(CAP) *
- 53%

Network Defense

- 3.16 Percent (%) of the organization's unclassified network that has implemented a technology solution to detect and alert on the connection of unauthorized hardware assets.(CAP) *
- 85%
- 3.16.1 Mean time to detect a new device (time between scans in 3.16).
- 0.01

* This metric is required for all CFO agencies.

Section 3: Detect - Network Defense

3.17 Number of GFE endpoints and mobile assets (from 1.2.1 and 1.2.2) covered by a software asset management capability to detect, alert, and/or block unauthorized software from executing (e.g., certificate, path, hash value, services, and behavior based whitelisting solutions).(CAP) *
0

3.18 Test exfiltration attempts are caught.

Key Activities of Milestones	Target Date	Completed Date
Yes, Einstein exfiltration tests reported to CSIRT as expected during Q3	06/30/2016	06/30/2016
Planned Activities of Milestones	Target Date	
No Entries		

3.19 Attempts to access large volumes of data are detected and investigated.

Key Activities of Milestones	Target Date	Completed Date
No Entries		
Planned Activities of Milestones	Target Date	
No Entries		

3.20 All information security incidents are appropriately reported to US-CERT.

Key Activities of Milestones	Target Date	Completed Date
Already completed, and using the new format	09/30/2015	09/30/2015
Planned Activities of Milestones	Target Date	
No Entries		

3.21 DHS Einstein 3A Program MOU/MOA signed.

Key Activities of Milestones	Target Date	Completed Date
Memorandum is already signed and in place.	06/08/2015	06/08/2015
Planned Activities of Milestones	Target Date	
No Entries		

* This metric is required for all CFO agencies.

Section 3: Detect - Network Defense

3.22 Completed implementation of agency ISCM Dashboard or D/A Dashboard provided by CDM Program.

Key Activities of Milestones	Target Date	Completed Date
DHS awarded orders for the Bureau's buying group (Group F) HOLD	06/29/2016	06/29/2016
Bureau submits new agency questionnaire to integrator	10/21/2016	10/21/2016
Planned Activities of Milestones	Target Date	
Integrator holds agency meetings with Bureau to review implementation plans		01/31/2017

Section 4: Respond - Incident Response Plan

The goal of the Respond metrics is to ensure that D/As have policies and procedures in place that detail how their enterprise will respond to cybersecurity events. D/As should develop and test response plans and communicate response activities to stakeholders to minimize the impact of cybersecurity events, when they occur.

4.0 Please provide a Respond PMC self-assessment rating (PMC):

Yellow

Comments:

The CFPB does not participate in the PMC Cybersecurity Assessment Process as this activity is described as exclusive to CFO Act agencies, specifically those named in 31 U.S.C. 901 (b). The CFPB plans and prioritizes similar activities in the spirit of continuous improvement and best practice. CFPB does not yet possess the technical capability to perform all of the needed activities in this functional area of the Cybersecurity Framework. We are working to develop plans to address these areas.

4.1 Date of the last update to the Incident Response Plan. (Base) *

4/20/2016

4.1.1 What frequency is your Incident Response plan tested? (Base) *

Tested Annually

4.2 Percent (%) of incidents vs attempts that were successful. (Base) *

0%

4.3 Worst-case Incident Response Plan tested and updated with 30 days of test results.

Key Activities of Milestones	Target Date	Completed Date
CFPB IR exercise conducted	09/22/2016	09/22/2016
Planned Activities of Milestones	Target Date	
No Entries		

* This metric is required for all CFO agencies.

Section 4: Respond - Incident Response Plan

4.4 Established partnership for surge resources and special capabilities.

Key Activities of Milestones	Target Date	Completed Date
Yes, coordination established with US-CERT for special capabilities	06/30/2016	06/30/2016
Planned Activities of Milestones	Target Date	
No Entries		

4.5 Roles and responsibilities verified in incident response testing.

Key Activities of Milestones	Target Date	Completed Date
CFPB IR exercise conducted	09/22/2016	09/22/2016
Planned Activities of Milestones	Target Date	
No Entries		

4.6 Participation in the Federal Cybersecurity Communication, Assessment, and Response (C-CAR) protocol.

Key Activities of Milestones	Target Date	Completed Date
The Bureau is participating in the use of this protocol.	06/30/2016	06/30/2016
Planned Activities of Milestones	Target Date	
No Entries		

4.7 Incident Response Plan is at the enterprise level, and developed and tested at least twice annually.

Key Activities of Milestones	Target Date	Completed Date
IR Plan is at enterprise level, tested annually	09/22/2016	09/22/2016
Planned Activities of Milestones	Target Date	
No Entries		

Section 5: Recover - Recovery Plan

The goal of the Recover metrics is to ensure D/As develop and implement appropriate activities for resilience that allow for the restoration of any capabilities and/or services that were impaired due to a cybersecurity event. The recover function reduces the impact of a cybersecurity event through the timely resumption of normal operations.

* This metric is required for all CFO agencies.

Section 5: Recover - Recovery Plan

5.0 Please provide a Recover PMC self-assessment rating (PMC):

Yellow

Comments:

The CFPB does not participate in the PMC Cybersecurity Assessment Process as this activity is described as exclusive to CFO Act agencies, specifically those named in 31 U.S.C. 901 (b). The CFPB plans and prioritizes similar activities in the spirit of continuous improvement and best practice. CFPB does not yet possess the technical capability to perform all of the needed activities in this functional area of the Cybersecurity Framework. We are working to develop plans to address these areas.

5.1 Date of the last update to the Recovery Plan. (Base) *

4/20/2016

5.1.1 What frequency is your Recovery plan tested? (Base) *

Tested Annually

5.2 Percent (%) of public/internal notifications that were conducted in accordance with relevant statute, OMB policy, or D/A policies. (Base) *

100%

5.3 Disaster Recovery plans (per NIST SP 800-34) covers human threat sources, including ones impacting electronic information or resulting in physical data loss.

Key Activities of Milestones	Target Date	Completed Date
No Entries		
Planned Activities of Milestones	Target Date	
No Entries		

5.4 Business Continuity plans (per NIST SP 800-34) are in place and fully tested for all levels of relevant cybersecurity related incidents.

Key Activities of Milestones	Target Date	Completed Date
No Entries		
Planned Activities of Milestones	Target Date	
No Entries		

5.5 Recovery Plan (per NIST Cybersecurity Framework) is at the enterprise level; and developed, updated, and tested at least annually.

Key Activities of Milestones	Target Date	Completed Date
No Entries		
Planned Activities of Milestones	Target Date	
No Entries		

* This metric is required for all CFO agencies.

Section 5: Recover - Recovery Plan

5.6 Policy/Metrics tracking for public/internal notifications conducted in accordance with relevant statute, OMB policy, or D/A policies are in-place.

Key Activities of Milestones	Target Date	Completed Date
Comprehensive Privacy Plan	09/30/2015	09/30/2015
Planned Activities of Milestones	Target Date	
No Entries		

5.7 Credit repair contract ready for use and in-place.

Key Activities of Milestones	Target Date	Completed Date
Annually renewed contract - in place	10/01/2015	10/01/2015
Planned Activities of Milestones	Target Date	
No Entries		

5.8 Ready to leverage credit monitoring BPA, such as those provided by GSA.

Key Activities of Milestones	Target Date	Completed Date
No Entries		
Planned Activities of Milestones	Target Date	
The Bureau already has a contract in place for this service. With the publication of OMB M-16-14, Category Management Policy 16-2: Providing Comprehensive Identity Protection Services, Identity Monitoring, and Data Breach Response, published on July 1, 2016, the Bureau will now conduct a value analysis to determine if changing contracts is warranted.		09/29/2017

* This metric is required for all CFO agencies.

APPENDIX A: CAP Goal Evaluations

APPENDIX A: CAP Goal Evaluations

Based on data entered within the form, your CAP Goal values have been calculated and are displayed below. CAP Goal values should meet the target values listed below. Please provide an explanation for any CAP Goal values that do not meet the defined CAP Goal target.

Cap Goal	Your Score	Target	FY16 Q4 Self-Defined Target	Explanation
Hardware Asset Management (Lower of the following two percentages must be greater than or equal to 95%: 3.16 or (1.4 / 1.2))	34	95%	0%	CFPB does not yet possess the technical capability to perform all of the needed activities in this functional area of the Cybersecurity Framework. We are working to develop plans to address these areas.
Software Asset Management (Lower of the following two percentages must be greater than or equal to 95%: (1.5 / (1.2.1 + 1.2.2)) or (3.17/(1.2.1+1.2.2)))	0	95%	0%	CFPB does not yet possess the technical capability to perform all of the needed activities in this functional area of the Cybersecurity Framework. We are working to develop plans to address these areas.
Vulnerability and Weakness Management (Performance must be greater than or equal to 95%: 2.2)	90	95%	0%	CFPB does not yet possess the technical capability to perform all of the needed activities in this functional area of the Cybersecurity Framework. We are working to develop plans to address these areas.
Secure Configuration Management (The percentage derived from the total of column 2.3.4 divided by the total of column 2.3.1.)	21	95%	0%	CFPB does not yet possess the technical capability to perform all of the needed activities in this functional area of the Cybersecurity Framework. We are working to develop plans to address these areas.
Unprivileged Network Users (Performance must be greater than or equal to 85%:(2.4.1/2.4))	0	85%	0%	CFPB does not yet possess the technical capability to perform all of the needed activities in this functional area of the Cybersecurity Framework. We are working to develop plans to address these areas.
Privileged Network Users (Performance must be equal to 100%: (2.5.1/2.5))	0	100%	0%	CFPB does not yet possess the technical capability to perform all of the needed activities in this functional area of the Cybersecurity Framework. We are working to develop plans to address these areas.
Anti-Phishing Defense (Lowest percentage of your top 5 (of 7) capabilities must be greater than or equal to 90%: 2.19.1/2.19, 3.1, 3.2, 3.3, 3.4, 3.5, 3.6)	50	90%	0%	CFPB does not yet possess the technical capability to perform all of the needed activities in this functional area of the Cybersecurity Framework. We are working to develop plans to address these areas.

* This metric is required for all CFO agencies.

APPENDIX A: CAP Goal Evaluations

Cap Goal	Your Score	Target	FY16 Q4 Self-Defined Target	Explanation
Malware Defense (Lowest percentage of your top 3 (of 5) capabilities must be greater than or equal to 90%: (3.7/1.2.1),(3.8/1.2.1),(3.9/1.2.1),(3.10/1.2.1),(3.11.1/3.11.1))	96	90%	0%	
Blended Defense (Combination of Anti-Phishing & Malware capabilities) (Lowest percentage of your top 2 (of 4) capabilities must be greater than or equal to 90%: 3.12, 3.13, 3.14, 3.15)	53	90%	0%	CFPB does not yet possess the technical capability to perform all of the needed activities in this functional area of the Cybersecurity Framework. We are working to develop plans to address these areas.

APPENDIX B: Data Quality Analysis

* This metric is required for all CFO agencies.

APPENDIX B: Data Quality Analysis

The metrics below are being compared to the values entered during the previous cycle. Any variances greater than 30% will yield a Test Result of 0 (red) requiring an explanation.

Comparison Description	Current Answer	Previous Answer	Test Result	Explanation
1.1 For each FIPS 199 impact level, what is the number of operational unclassified information systems by organization (i.e. Bureau or Sub-Department Operating Element) categorized at that level? (Organizations with fewer than 5,000 users may report as one unit.) Answer in the table below. (sum of 1.1.1 and 1.1.2 for High Systems in System Inventory grid) * 100	0	0	1	
1.2 Number of the organization's hardware assets connected to the organization's unclassified network(s). (Note: 1.2. is the sum of 1.2.1. through 1.2.4.)	7611	7599	1	
1.2.1 Number of GFE endpoints connected to the organization's unclassified network(s). (Base) *	3589	3615	1	
1.4 Number of GFE hardware assets (from 1.2.) covered by an automatic (e.g. scans/device discovery processes) hardware asset inventory capability at the enterprise-level. (CAP) * $(1.4 / 1.2) * 100$	34	26	1	
1.5 Number of GFE endpoints and mobile assets (from 1.2.1. and 1.2.2.) covered by an automated software asset inventory capability at the enterprise-level. (CAP) * $(1.5 / (1.2.1 + 1.2.2)) * 100$	80	79	1	
2.2 Percent (%) of the organization's unclassified network(s) assessed for vulnerabilities using Security Content Automation Protocol (SCAP) validated products. (CAP) *	90	92	1	
2.3.1 Number of hardware assets with each OS. (Base) * (sum of 2.3.1 - assets in Secure Config Management grid)	3595	3623	1	

* This metric is required for all CFO agencies.

APPENDIX B: Data Quality Analysis

Comparison Description	Current Answer	Previous Answer	Test Result	Explanation
2.3.4 Number of assets in 2.3.1 covered by auditing for compliance with 2.3.2. (CAP) * (sum of 2.3.4 - auditing activities) / (sum of 2.3.1 - assets in Secure Configuration Management grid) * 100	21	30	1	
2.4 Number of users with unprivileged network accounts. (Exclude privileged network accounts and non-user accounts.) (Base) *	2137	2115	1	
2.4.1 Number of users (from 2.4) technically required to log onto the network with a two-factor PIV card or NIST Level of Assurance (LOA) 4 credential.(CAP) * (2.4.1 / 2.4) * 100	0	0	1	
2.5 Number of users with privileged network accounts. (Exclude unprivileged network accounts and non-user accounts.) (Base) *	101	98	1	
2.5.1 Number of users (from 2.5) technically required to log onto the network with a two-factor PIV card or NIST LOA 4 credential. (CAP) * (2.5.1 / 2.5) * 100	0	44	0	As part of our ongoing process maturation and refinements to how we collect and report metrics, an improvement we put into place increased the precision and accuracy with which these users were counted. This caused a significant change to the metric, thus the data quality analysis has flagged it as an exception. The most recent data is more accurate than past quarters, and our efforts to improve and refine metric collection and analysis are continuing.
2.19.1 Number of users (from 2.19) that successfully passed the exercise.(CAP) * (2.19.1 / 2.19) * 100	0	100	0	As part of our ongoing process maturation and refinements to how we collect and report metrics, an improvement we put into place increased the precision and accuracy with which these users were counted. This caused a significant change to the metric, thus the data quality analysis has flagged it as an exception. The most recent data is more accurate than past quarters, and our efforts to improve and refine metric collection and analysis are continuing.

* This metric is required for all CFO agencies.

APPENDIX B: Data Quality Analysis

Comparison Description	Current Answer	Previous Answer	Test Result	Explanation
3.1 Percent (%) of incoming email traffic passing through anti-phishing and anti-spam filtration at the outermost border mail agent or server. (CAP) *	100	100	1	
3.2 Percent (%) of incoming email traffic analyzed using sender authentication protocols (e.g., DKIM, ADSP, DMARC, VBR, SPF, iprev). (CAP) *	53	55	1	
3.3 Percent (%) of incoming email traffic analyzed using a reputation filter (to perform threat assessment of sender).(CAP) *	95	100	1	
3.4 Percent (%) of incoming email traffic analyzed for detection of clickable URLs, embedded content, and attachments.(CAP) *	100	100	1	
3.5 Percent (%) of incoming email traffic analyzed for suspicious or potentially nefarious attachments opened in a sandboxed environment or detonation chamber. (CAP) *	0	0	1	
3.6 Percent (%) of outgoing email traffic that enables the recipients to verify the originator using sender authentication protocols (e.g., DKIM, ADSP, DMARC, VBR, SPF, iprev). (CAP) *	50	48	1	
3.7 Number of GFE endpoints (from 1.2.1) covered by an intrusion prevention system. (CAP) * (3.7 / 1.2.1) * 100	96	68	1	
3.8 Number of GFE endpoints (from 1.2.1) covered by an antivirus (AV) solution using file reputation services, checking files against cloud-hosted, continuously updated malware information.(CAP) * (3.8 / 1.2.1) * 100	98	99	1	
3.9 Number of GFE endpoints (from 1.2.1) covered by an anti-exploitation tool (e.g., Microsoft's Enhanced Mitigation Experience Toolkit (EMET) or similar). (CAP) * (3.9 / 1.2.1) * 100	0	0	1	

* This metric is required for all CFO agencies.

APPENDIX B: Data Quality Analysis

Comparison Description	Current Answer	Previous Answer	Test Result	Explanation
3.10 Number of GFE endpoints (from 1.2.1) protected by a browser-based (e.g., Microsoft SmartScreen Filter, Microsoft Phishing Filter, etc.) or enterprise-based tool to block known phishing websites and IP addresses.(CAP) * $(3.10 / 1.2.1) * 100$	98	99	1	
3.11.1 Number of assets (from 3.11) scanned for malware prior to an authorized remote access connection to the unclassified network.(CAP) * $(3.11.1 / 3.11) * 100$	0	0	1	
3.12 Percent (%) of privileged user network accounts (from 2.5) that have a technical control limiting access to only trusted sites. (CAP) *	0	0	1	
3.13 Percent (%) of inbound network traffic that passes through a web content filter, which provides anti-phishing, anti-malware, and blocking of malicious websites (e.g., fake software updates, fake antivirus offers, and phishing offers). (CAP) *	100	100	1	
3.14 Percent (%) of outbound communications traffic checked at the external boundaries to detect encrypted exfiltration of information (i.e. D/A's capability to decrypt/interrogate and re-encrypt). (CAP) *	0	0	1	
3.15 Percent (%) of email messages processed by systems that quarantine or otherwise block suspected malicious traffic. (CAP) *	53	54	1	
3.16 Percent (%) of the organization's unclassified network that has implemented a technology solution to detect and alert on the connection of unauthorized hardware assets.(CAP) *	85	100	1	

* This metric is required for all CFO agencies.

APPENDIX B: Data Quality Analysis

Comparison Description	Current Answer	Previous Answer	Test Result	Explanation
3.17 Number of GFE endpoints and mobile assets (from 1.2.1 and 1.2.2) covered by a software asset management capability to detect, alert, and/or block unauthorized software from executing (e.g., certificate, path, hash value, services, and behavior based whitelisting solutions).(CAP) * (3.17 / (1.2.1 + 1.2.2)) * 100	0	2	0	CFPB's Infrastructure team currently has tools in operation that meet some of the general requirements regarding the detection, alerting, and blocking of unauthorized software from executing upon our endpoint and mobile assets. During the course of this FY, the team has been refining and improving the measurement and collection processes for metrics related to these efforts. Through this process, the team has gained a better understanding of the data and methods that support these reporting requirements and, as a result, maturation applied to the metric derivation methods has brought about changes to the metric values. The metric values supplied in previous quarters were derived using some older methods. Because we do not yet have a complete solution that addresses every element of the goal state, we have modified our metric value for end-of-year and believe that it is more accurate than those values previously reported.
4.2 Percent (%) of incidents vs attempts that were successful. (Base) *	0	0	1	
5.2 Percent (%) of public/internal notifications that were conducted in accordance with relevant statute, OMB policy, or D/A policies. (Base) *	100	100	1	

* This metric is required for all CFO agencies.

Inspector General

Section Report

2016

Annual FISMA
Report

Consumer Financial Protection Bureau

Section 0: Overall

- 0.1 Please provide an overall narrative assessment of the agency's information security program. Please note that OMB will include this information in the publicly available Annual FISMA Report to Congress to provide additional context for the Inspector General's effectiveness rating of the agency's information security program. OMB may modify this response to conform with the grammatical and narrative structure of the Annual Report.

Overall, we found that the CFPB continues to mature its information security program to ensure that it is consistent with FISMA requirements. For instance, the CFPB has implemented several tools to automate ISCM capabilities, matured its ISCM program from level 1 (ad hoc) to level 3 (consistently implemented), and strengthened its role-based training program for users with significant security responsibilities. We also found that the CFPB's information security program is generally consistent with 7 of the 8 information security domains listed by DHS: risk management, contractor systems, configuration management, identity and access management, security and privacy training, ISCM, and incident response. For the remaining domain, contingency planning, the CFPB has not completed an agency-wide business impact analysis to guide its contingency planning activities, nor has it fully updated its continuity of operations plan to reflect the transition of its information technology infrastructure from the U.S. Department of the Treasury.

Our report includes three new recommendations to strengthen the CFPB's information security program: (1) formalize insider threat activities through an agency-wide insider threat program strategy, (2) ensure that user access forms and rules of behavior for privileged users are maintained, and (3) ensure that a business impact analysis is conducted and used to guide contingency planning activities.

Section 1: Identify

Risk Management (Identify)

1.1	Has the organization established a risk management program that includes comprehensive agency policies and procedures consistent with FISMA requirements, OMB policy, and applicable NIST guidelines?	Defined
	Met	
1.1.1	Identifies and maintains an up-to-date system inventory, including organization- and contractor-operated systems, hosting environments, and systems residing in the public, hybrid, or private cloud. (2016 CIO FISMA Metrics, 1.1; NIST Cybersecurity Framework (CF) ID.AM.1, NIST 800-53: PM-5)	Defined
	Met	
1.1.2	Develops a risk management function that is demonstrated through the development, implementation, and maintenance of a comprehensive governance structure and organization-wide risk management strategy as described in NIST SP 800-37, Rev. 1. (NIST SP 800-39)	Consistently Implemented
	Met	
1.1.3	Incorporates mission and business process-related risks into risk-based decisions at the organizational perspective, as described in NIST SP 800-37, Rev. 1. (NIST SP 800-39)	Consistently Implemented
	Met	
1.1.4	Conducts information system level risk assessments that integrate risk decisions from the organizational and mission/business process perspectives and take into account threats, vulnerabilities, likelihood, impact, and risks from external parties and common control providers. (NIST SP 800-37, Rev. 1, NIST SP 800-39, NIST SP 800-53: RA-3)	Consistently Implemented
	Met	
1.1.5	Provides timely communication of specific risks at the information system, mission/business, and organization-level to appropriate levels of the organization.	Managed and Measureable
	Met	
1.1.6	Performs comprehensive assessments to categorize information systems in accordance with Federal standards and applicable guidance. (FIPS 199, FIPS 200, FISMA, Cybersecurity Sprint, OMB M-16-04, President's Management Council (PMC) cybersecurity assessments)	Consistently Implemented
	Met	
1.1.7	Selects an appropriately tailored set of baseline security controls based on mission/business requirements and policies and develops procedures to employ controls within the information system and its environment of operation.	Defined

Section 1: Identify

Met

1.1.8 Implements the tailored set of baseline security controls as described in 1.1.7.

Consistently Implemented

Met

1.1.9 Identifies and manages risks with system interconnections, including through authorizing system interconnections, documenting interface characteristics and security requirements, and maintaining interconnection security agreements. (NIST SP 800-53: CA-3)

Managed and Measureable

Met

1.1.10 Continuously assesses the security controls, including hybrid and shared controls, using appropriate assessment procedures to determine the extent to which the controls are implemented correctly, operating as intended, and producing the desired outcome with respect to meeting the security requirements for the system.

Consistently Implemented

Met

1.1.11 Maintains ongoing information system authorizations based on a determination of the risk to organizational operations and assets, individuals, other organizations, and the Nation resulting from the operation of the information system and the decision that this risk is acceptable (OMB M-14-03, NIST Supplemental Guidance on Ongoing Authorization).

Managed and Measureable

Not Met

Comments:

The CFPB develops system security plans for parent systems that take into account threats, vulnerabilities, likelihood, impact, and risks from external parties and common control providers. However, the CFPB has not performed risk assessments for all child systems. As such, we found the agency does not maintain ongoing system authorizations based on a determination of risk at the system level.

1.1.12 Security authorization package contains system security plan, security assessment report, and POA&M that are prepared and maintained in accordance with government policies. (SP 800-18, SP 800-37)

Managed and Measureable

Met

1.1.13 POA&Ms are maintained and reviewed to ensure they are effective for correcting security weaknesses.

Consistently Implemented

Met

1.1.14 Centrally tracks, maintains, and independently reviews/validates POA&M activities at least quarterly. (NIST SP 800-53 :CA-5; OMB M-04-25)

Managed and Measureable

Met

Section 1: Identify

1.1.15 Prescribes the active involvement of information system owners and common control providers, chief information officers, senior information security officers, authorizing officials, and other roles as applicable in the ongoing management of information-system-related security risks. **Managed and Measureable**

Met

1.1.16 Implemented an insider threat detection and prevention program, including the development of comprehensive policies, procedures, guidance, and governance structures, in accordance with Executive Order 13587 and the National Insider Threat Policy. (PMC; NIST SP 800-53: PM-12) **Consistently Implemented**

Met

Comments:

CFPB officials informed us that Executive Order 13587 and the National Insider Threat Policy do not apply to the agency because it does not maintain classified information. However, our FY 2016 FISMA audit report includes a recommendation for the CFPB to develop an agency-wide insider threat detection and prevention program due to the sensitivity of the information maintained by the agency.

1.1.17 Provide any additional information on the effectiveness (positive or negative) of the organization's Risk Management program that was not noted in the questions above. Based on all testing performed, is the Risk Management program effective?

Effective

Contractor Systems (Identify)

1.2 Has the organization established a program to oversee systems operated on its behalf by contractors or other entities, including other government agencies, managed hosting environments, and systems and services residing in a cloud external to the organization that is inclusive of policies and procedures consistent with FISMA requirements, OMB policy, and applicable NIST guidelines? **Defined**

Met

1.2.1 Establishes and implements a process to ensure that contracts/statements of work/solicitations for systems and services, include appropriate information security and privacy requirements and material disclosures, FAR clauses, and clauses on protection, detection, and reporting of information. (FAR Case 2007-004, Common Security Configurations, FAR Sections 24.104, 39.101, 39.105, 39.106, 52.239-1; PMC, 2016 CIO Metrics 1.8, NIST 800-53, SA-4 FedRAMP standard contract clauses; Cloud Computing Contract Best Practices) **Consistently Implemented**

Met

1.2.2 Specifies within appropriate agreements how information security performance is measured, reported, and monitored on contractor- or other entity-operated systems. (CIO and CAO Council Best Practices Guide for Acquiring IT as a Service, **Consistently Implemented**

Section 1: Identify

NIST SP 800-35)

Met

1.2.3 Obtains sufficient assurance that the security controls of systems operated on the organization’s behalf by contractors or other entities and services provided on the organization’s behalf meet FISMA requirements, OMB policy, and applicable NIST guidelines. (NIST SP 800-53: CA-2, SA-9)

Consistently Implemented

Met

1.2.4 Provide any additional information on the effectiveness (positive or negative) of the organization’s Contractor Systems Program that was not noted in the questions above. Based on all testing performed, is the Contractor Systems Program effective?

Effective

Level	Score	Possible Score
LEVEL 4: Managed and Measureable	18	20

Section 2: Protect

Configuration Management (Protect)

2.1	Has the organization established a configuration management program that is inclusive of comprehensive agency policies and procedures consistent with FISMA requirements, OMB policy, and applicable NIST guidelines?	Defined
	Met	
2.1.1	Develops and maintains an up-to-date inventory of the hardware assets (i.e., endpoints, mobile assets, network devices, input/output assets, and SMART/NEST devices) connected to the organization's network with the detailed information necessary for tracking and reporting. (NIST CF ID.AM-1; 2016 CIO FISMA Metrics 1.5, 3.17; NIST 800-53: CM-8)	Defined
	Met	
2.1.2	Develops and maintains an up-to-date inventory of software platforms and applications used within the organization and with the detailed information necessary for tracking and reporting. (NIST 800-53: CM-8, NIST CF ID.AM-2)	Defined
	Met	
2.1.3	Implements baseline configurations for IT systems that are developed and maintained in accordance with documented procedures. (NIST SP 800-53: CM-2; NIST CF PR.IP-1)	Consistently Implemented
	Met	
2.1.4	Implements and maintains standard security settings (also referred to as security configuration checklists or hardening guides) for IT systems in accordance with documented procedures. (NIST SP 800-53: CM-6; CIO 2016 FISMA Metrics, 2.3)	Consistently Implemented
	Met	
2.1.5	Assesses configuration change control processes, including processes to manage configuration deviations across the enterprise that are implemented and maintained. (NIST SP 800-53: CM-3, NIST CF PR.IP-3)	Managed and Measureable
	Met	
2.1.6	Identifies and documents deviations from configuration settings. Acceptable deviations are approved with business justification and risk acceptance. Where appropriate, automated means that enforce and redeploy configuration settings to systems at regularly scheduled intervals are deployed, while evidence of deviations is also maintained. (NIST SP 800-53: CM-6, Center for Internet Security Controls (CIS) 3.7)	Managed and Measureable
	Met	
2.1.7	Implemented SCAP certified software assessing (scanning) capabilities against all systems on the network to assess both code-based and configuration-based vulnerabilities in accordance with risk management decisions. (NIST SP 800-53: RA-5, SI- 2; CIO 2016 FISMA Metrics 2.2, CIS 4.1)	Managed and Measureable

Section 2: Protect

Not Met

Comments:

Our 2014 FISMA audit report included a recommendation for the CFPB to implement application and database-level vulnerability scanning for CFPB systems. The CFPB is still taking steps to address this recommendation.

2.1.8 Remediates configuration-related vulnerabilities, including scan findings, in a timely manner as specified in organization policy or standards. (NIST 800-53: CM-4, CM-6, RA-5, SI-2) **Consistently Implemented**

Met

2.1.9 Develops and implements a patch management process in accordance with organization policy or standards, including timely and secure installation of software patches. (NIST SP 800-53: CM-3, SI-2, OMB M-16-04, DHS Binding Operational Directive 15-01) **Managed and Measureable**

Met

2.1.10 Provide any additional information on the effectiveness (positive or negative) of the organization's Configuration Management Program that was not noted in the questions above. Based on all testing performed, is the Configuration Management Program effective?

Effective

Identity and Access Management (Protect)

2.2 Has the organization established an identity and access management program, including policies and procedures consistent with FISMA requirements, OMB policy, and applicable NIST guidelines? **Defined**

Met

2.2.1 Ensures that individuals requiring access to organizational information and information systems sign appropriate access agreements, participate in required training prior to being granted access, and recertify access agreements on a predetermined interval. (NIST 800-53: PL-4, PS-6) **Consistently Implemented**

Not Met

Comments:

We found that the CFPB had not ensured that rules of behavior and user access forms for select privileged users were maintained in accordance with agency policy.

2.2.2 Ensures that all users are only granted access based on least privilege and separation-of-duties principles. **Consistently Implemented**

Met

Section 2: Protect

2.2.3	Distinguishes hardware assets that have user accounts (e.g., desktops, laptops, servers) from those without user accounts (e.g. networking devices, such as load balancers and intrusion detection/prevention systems, and other input/output devices such as faxes and IP phones).	Consistently Implemented
	Met	
2.2.4	Implements PIV for physical access in accordance with government policies. (HSPD 12, FIPS 201, OMB M-05-24, OMB M-07-06, OMB M-08-01, OMB M-11-11)	Consistently Implemented
	Met	
2.2.5	Implements PIV or a NIST Level of Assurance (LOA) 4 credential for logical access by all privileged users (system, network, database administrators, and others responsible for system/application control, monitoring, or administration functions). (Cybersecurity Sprint, OMB M-16-04, PMC, 2016 CIO FISMA Metrics 2.5.1)	Consistently Implemented
	Met	
2.2.6	Enforces PIV or a NIST LOA 4 credential for logical access for at least 85% of non-privileged users. (Cybersecurity Sprint, OMB M-16-04, PMC, 2016 CIO FISMA Metrics 2.4.1)	Consistently Implemented
	Not Met	
	Comments: The CFPB does not enforce PIV or a NIST LOA 4 credential for logical access for at least 85% of non-privileged users.	
2.2.7	Tracks and controls the use of administrative privileges and ensures that these privileges are periodically reviewed and adjusted in accordance with organizationally defined timeframes. (2016 CIO FISMA Metrics 2.9, 2.10; OMB M-16-04, CIS 5.2)	Managed and Measureable
	Met	
	Comments: As noted in our comments for 2.2.1 above, we found that the CFPB does not ensure that rules of behavior and user access forms for privileged users are maintained in accordance with agency policy.	
2.2.8	Ensures that accounts are terminated or deactivated once access is no longer required or after a period of inactivity, according to organizational policy.	Managed and Measureable
	Met	
2.2.9	Identifies, limits, and controls the use of shared accounts. (NIST SP 800-53: AC-2)	Consistently Implemented
	Met	

Section 2: Protect

- 2.2.10 All users are uniquely identified and authenticated for remote access using Strong Authentication (multi-factor), including PIV. (NIST SP 800-46, Section 4.2, Section 5.1, NIST SP 800-63)
Met **Consistently Implemented**
- 2.2.11 Protects against and detects unauthorized remote access connections or subversion of authorized remote access connections, including through remote scanning of host devices. (CIS 12.7, 12.8, FY 2016 CIO FISMA metrics 2.17.3, 2.17.4, 3.11, 3.11.1)
Met **Consistently Implemented**
- 2.2.12 Remote access sessions are timed-out after 30 minutes of inactivity, requiring user re-authentication, consistent with OMB M-07-16
Met **Managed and Measureable**
- 2.2.13 Enforces a limit of consecutive invalid remote access logon attempts and automatically locks the account or delays the next logon prompt. (NIST 800-53: AC-7)
Met **Consistently Implemented**
- 2.2.14 Implements a risk-based approach to ensure that all agency public websites and services are accessible through a secure connection through the use and enforcement of https and strict transport security. (OMB M-15-13)
Met **Consistently Implemented**

Comments:

CFPB officials informed us that the agency is working toward implementing secure connections for all of the agency's public websites. However, we found that all sites connecting to sensitive data sources are accessed through secure connections.

- 2.2.15 Provide any additional information on the effectiveness (positive or negative) of the organization's Identity and Access Management Program that was not noted in the questions above. Based on all testing performed is the Identity and Access Management Program effective?
Effective

Security and Privacy Training (Protect)

- 2.3 Has the organization established a security and privacy awareness and training program, including comprehensive agency policies and procedures consistent with FISMA requirements, OMB policy, and applicable NIST guidelines?
Met **Defined**
- 2.3.1 Develops training material for security and privacy awareness training containing appropriate content for the organization, including anti-phishing, malware defense, social engineering, and insider threat topics. (NIST SP 800-50, 800-53: AR-5,
Consistently Implemented

Section 2: Protect

OMB M-15-01, 2016 CIO Metrics, PMC, National Insider Threat Policy (NITP))

Met

- 2.3.2 Evaluates the skills of individuals with significant security and privacy responsibilities and provides additional security and privacy training content or implements human capital strategies to close identified gaps. (NIST SP 800-50) **Consistently Implemented**

Not Met

Comments: While the agency has established a new role-based training program, the CFPB doesn't currently evaluate the skills of individuals with significant security and privacy responsibilities in order to provide additional training to close identified gaps. Further, the agency's role-based training program does not yet include technical topics that have been defined in the agency's training process.

- 2.3.3 Identifies and tracks status of security and privacy awareness training for all information system users (including employees, contractors, and other organization users) requiring security awareness training with appropriate internal processes to detect and correct deficiencies. (NIST 800-53: AT-2) **Consistently Implemented**

Met

- 2.3.4 Identifies and tracks status of specialized security and privacy training for all personnel (including employees, contractors, and other organization users) with significant information security and privacy responsibilities requiring specialized training. **Consistently Implemented**

Met

- 2.3.5 Measures the effectiveness of its security and privacy awareness and training programs, including through social engineering and phishing exercises. (PMC, 2016 CIO FISMA Metrics 2.19, NIST SP 800-50, NIST SP 800-55) **Managed and Measureable**

Not Met

Comments: CFPB officials informed us that the agency plans to perform exercises to measure the effectiveness of its training program in 2017.

- 2.3.6 Provide any additional information on the effectiveness (positive or negative) of the organization's Security and Privacy Training Program that was not noted in the questions above. Based on all testing performed is the Security and Privacy Training Program effective?

Effective

Level	Score	Possible Score
LEVEL 3: Consistently Implemented	13	20

Section 3: Detect

Level 1

Definition

- 3.1.1 ISCM program is not formalized and ISCM activities are performed in a reactive manner resulting in an ad hoc program that does not meet Level 2 requirements for a defined program consistent with NIST SP 800-53, SP 800-137, OMB M-14-03, and the CIO ISCM CONOPS.

People

- 3.1.1.1 ISCM stakeholders and their responsibilities have not been fully defined and communicated across the organization . **Ad Hoc**
Met
- 3.1.1.2 The organization has not performed an assessment of the skills, knowledge, and resources needed to effectively implement an ISCM program. Key personnel do not possess knowledge, skills, and abilities to successfully implement an effective ISCM program. **Ad Hoc**
Met
- 3.1.1.3 The organization has not defined how ISCM information will be shared with individuals with significant security responsibilities and used to make risk based decisions. **Ad Hoc**
Met
- 3.1.1.4 The organization has not defined how it will integrate ISCM activities with organizational risk tolerance, the threat environment, and business/mission requirements. **Ad Hoc**
Met

Processes

- 3.1.1.5 ISCM processes have not been fully defined and are performed in an ad-hoc, reactive manner for the following areas: ongoing assessments and monitoring of security controls; performing hardware asset management, software asset management, configuration setting management, and common vulnerability management; collecting security related information required for metrics, assessments, and reporting; analyzing ISCM data, reporting findings, and determining the appropriate risk responses; and reviewing and updating the ISCM program. **Ad Hoc**
Met
- 3.1.1.6 ISCM results vary depending on who performs the activity, when it is performed, and the methods and tools used. **Ad Hoc**
Met
- 3.1.1.7 The organization has not identified and defined the qualitative and quantitative performance measures that will be used to assess the effectiveness of its ISCM program, achieve situational awareness, and control ongoing risk. **Ad Hoc**

Section 3: Detect

Met

3.1.1.8 The organization has not defined its processes for collecting and considering lessons learned to improve ISCM processes.

Ad Hoc

Met

Technology

3.1.1.9 The organization has not identified and defined the ISCM technologies needed in one or more of the following automation areas and relies on manual/procedural methods in instances where automation would be more effective. Use of ISCM technologies in the following areas is ad-hoc.

Ad Hoc

- Patch management
- License management
- Information management
- Software assurance
- Vulnerability management
- Event management
- Malware detection
- Asset management
- Configuration management
- Network management
- Incident management

Met

3.1.1.10 The organization has not defined how it will use automation to produce an accurate point-in-time inventory of the authorized and unauthorized devices and software on its network and the security configuration of these devices and software.

Ad Hoc

Met

Level 2

Definition

3.2.1 The organization has formalized its ISCM program through the development of comprehensive ISCM policies, procedures, and strategies consistent with NIST SP 800-53, SP 800-137, OMB M-14-03, and the CIO ISCM CONOPS. However, ISCM policies, procedures, and strategies are not consistently implemented organization-wide.

People

3.2.1.1 ISCM stakeholders and their responsibilities have been defined and communicated across the organization. However, stakeholders

Defined

Section 3: Detect

may not have adequate resources (people, processes, and technology) to effectively implement ISCM activities.

Met

- 3.2.1.2 The organization has performed an assessment of the skills, knowledge, and resources needed to effectively implement an ISCM program. In addition, the organization has developed a plan for closing any gaps identified. However, key personnel may still lack the knowledge, skills, and abilities to successfully implement an effective ISCM program. **Defined**

Met

- 3.2.1.3 The organization has defined how ISCM information will be shared with individuals with significant security responsibilities and used to make risk-based decisions. However, ISCM information is not always shared with individuals with significant security responsibilities in a timely manner with which to make risk-based decisions. **Defined**

Met

- 3.2.1.4 The organization has defined how it will integrate ISCM activities with organizational risk tolerance, the threat environment, and business/mission requirements. However, ISCM activities are not consistently integrated with the organization's risk management program. **Defined**

Met

Processes

- 3.2.1.5 ISCM processes have been fully defined for the following areas: ongoing assessments and monitoring of security controls; performing hardware asset management, software asset management, configuration setting management, and common vulnerability management; collecting security related information required for metrics, assessments, and reporting; analyzing ISCM data, reporting findings, and determining the appropriate risk responses; and reviewing and updating the ISCM program. However, these processes are inconsistently implemented across the organization. **Defined**

Met

- 3.2.1.6 ISCM results vary depending on who performs the activity, when it is performed, and the methods and tools used. **Defined**

Met

- 3.2.1.7 The organization has identified and defined the performance measures and requirements that will be used to assess the effectiveness of its ISCM program, achieve situational awareness, and control ongoing risk. However, these measures are not consistently collected, analyzed, and used across the organization. **Defined**

Met

- 3.2.1.8 The organization has a defined process for capturing lessons learned on the effectiveness of its ISCM program and making necessary improvements. However, lessons learned are not consistently shared across the organization and used to make timely improvements **Defined**

Section 3: Detect

to the ISCM program.

Met

Technology

3.2.1.9 The organization has identified and fully defined the ISCM technologies it plans to utilize in the following automation areas. In addition, the organization has developed a plan for implementing ISCM technologies in these areas: patch management, license management, information management, software assurance, vulnerability management, event management, malware detection, asset management, configuration management, network management, and incident management. However, the organization has not fully implemented technology in these automation areas and continues to rely on manual/procedural methods in instances where automation would be more effective. In addition, while automated tools are implemented to support some ISCM activities, the tools may not be interoperable.

Defined

Met

3.2.1.10 The organization has defined how it will use automation to produce an accurate point-in-time inventory of the authorized and unauthorized devices and software on its network and the security configuration of these devices and software. However, the organization does not consistently implement the technologies that will enable it to manage an accurate point-in-time inventory of the authorized and unauthorized devices and software on its network and the security configuration of these devices and software.

Defined

Met

Level 3

Definition

3.3.1 In addition to the formalization and definition of its ISCM program (Level 2), the organization consistently implements its ISCM program across the agency. However, qualitative and quantitative measures and data on the effectiveness of the ISCM program across the organization are not captured and utilized to make risk-based decisions, consistent with NIST SP 800-53, SP 800-137, OMB M-14-03, and the CIO ISCM CONOPS.

People

3.3.1.1 ISCM stakeholders and their responsibilities have been identified and communicated across the organization, and stakeholders have adequate resources (people, processes, and technology) to effectively implement ISCM activities.

**Consistently
Implemented**

Met

3.3.1.2 The organization has fully implemented its plans to close any gaps in skills, knowledge, and resources required to successfully implement an ISCM program. Personnel possess the required knowledge, skills, and abilities to effectively implement the organization's ISCM program.

**Consistently
Implemented**

Section 3: Detect

Met

3.3.1.3 ISCM information is shared with individuals with significant security responsibilities in a consistent and timely manner with which to make risk-based decisions and support ongoing system authorizations. **Consistently Implemented**

Met

3.3.1.4 ISCM activities are fully integrated with organizational risk tolerance, the threat environment, and business/mission requirements. **Consistently Implemented**

Met

Processes

3.3.1.5 ISCM processes are consistently performed across the organization in the following areas: ongoing assessments and monitoring of security controls; performing hardware asset management, software asset management, configuration setting management, and common vulnerability management; collecting security related information required for metrics, assessments, and reporting; analyzing ISCM data, reporting findings, and determining the appropriate risk responses; and reviewing and updating the ISCM program. **Consistently Implemented**

Not Met

Comments: The described ISCM processes have been fully defined, with many implemented consistently across the organization. However, there are still several processes where ISCM can be further matured to produce a consistent view into the agency's security posture, including asset and license management and the development and use of more meaningful quantitative and qualitative metrics.

3.3.1.6 The rigor, intensity, scope, and results of ISCM activities are comparable and predictable across the organization. **Consistently Implemented**

Met

3.3.1.7 The organization is consistently capturing qualitative and quantitative performance measures on the performance of its ISCM program in accordance with established requirements for data collection, storage, analysis, retrieval, and reporting. ISCM measures provide information on the effectiveness of ISCM processes and activities. **Consistently Implemented**

Not Met

Comments: The CFPB has defined three performance measures, one for each domain (people, processes, and technology) as a part of its ISCM program. However, additional metrics that measure the effectiveness of the agency's program can further mature the CFPB's ISCM function.

3.3.1.8 The organization is consistently capturing and sharing lessons learned on the effectiveness of ISCM processes and activities. Lessons learned serve as a key input to making regular updates to ISCM processes. **Consistently Implemented**

Section 3: Detect

Met

3.3.1.9 The organization has consistently implemented its defined technologies in all of the following ISCM automation areas. ISCM tools are interoperable to the extent practicable.

Consistently Implemented

- Patch management
- License management
- Information management
- Software assurance
- Vulnerability management
- Event management
- Malware detection
- Asset management
- Configuration management
- Network management
- Incident management

Not Met

Comments:

The agency has identified and defined the ISCM technologies needed in the 11 automation domains from NIST SP 800-137. The vast majority of these tools are operational and have been incorporated into the agency's ISCM program, including many which are interoperable. However, there are still a number of automation areas that have not yet been consistently implemented. These include alerting capabilities to avoid manual inspection/reporting from the tools that are implemented and completing implementation of CDM.

Technology

3.3.1.10 The organization can produce an accurate point-in-time inventory of the authorized and unauthorized devices and software on its network and the security configuration of these devices and software.

Consistently Implemented

Met

Level 4

Definition

3.4.1 In addition to being consistently implemented (Level 3), ISCM activities are repeatable and metrics are used to measure and manage the implementation of the ISCM program, achieve situational awareness, control ongoing risk, and perform ongoing system authorizations.

People

Section 3: Detect

3.4.1.1 The organization’s staff is consistently implementing, monitoring, and analyzing qualitative and quantitative performance measures across the organization and is collecting, analyzing, and reporting data on the effectiveness of the organization’s ISCM program. **Managed and Measureable**

Not Met

Comments: ISCM stakeholders have been identified, are involved in the communication of ISCM information across the agency, and have adequate resources to perform ISCM activities. However, the CFPB has not yet reached a level 4 (managed and measurable) maturity where staff are using and analyzing effective qualitative and quantitative performance metrics.

3.4.1.2 Skilled personnel have been hired and/or existing staff trained to develop the appropriate metrics to measure the success of the ISCM program. **Managed and Measureable**

Not Met

Comments: The agency performs informal skill and resource gap analysis with contractors filling the gaps for any expertise not held within the CFPB itself. Further, there are no apparent resource or skill gaps that exist within the current state of the CFPB's ISCM program. However, the CFPB has not yet reached a level 4 (managed and measurable) maturity where staff are using and analyzing effective qualitative and quantitative performance metrics.

3.4.1.3 Staff are assigned responsibilities for developing and monitoring ISCM metrics, as well as updating and revising metrics as needed based on organization risk tolerance, the threat environment, business/mission requirements, and the results of the ISCM program. **Managed and Measureable**

Not Met

Comments: ISCM activities have been implemented to integrate the agency's ISCM program with its risk management function to consider the current threat environment. However, the CFPB has not yet reached a level 4 (managed and measurable) maturity where staff are using and analyzing effective qualitative and quantitative performance metrics.

Processes

3.4.1.4 The organization has processes for consistently implementing, monitoring, and analyzing qualitative and quantitative performance measures across the organization and is collecting, analyzing, and reporting data on the effectiveness of its processes for performing ISCM. **Managed and Measureable**

Not Met

Comments: The agency has defined three performance measures, one for each domain, as a part of its ISCM program. However, additional metrics that measure the effectiveness of the agency's program can further mature the CFPB's ISCM function.

3.4.1.5 Data supporting ISCM metrics are obtained accurately, consistently, and in a reproducible format. **Managed and Measureable**

Section 3: Detect

Not Met

Comments:

The agency has defined three performance measures, one for each domain, as a part of its ISCM program. However, additional metrics that measure the effectiveness of the agency's program can further mature the CFPB's ISCM function.

3.4.1.6 The organization is able to integrate metrics on the effectiveness of its ISCM program to deliver persistent situational awareness across the organization, explain the environment from both a threat/vulnerability and risk/impact perspective, and cover mission areas of operations and security domains.

Managed and Measureable

Not Met

Comments:

The agency has defined three performance measures, one for each domain, as a part of its ISCM program. However, additional metrics that measure the effectiveness of the agency's program can further mature the CFPB's ISCM function.

3.4.1.7 The organization uses its ISCM metrics for determining risk response actions including risk acceptance, avoidance/rejection, or transfer.

Managed and Measureable

Not Met

Comments:

The agency has defined three performance measures, one for each domain, as a part of its ISCM program. However, additional metrics that measure the effectiveness of the agency's program can further mature the CFPB's ISCM function.

3.4.1.8 ISCM metrics are reported to the organizational officials charged with correlating and analyzing the metrics in ways that are relevant for risk management activities.

Managed and Measureable

Not Met

Comments:

While metrics are reported to organizational officials on a regular basis, the agency has defined only three performance measures, one for each domain, as a part of its ISCM program. Additional metrics that measure the effectiveness of the agency's program can further mature the CFPB's ISCM function.

3.4.1.9 ISCM is used to maintain ongoing authorizations of information systems and the environments in which those systems operate, including common controls and keep required system information and data (i.e., System Security Plan Risk Assessment Report, Security Assessment Report, and POA&M) up to date on an ongoing basis.

Managed and Measureable

Not Met

Comments:

We found that the CFPB has not performed risk assessments for all of its child systems in accordance with its process.

Technology

3.4.1.10 The organization uses technologies for consistently implementing, monitoring, and analyzing qualitative and quantitative performance across the organization and is collecting, analyzing, and reporting data on the effectiveness of its technologies for performing ISCM.

Managed and Measureable

Section 3: Detect

Not Met

Comments:

The agency has defined three performance measures, one for each domain, as a part of its ISCM program. However, additional metrics that measure the effectiveness of the agency's program can further mature the CFPB's ISCM function.

3.4.1.11 The organization's ISCM performance measures include data on the implementation of its ISCM program for all sections of the network from the implementation of technologies that provide standard calculations, comparisons, and presentations.

Managed and Measureable

Not Met

Comments:

The agency has defined three performance measures, one for each domain, as a part of its ISCM program. However, additional metrics that measure the effectiveness of the agency's program can further mature the CFPB's ISCM function.

3.4.1.12 The organization utilizes a SIEM tool to collect, maintain, monitor, and analyze IT security information, achieve situational awareness, and manage risk

Managed and Measureable

Met

Level 5

Definition

3.5.1 In addition to being managed and measurable (Level 4), the organization's ISCM program is institutionalized, repeatable, self-regenerating, and updated in a near real-time basis based on changes in business/mission requirements and a changing threat and technology landscape.

People

3.5.1.1 The organization's assigned personnel collectively possess a high skill level to perform and update ISCM activities on a near real-time basis to make any changes needed to address ISCM results based on organization risk tolerance, the threat environment, and business/mission requirements.

Optimized

Not Met

Comments:

The CFPB has not yet reached this level of maturity in this area.

Processes

3.5.1.2 The organization has institutionalized a process of continuous improvement incorporating advanced cybersecurity and practices.

Optimized

Not Met

Comments:

The CFPB has not yet reached this level of maturity in this area.

3.5.1.3 On a near real-time basis, the organization actively adapts its ISCM program to a changing cybersecurity landscape and responds to

Optimized

Section 3: Detect

evolving and sophisticated threats in a timely manner.

Not Met

Comments: The CFPB has not yet reached this level of maturity in this area.

3.5.1.4 The ISCM program is fully integrated with strategic planning, enterprise architecture and capital planning and investment control processes, and other mission/business areas, as appropriate.

Optimized

Not Met

Comments: The CFPB has not yet reached this level of maturity in this area.

3.5.1.5 The ISCM program achieves cost-effective IT security objectives and goals and influences decision making that is based on cost, risk, and mission impact.

Optimized

Not Met

Comments: The CFPB has not yet reached this level of maturity in this area.

Technology

3.5.1.6 The organization has institutionalized the implementation of advanced cybersecurity technologies in near real-time.

Optimized

Not Met

Comments: The CFPB has not yet reached this level of maturity in this area.

3.5.1.7 The organization has institutionalized the use of advanced technologies for analysis of trends and performance against benchmarks to continuously improve its ISCM program.

Optimized

Not Met

Comments: The CFPB has not yet reached this level of maturity in this area.

Level	Score	Possible Score
LEVEL 3: Consistently Implemented	13	20

Section 4: Respond

Level 1

Definition

- 4.1.1 Incident response program is not formalized and incident response activities are performed in a reactive manner resulting in an ad-hoc program that does not meet Level 2 requirements for a defined program consistent with FISMA (including guidance from NIST SP 800-83, NIST SP 800-61 Rev. 2, NIST SP 800-53, OMB M-16-03, OMB M-16-04, and US-CERT Federal Incident Notification Guidelines).

People

- 4.1.1.1 Incident response team structures/models, stakeholders, and their roles, responsibilities, levels of authority, and dependencies have not been fully defined and communicated across the organization, including the designation of a principal security operations center or equivalent organization that is accountable to agency leadership, DHS, and OMB for all incident response activities. **Ad Hoc**
- Met**
- 4.1.1.2 The organization has not performed an assessment of the skills, knowledge, and resources needed to effectively implement an incident response program. Key personnel do not possess the knowledge, skills, and abilities to successfully implement an effective incident response program. **Ad Hoc**
- Met**
- 4.1.1.3 The organization has not defined a common threat vector taxonomy and defined how incident response information will be shared with individuals with significant security responsibilities and other stakeholders, and used to make timely, risk-based decisions. **Ad Hoc**
- Met**
- 4.1.1.4 The organization has not defined how it will integrate incident response activities with organizational risk management, continuous monitoring, continuity of operations, and other mission/business areas, as appropriate. **Ad Hoc**
- Met**

Processes

- 4.1.1.5 Incident response processes have not been fully defined and are performed in an ad-hoc, reactive manner for the following areas: incident response planning, incident response training and testing; incident detection and analysis; incident containment, eradication, and recovery; incident coordination, information sharing, and reporting to internal and external stakeholders using standard data elements and impact classifications within timeframes established by US-CERT. **Ad Hoc**
- Met**
- 4.1.1.6 The organization has not fully defined how it will collaborate with DHS and other parties, as appropriate, to provide on-site, technical **Ad Hoc**

Section 4: Respond

assistance/surge resources/special capabilities for quickly responding to incidents.

Met

- 4.1.1.7 The organization has not identified and defined the qualitative and quantitative performance measures that will be used to assess the effectiveness of its incident response program, perform trend analysis, achieve situational awareness, and control ongoing risk.

Ad Hoc

Met

- 4.1.1.8 The organization has not defined its processes for collecting and considering lessons learned and incident data to improve security controls and incident response processes.

Ad Hoc

Met

Technology

- 4.1.1.9 The organization has not identified and defined the incident response technologies needed in one or more of the following areas and relies on manual/procedural methods in instances where automation would be more effective. Use of incident response technologies in the following areas is ad-hoc.

Ad Hoc

- Web application protections, such as web application firewalls
- Event and incident management, such as intrusion detection and prevention tools, and incident tracking and reporting tools
- Aggregation and analysis, such as security information and event management (SIEM) products
- Malware detection, such as anti-virus and antispam software technologies
- Information management, such as data loss prevention
- File integrity and endpoint and server security tools

Met

- 4.1.1.10 The organization has not defined how it will meet the defined Trusted Internet Connection (TIC) security controls and ensure that all agency traffic, including mobile and cloud, are routed through defined access points, as appropriate.

Ad Hoc

Met

- 4.1.1.11 The organization has not defined how it plans to utilize DHS' Einstein program for intrusion detection/prevention capabilities for traffic entering and leaving the organization's networks.

Ad Hoc

Met

- 4.1.1.12 The organization has not defined how it plans to utilize technology to develop and maintain a baseline of network operations and expected data flows for users and systems.

Ad Hoc

Met

Level 2

Section 4: Respond

Definition

- 4.2.1 The organizational has formalized its incident response program through the development of comprehensive incident response policies, plans, and procedures consistent with FISMA (including guidance from NIST SP 800-83, NIST SP 800-61 Rev. 2, NIST SP 800-53, OMB M-16-03, OMB M-16-04, and US-CERT Federal Incident Notification Guidelines). However, incident response policies, plans, and procedures are not consistently implemented organization-wide.

People

- 4.2.1.1 Incident response team structures/models, stakeholders, and their roles, responsibilities, levels of authority, and dependencies have been fully defined and communicated across the organization, including the designation of a principal security operations center or equivalent organization that is accountable to agency leadership, DHS, and OMB for all incident response activities. However, stakeholders may not have adequate resources (people, processes, and technology) to effectively implement incident response activities. Further, the organization has not verified roles and responsibilities as part of incident response testing. **Defined**
- Met**
- 4.2.1.2 The organization has performed an assessment of the skills, knowledge, and resources needed to effectively implement an incident response program. In addition, the organization has developed a plan for closing any gaps identified. However, key personnel may still lack the knowledge, skills, and abilities to successfully implement an effective incident response program. **Defined**
- Met**
- 4.2.1.3 The organization has defined a common threat vector taxonomy and defined how incident response information will be shared with individuals with significant security responsibilities and other stakeholders, and used to make timely, risk-based decisions. However, the organization does not consistently utilize its threat vector taxonomy and incident response information is not always shared with individuals with significant security responsibilities and other stakeholders in a timely manner. **Defined**
- Met**
- 4.2.1.4 The organization has defined how it will integrate incident response activities with organizational risk management, continuous monitoring, continuity of operations, and other mission/business areas, as appropriate. However, incident response activities are not consistently integrated with these areas. **Defined**
- Met**

Processes

- 4.2.1.5 Incident response processes have been fully defined for the following areas: incident response planning, incident response training and testing; incident detection and analysis; incident containment, eradication, and recovery; incident coordination, information sharing, **Defined**

Section 4: Respond

and reporting using standard data elements and impact classifications within timeframes established by US-CERT. However, these processes are inconsistently implemented across the organization.

Met

- 4.2.1.6 The organization has fully defined, but not consistently implemented, its processes to collaborate with DHS and other parties as appropriate, to provide on-site, technical assistance/surge resources/special capabilities for quickly responding to incidents. **Defined**

Met

- 4.2.1.7 The organization has identified and defined the qualitative and quantitative performance measures that will be used to assess the effectiveness of its incident response program, perform trend analysis, achieve situational awareness, and control ongoing risk. However, these measures are not consistently collected, analyzed, and used across the organization. **Defined**

Met

- 4.2.1.8 The organization has defined its processes for collecting and considering lessons learned and incident data to improve security controls and incident response processes. However, lessons learned are not consistently captured and shared across the organization and used to make timely improvements to security controls and the incident response program. **Defined**

Met

Technology

- 4.2.1.9 The organization has identified and fully defined the incident response technologies it plans to utilize in the following areas: **Defined**
- Web application protections, such as web application firewalls
 - Event and incident management, such as intrusion detection and prevention tools, and incident tracking and reporting tools
 - Aggregation and analysis, such as security information and event management (SIEM) products. However, the organization has not ensured that security and event data are aggregated and correlated from all relevant sources and sensors.
 - Malware detection such as Anti-virus and antispam software technologies
 - Information management such as data loss prevention
 - File integrity and endpoint and server security tools

However, the organization has not fully implemented technologies in these areas and continues to rely on manual/procedural methods in instances where automation would be more effective. In addition, while tools are implemented to support some incident response activities, the tools are not interoperable to the extent practicable, do not cover all components of the organization's network, and/or have not been configured to collect and retain relevant and meaningful data consistent with the organization's incident response policy, plans, and procedures.

Met

Section 4: Respond

4.2.1.10	The organization has defined how it will meet the defined TIC security controls and ensure that all agency traffic, including mobile and cloud, are routed through defined access points, as appropriate. However, the organization has not ensured that the TIC 2.0 provider and agency managed capabilities are consistently implemented.	Defined
Met		
4.2.1.11	The organization has defined how it plans to utilize DHS' Einstein program for intrusion detection/prevention capabilities for traffic entering and leaving its networks.	Defined
Met		
4.2.1.12	The organization has defined how it plans to utilize technology to develop and maintain a baseline of network operations and expected data flows for users and systems. However, the organization has not established, and does not consistently maintain, a comprehensive baseline of network operations and expected data flows for users and systems.	Defined
Met		
Level 3		
Definition		
4.3.1	In addition to the formalization and definition of its incident response program (Level 2), the organization consistently implements its incident response program across the agency, in accordance with FISMA (including guidance from NIST SP 800-83, NIST SP 800-61 Rev. 2, NIST SP 800-53, OMB M-16-03, OMB M-16-04, and US-CERT Federal Incident Notification Guidelines). However, data supporting metrics on the effectiveness of the incident response program across the organization are not verified, analyzed, and correlated.	
People		
4.3.1.1	Incident response team structures/models, stakeholders, and their roles, responsibilities, levels of authority, and dependencies have been fully defined, communicated, and consistently implemented across the organization (Level 2). Further, the organization has verified roles and responsibilities of incident response stakeholders as part of incident response testing.	Consistently Implemented
Met		
4.3.1.2	The organization has fully implemented its plans to close any gaps in the skills, knowledge, and resources needed to effectively implement its incident response program. Incident response teams are periodically trained to ensure that knowledge, skills, and abilities are maintained.	Consistently Implemented
Met		

Section 4: Respond

4.3.1.3 The organization consistently utilizes its defined threat vector taxonomy and shares information with individuals with significant security responsibilities and other stakeholders in a timely fashion to support risk-based decision making. **Consistently Implemented**
Met

4.3.1.4 Incident response activities are integrated with organizational risk management, continuous monitoring, continuity of operations, and other mission/business areas, as appropriate. **Consistently Implemented**
Met

Processes

4.3.1.5 Incident response processes are consistently implemented across the organization for the following areas: incident response planning, incident response training and testing; incident detection and analysis; incident containment, eradication, and recovery; incident coordination, information sharing, and reporting using standard data elements and impact classifications within timeframes established by US-CERT. **Consistently Implemented**
Met

4.3.1.6 The organization has ensured that processes to collaborate with DHS and other parties as appropriate, to provide on-site, technical assistance/surge resources/special capabilities for quickly responding to incidents are implemented consistently across the organization. **Consistently Implemented**
Not Met

Comments: The agency has established processes for sharing information with US-CERT, DHS, and other stakeholders. However, the agency has not yet formalized the processes and communication methods for coordinating with the Inspector General.

4.3.1.7 The organization is consistently capturing qualitative and quantitative performance metrics on the performance of its incident response program. However, the organization has not ensured that the data supporting the metrics was obtained accurately and in a reproducible format or that the data is analyzed and correlated in ways that are effective for risk management. **Consistently Implemented**
Not Met

Comments: The CFPB has defined and tracks a couple of incident response metrics that have been used to improve the agency's program. However, agency officials informed us they are still working with their incident response functions to further build out this aspect of the program.

4.3.1.8 The organization is consistently collecting and capturing lessons learned and incident data on the effectiveness of its incident response program and activities. However, lessons learned may not be shared across the organization in a timely manner and used to make timely improvements to the incident response program and security measures. **Consistently Implemented**
Met

Section 4: Respond

4.3.1.9	The rigor, intensity, scope, and results of incident response activities (i.e. preparation, detection, analysis, containment, eradication, and recovery, reporting and post incident) are comparable and predictable across the organization.	Consistently Implemented
	Not Met	
	Comments: The rigor, intensity, scope, and results of IR activities are not yet consistently implemented.	
Technology		
4.3.1.10	<p>The organization has consistently implemented its defined incident response technologies in the following areas:</p> <ul style="list-style-type: none"> - Web application protections, such as web application firewalls - Event and incident management, such as intrusion detection and prevention tools, and incident tracking and reporting tools - Aggregation and analysis, such as security information and event management (SIEM) products. The organization ensures that security and event data are aggregated and correlated from all relevant sources and sensors - Malware detection, such as anti-virus and antispam software technologies - Information management, such as data loss prevention - File integrity and endpoint and server security tools <p>In addition, the tools are interoperable to the extent practicable, cover all components of the organization's network, and have been configured to collect and retain relevant and meaningful data consistent with the organization's incident response policy, procedures, and plans.</p>	Consistently Implemented
	Not Met	
	Comments: The CFPB has defined technology for each incident response activity and has implemented tools for the majority of its incident response functions. However, the agency is still in the process of implementing a DLP program for its internal network.	
4.3.1.11	The organization has consistently implemented defined TIC security controls and implemented actions to ensure that all agency traffic, including inmobile and cloud, are routed through defined access points, as appropriate.	Consistently Implemented
	Met	
4.3.1.12	The organization is utilizing DHS' Einstein program for intrusion detection/prevention capabilities for traffic entering and leaving their networks.	Consistently Implemented
	Met	
4.3.1.13	The organization has fully implemented technologies to develop and maintain a baseline of network operations and expected data flows for users and systems.	Consistently Implemented
	Met	

Section 4: Respond

Level 4

Definition

- 4.4.1 In addition to being consistently implemented (Level 3), incident response activities are repeatable and metrics are used to measure and manage the implementation of the incident response program, achieve situational awareness, and control ongoing risk. In addition, the incident response program adapts to new requirements and government-wide priorities.

People

- 4.4.1.1 Incident response stakeholders are consistently implementing, monitoring, and analyzing qualitative and quantitative performance measures across the organization and are collecting, analyzing, and reporting data on the effectiveness of the organization's incident response program.

**Managed and
Measurable**

Not Met

Comments:

The CFPB has defined and implemented roles and responsibilities that have been communicated across the agency and are verified via annual testing. Further, the agency has designated a principal security operations center that is accountable to agency leadership, DHS, and OMB for all incident response activities. However, the CFPB has not yet reached a level 4 (managed and measurable) maturity where staff and using and analyzing effective qualitative and quantitative performance metrics.

- 4.4.1.2 Skilled personnel have been hired and/or existing staff trained to develop the appropriate metrics to measure the success of the incident response program.

**Managed and
Measurable**

Not Met

Comments:

The CFPB has defined a process for analyzing the skills of its incident response team, both for employees and contractors. Contractors are hired and have stipulations for specific training, which are usually skills that fill gaps from those already employed with the agency. However, the CFPB has not yet reached a level 4 (managed and measurable) maturity where staff and using and analyzing effective qualitative and quantitative performance metrics.

- 4.4.1.3 Incident response stakeholders are assigned responsibilities for developing and monitoring incident response metrics, as well as updating and revising metrics as needed based on organization risk tolerance, the threat environment, business/mission requirements, and the results of the incident response program.

**Managed and
Measurable**

Not Met

Comments:

The CFPB has not yet reached a level 4 (managed and measurable) maturity where staff and using and analyzing effective qualitative and quantitative performance metrics.

Processes

Section 4: Respond

4.4.1.4 The organization has processes for consistently implementing, monitoring, and analyzing qualitative and quantitative performance measures across the organization and is collecting, analyzing, and reporting data on the effectiveness of its processes for performing incident response. **Managed and Measureable**

Not Met

Comments: The CFPB has not yet reached this level of maturity in this area.

4.4.1.5 Data supporting incident response measures and metrics are obtained accurately, consistently, and in a reproducible format. **Managed and Measureable**

Not Met

Comments: The CFPB has not yet reached this level of maturity in this area.

4.4.1.6 Incident response data, measures, and metrics are analyzed, collected, and presented using standard calculations, comparisons, and presentations **Managed and Measureable**

Not Met

Comments: The CFPB has not yet reached this level of maturity in this area.

4.4.1.7 Incident response metrics are reported to organizational officials charged with correlating and analyzing the metrics in ways that are relevant for risk management activities. **Managed and Measureable**

Not Met

Comments: The CFPB has not yet reached this level of maturity in this area.

Technology

4.4.1.8 The organization uses technologies for consistently implementing, monitoring, and analyzing qualitative and quantitative performance across the organization and is collecting, analyzing, and reporting data on the effectiveness of its technologies for performing incident response activities. **Managed and Measureable**

Not Met

Comments: The CFPB has not yet reached this level of maturity in this area.

4.4.1.9 The organization's incident response performance measures include data on the implementation of its incident response program for all sections of the network. **Managed and Measureable**

Not Met

Comments: The CFPB has not yet reached this level of maturity in this area.

Section 4: Respond

Level 5

Definition

4.5.1 In addition to being managed and measurable (Level 4), the organization’s incident response program is institutionalized, repeatable, self-regenerating, and updated in a near real-time basis based on changes in business/mission requirements, and a changing threat and technology landscape.

People

4.5.1.1 The organization’s assigned personnel collectively possess a high skill level to perform and update incident response activities on a near real-time basis to make any changes needed to address incident response results based on organization risk tolerance, the threat environment, and business/mission requirements.

Optimized

Not Met

Comments: The CFPB has not yet reached this level of maturity in this area.

Processes

4.5.1.2 The organization has institutionalized a process of continuous improvement incorporating advanced cybersecurity practices.

Optimized

Not Met

Comments: The CFPB has not yet reached this level of maturity in this area.

4.5.1.3 On a near real-time basis, the organization actively adapts its incident response program to a changing cybersecurity landscape and responds to evolving and sophisticated threats in a near real-time manner.

Optimized

Not Met

Comments: The CFPB has not yet reached this level of maturity in this area.

4.5.1.4 The incident response program is fully integrated with organizational risk management, continuous monitoring, continuity of operations, and other mission/business areas, as appropriate.

Optimized

Not Met

Comments: The CFPB has not yet reached this level of maturity in this area.

4.5.1.5 The incident response program achieves cost-effective IT security objectives and goals and influences decision making that is based on cost, risk, and mission impact.

Optimized

Not Met

Comments: The CFPB has not yet reached this level of maturity in this area.

Section 4: Respond

Technology

4.5.1.6 The organization has institutionalized the implementation of advanced incident response technologies in near real-time. **Optimized**

Not Met

Comments: The CFPB has not yet reached this level of maturity in this area.

4.5.1.7 The organization has institutionalized the use of advanced technologies for analysis of trends and performance against benchmarks to continuously improve its incident response program. **Optimized**

Not Met

Comments: The CFPB has not yet reached this level of maturity in this area.

4.5.1.8 The organization uses simulation based technologies to continuously determine the impact of potential security incidents to its IT assets and adjusts incident response processes and security measures accordingly. **Optimized**

Not Met

Comments: The CFPB has not yet reached this level of maturity in this area.

Level	Score	Possible Score
LEVEL 3: Consistently Implemented	13	20

Section 5: Recover

Contingency Planning (Recover)

5.1	Has the organization established an enterprise-wide business continuity/disaster recovery program, including policies and procedures consistent with FISMA requirements, OMB policy, and applicable NIST guidelines?	Defined
	Met	
5.1.1	Develops and facilitates recovery testing, training, and exercise (TT&E) programs. (FCDI, NIST SP 800-34, NIST SP 800-53)	Consistently Implemented
	Met	
5.1.2	Incorporates the system's Business Impact Analysis and Business Process Analysis into analysis and strategy toward development of the organization's Continuity of Operations Plan, Business Continuity Plan (BCP), and Disaster Recovery Plan (DRP). (NIST SP 800-34)	Consistently Implemented
	Not Met	
	Comments: The CFPB has not performed a Business Impact Analysis in order to support and determine contingency planning requirements and priorities.	
5.1.3	Develops and maintains documented recovery strategies, plans, and procedures at the division, component, and IT infrastructure levels. (NIST SP 800-34)	Consistently Implemented
	Not Met	
	Comments: The CFPB is in the process of developing and documenting annexes to its newly created ITCP. These annexes contain system-specific details at the component and infrastructure level.	
5.1.4	BCP and DRP are in place and ready to be executed upon if necessary. (FCDI, NIST SP 800-34, 2016 CIO FISMA Metrics 5.3, PMC)	Consistently Implemented
	Met	
5.1.5	Tests BCP and DRP for effectiveness and updates plans as necessary. (2016 CIO FISMA Metrics, 5.4)	Managed and Measureable
	Met	
5.1.6	Tests system-specific contingency plans, in accordance with organizationally defined timeframes, to determine the effectiveness of the plans as well as readiness to execute the plans if necessary. (NIST SP 800-53: CP-4)	Consistently Implemented
	Not Met	
	Comments: We found that the contingency plan for an infrastructure component upon which several systems rely has not yet been tested.	

Section 5: Recover

- 5.1.7 Develops after-action reports that address issues identified during contingency/disaster recovery exercises in order to improve contingency/disaster recovery processes. (FCD1, NIST SP 800-34)
Met **Managed and Measureable**
- 5.1.8 Determines alternate processing and storage sites based upon risk assessments which ensure the potential disruption of the organization's ability to initiate and sustain operations is minimized, and are not subject to the same physical and/or cybersecurity risks as the primary sites. (FCD1, NIST SP 800-34, NIST SP 800-53: CP-6, CP-7)
Met **Consistently Implemented**
- 5.1.9 Conducts backups of information at the user- and system-levels and protects the confidentiality, integrity, and availability of backup information at storage sites. (FCD1, NIST SP 800-34, NIST SP 800-53: CP-9, NIST CF, PR.IP-4, NARA guidance on information systems security records)
Met **Managed and Measureable**
- 5.1.10 Contingency planning that considers supply chain threats.
Met **Defined**
- 5.1.11 Provide any additional information on the effectiveness (positive or negative) of the organization's Contingency Planning Program that was not noted in the questions above. Based on all testing performed is the Contingency Planning Program effective?
Not Effective

Level	Score	Possible Score
LEVEL 3: Consistently Implemented	13	20

APPENDIX A: Maturity Model Scoring**Maturity Levels by Section**

Section	Level	Score	Possible Score
Section 1: Identify	LEVEL 4: Managed and Measureable	18	20
Section 2: Protect	LEVEL 3: Consistently Implemented	13	20
Section 3: Detect	LEVEL 3: Consistently Implemented	13	20
Section 4: Respond	LEVEL 3: Consistently Implemented	13	20
Section 5: Recover	LEVEL 3: Consistently Implemented	13	20
TOTAL		70	100

Section 1: Identify

Model Indicator	Met	Not Met	Total	%	Points Assigned	Possible Points
Ad-Hoc	0	0	0	100%	3	3
Defined	4	0	4	100%	4	4
Consistently Implemented	11	0	11	100%	6	6
Managed and Measureable	5	1	6	83%	5	5
Optimized	0	0	0	100%	0	2
EFFECTIVE						

Section 2: Protect

Model Indicator	Met	Not Met	Total	%	Points Assigned	Possible Points
Ad-Hoc	0	0	0	100%	3	3
Defined	5	0	5	100%	4	4
Consistently Implemented	15	3	18	83%	6	6
Managed and Measureable	6	2	8	75%	0	5
Optimized	0	0	0	100%	0	2

Section 3: Detect

Model Indicator	Met	Not Met	Total	%	Points Assigned	Possible Points
Ad-Hoc	10	0	10	100%	3	3
Defined	10	0	10	100%	4	4
Consistently Implemented	7	3	10	70%	6	6
Managed and Measureable	1	11	12	8%	0	5
Optimized	0	7	7	0%	0	2

Section 4: Respond

Model Indicator	Met	Not Met	Total	%	Points Assigned	Possible Points
Ad-Hoc	12	0	12	100%	3	3
Defined	12	0	12	100%	4	4
Consistently Implemented	9	4	13	69%	6	6
Managed and Measureable	0	9	9	0%	0	5
Optimized	0	8	8	0%	0	2

Section 5: Recover

Model Indicator	Met	Not Met	Total	%	Points Assigned	Possible Points
Ad-Hoc	0	0	0	100%	3	3
Defined	2	0	2	100%	4	4
Consistently Implemented	3	3	6	50%	6	6
Managed and Measureable	3	0	3	100%	0	5
Optimized	0	0	0	100%	0	2



OFFICE OF INSPECTOR GENERAL

Audit Report

2016-IT-C-012

2016 Audit of the CFPB's Information Security Program

November 10, 2016

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
CONSUMER FINANCIAL PROTECTION BUREAU

Report Contributors

Khalid Hasan, Senior OIG Manager
Andrew Gibson, OIG Manager
Joshua Dieckert, Project Lead
Amanda Sundstrom, IT Auditor
Rebecca Kenyon, IT Auditor
Kaneisha Johnson, IT Auditor
Peter Sheridan, Assistant Inspector General for Information Technology

Abbreviations

BIA	business impact analysis
CDM	Continuous Diagnostics and Mitigation
CFPB	Consumer Financial Protection Bureau
CIO	Chief Information Officer
COOP	continuity of operations plan
DHS	U.S. Department of Homeland Security
DLP	data loss prevention
FISMA	Federal Information Security Modernization Act of 2014
FY	fiscal year
IG	Inspector General
IR	incident response
ISCM	information security continuous monitoring
IT	information technology
ITCP	information technology contingency plan
NIST	National Institute of Standards and Technology
OIG	Office of Inspector General
OMB	Office of Management and Budget
PIV	personal identity verification
ROB	rules of behavior
SP 800-34	Special Publication 800-34, Revision 1, <i>Contingency Planning Guide for Federal Information Systems</i>
SP 800-61	Special Publication 800-61, Revision 2, <i>Computer Security Incident Handling Guide</i>
SP 800-137	Special Publication 800-137, <i>Information Security Continuous Monitoring for Federal Information Systems and Organizations</i>
Treasury	U.S. Department of the Treasury
UAF	user access form
US-CERT	United States Computer Emergency Readiness Team



Executive Summary:

2016 Audit of the CFPB's Information Security Program

2016-IT-C-012

November 10, 2016

Purpose

To meet our annual Federal Information Security Modernization Act of 2014 (FISMA) reporting responsibilities, we reviewed the information security program and practices of the Consumer Financial Protection Bureau (CFPB). Our specific audit objectives, based on the legislation's requirements, were to evaluate the effectiveness of the CFPB's (1) security controls and techniques and (2) information security policies, procedures, and practices.

Background

FISMA requires each agency Inspector General (IG) to conduct an annual independent evaluation of the agency's information security program, practices, and controls for select systems. The U.S. Department of Homeland Security has issued guidance to the IGs on FISMA reporting for 2016. The guidance directs the IGs to evaluate the performance of agencies' information security programs across eight domains that are grouped into five function areas: identify, protect, detect, respond, and recover. Also referenced in the guidance is a maturity model for the IGs to use in assessing their agencies' information security continuous monitoring (ISCM) and incident response programs.

Findings

The CFPB continues to mature its information security program to ensure that it is consistent with FISMA requirements. For instance, the CFPB implemented several tools to automate ISCM capabilities, matured its ISCM program from level 1 (*ad hoc*) to level 3 (*consistently implemented*), and strengthened its role-based training program for users with significant security responsibilities. In addition, the CFPB's information security program is generally consistent with seven of eight U.S. Department of Homeland Security information security domains: risk management, contractor systems, configuration management, identity and access management, security and privacy training, ISCM, and incident response. For the remaining domain of contingency planning, the CFPB has not completed an agency-wide business impact analysis to guide its contingency planning activities, nor has it fully updated its continuity of operations plan to reflect the transition of its information technology infrastructure from the U.S. Department of the Treasury.

In addition, while the agency's information security program was generally consistent with requirements outlined in the U.S. Department of Homeland Security's FISMA reporting guidance for IGs in risk management and identity and access management, the CFPB can strengthen controls in those areas to ensure that they are effective. Specifically, the CFPB can strengthen its risk management program by formalizing its insider threat activities and evaluating options to develop an agency-wide insider threat program that leverages planned activities around data loss prevention. Related to the management of insider threat risks, signed rules of behavior documents were not in place for several privileged users who were not consistently resubmitting user access forms to validate the need for their elevated access privileges.

Finally, the CFPB has made further progress in addressing our recommendations from past years' FISMA audit reports. Of 12 total recommendations, 7 remained open at the start of our 2016 FISMA audit. The CFPB has taken sufficient actions to close 6 of the 7 open recommendations.

Recommendations

Our report includes three new recommendations to strengthen the CFPB's information security program: (1) formalize insider threat activities through an agency-wide insider threat program strategy, (2) ensure that user access forms and rules of behavior for privileged users are maintained, and (3) ensure that a business impact analysis is conducted and used to guide contingency planning activities. The Chief Information Officer concurs with our recommendations and has outlined actions that are underway or will be taken to strengthen the CFPB's information security program.

Summary of Recommendations, OIG Report 2016-IT-C-012

Recommendation number	Page	Recommendation	Responsible office
1	7	Evaluate options and develop an agency-wide insider threat program to include <ul style="list-style-type: none">a. a strategy to raise organizational awareness.b. an optimal organizational structure.c. integration of incident response capabilities, such as ongoing activities around data loss prevention.	Office of the Chief Information Officer
2	9	Ensure that <ul style="list-style-type: none">a. a signed user access form and rules of behavior document is on file and maintained for each privileged user.b. all privileged user accounts are annually recertified.	Office of the Chief Information Officer
3	11	Strengthen the CFPB's contingency program by <ul style="list-style-type: none">a. performing an agency-wide business impact analysis.b. updating the agency's continuity of operations plan and information technology contingency plan to reflect the results of the business impact analysis and the current operating environment of the CFPB.	Office of the Chief Information Officer



OFFICE OF INSPECTOR GENERAL

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
CONSUMER FINANCIAL PROTECTION BUREAU

November 10, 2016

MEMORANDUM

TO: Vijay Desai
Acting Chief Information Officer
Consumer Financial Protection Bureau

Sartaj Alag
Chief Operating Officer
Consumer Financial Protection Bureau

FROM: Peter Sheridan *Peter Sheridan*
Assistant Inspector General for Information Technology

SUBJECT: *OIG Report 2016-IT-C-012: 2016 Audit of the CFPB's Information Security Program*

The Office of Inspector General has completed its report on the subject audit. We performed this audit pursuant to requirements in the Federal Information Security Modernization Act of 2014, which requires each agency Inspector General to conduct an annual independent evaluation of the effectiveness of the agency's information security program and practices. As part of our work, we also reviewed security controls for a select agency system; the detailed results of that review will be transmitted under separate, restricted cover. In addition, we will use the results of this audit to respond to specific questions in the U.S. Department of Homeland Security's *FY 2016 Inspector General Federal Information Security Modernization Act of 2014 Reporting Metrics*.

We provided you with a draft of our report for review and comment. In your response, you concur with our recommendations and outline actions that have been or will be taken to address them. We have included your response as appendix C to our report.

We appreciate the cooperation we received from CFPB personnel during our review. Please contact me if you would like to discuss this report or any related issues.

cc: Stephen Agostini, Chief Financial Officer
Zachary Brown, Chief Information Security Officer

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Introduction

Objectives

Our audit objectives, based on Federal Information Security Modernization Act of 2014 (FISMA) requirements, were to evaluate the effectiveness of the Consumer Financial Protection Bureau's (CFPB) (1) security controls and techniques and (2) information security policies, procedures, and practices. Our scope and methodology are detailed in appendix A.

Background

FISMA, which amended the Federal Information Security Management Act of 2002, requires agencies to develop, document, and implement an agency-wide information security program for the information and the information systems that support the operations and assets of the agency, including those provided by another agency, contractor, or other source.¹ FISMA also requires that each agency Inspector General (IG) perform an annual independent evaluation to determine the effectiveness of the information security program and practices of its respective agency, including testing the effectiveness of information security policies, procedures, and practices for select systems.

In support of FISMA's independent evaluation requirements, the U.S. Department of Homeland Security (DHS) issued guidance to the IGs on FISMA reporting for 2016.² This guidance directs the IGs to evaluate the effectiveness³ of agency information security programs across a variety of attributes grouped into eight security domains: risk management, contractor systems, configuration management, identity and access management, security and privacy training, information security continuous monitoring (ISCM), incident response (IR), and contingency planning. These domains map to the five information security functions outlined in the National Institute of Standards and Technology (NIST) Framework for Improving Critical Infrastructure Cybersecurity—identify, protect, detect, respond, and recover—as shown in table 1.

-
1. Federal Information Security Modernization Act of 2014, Pub. L. No. 113-283, 128 Stat. 3073 (2014) (codified at 44 U.S.C. §§ 3551-3558).
 2. U.S. Department of Homeland Security, *FY 2016 Inspector General Federal Information Security Modernization Act of 2014 Reporting Metrics*, September 9, 2016.
 3. National Institute of Standards and Technology Special Publication 800-53, Revision 4, *Security and Privacy Controls for Federal Information Systems and Organizations*, notes that security control effectiveness addresses the extent to which the controls are implemented correctly, operating as intended, and producing the desired outcome with respect to meeting the security requirements for the information system in its operational environment.

Table 1: Cybersecurity Framework Security Functions Alignment With the FISMA Metric Domains

Cybersecurity framework security functions	FISMA metric domains
Identify	Risk management and contractor systems
Protect	Configuration management, identity and access management, and security and privacy training
Detect	Information security continuous monitoring
Respond	Incident response
Recover	Contingency planning

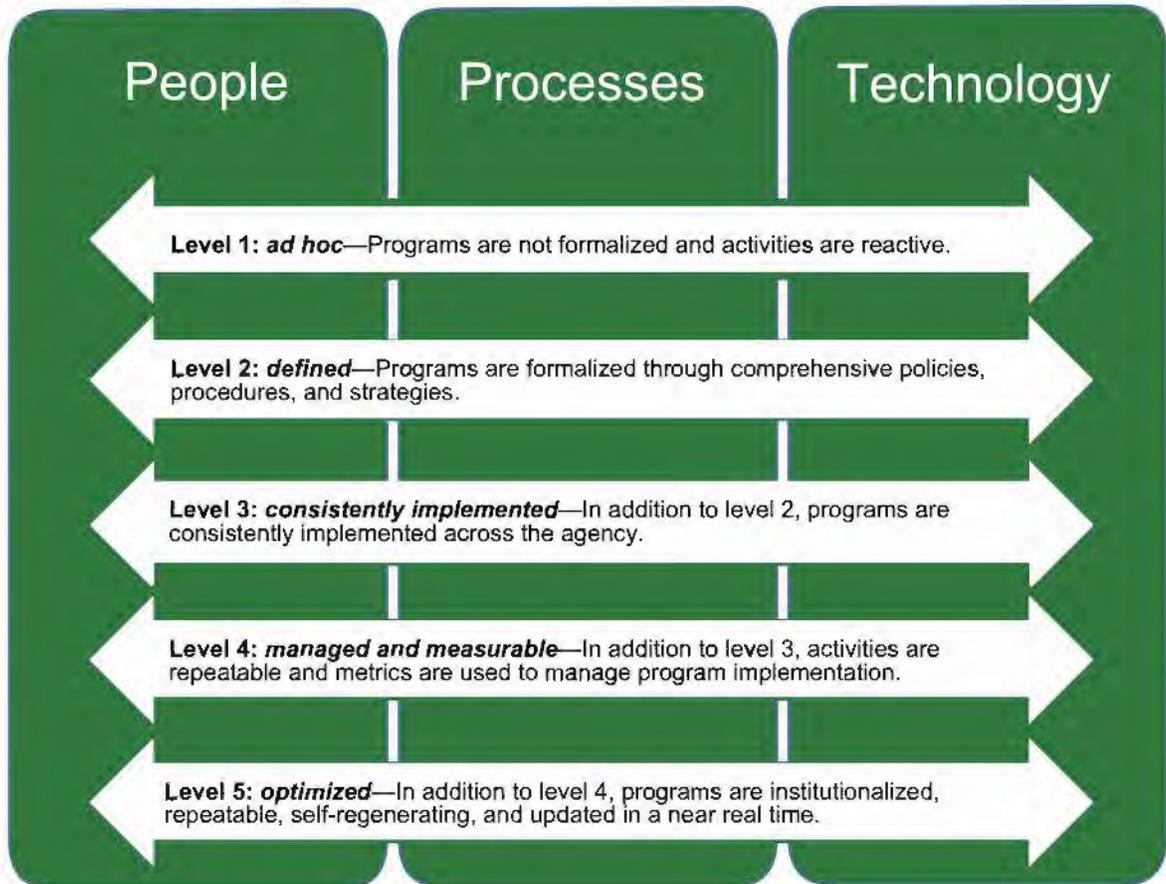
Source: DHS, FY 2016 Inspector General Federal Information Security Modernization Act of 2014 Reporting Metrics.

Maturity Model Approach for Assessing Agency Information Security Programs

With the increased focus in FISMA on security control effectiveness, in 2015 the Council of the Inspectors General on Integrity and Efficiency, in coordination with the Office of Management and Budget (OMB), DHS, NIST, and other key stakeholders, undertook an effort to develop a maturity model to evaluate the operating effectiveness of information security programs within a given agency and across agencies. In 2015, DHS’s FISMA reporting guidance for IGs included a maturity model for ISCM, a key cybersecurity focus area for the federal government. In 2016, DHS’s FISMA reporting guidance for IGs expanded to include a maturity model for IR, another key cybersecurity focus area.

The purpose of the maturity models is (1) to summarize the status of agencies’ information security programs and their maturity on a five-level scale; (2) to provide transparency to agency Chief Information Officers, top management officials, and other interested readers of IG FISMA reports regarding what has been accomplished and what still needs to be implemented to improve the information security program; and (3) to help ensure that annual FISMA reviews are consistent across IGs. The maturity model includes steps to assess an agency’s program through an analysis of three domains: people, processes, and technology. The maturity levels of each of these domains dictate the overall maturity of an organization’s program. Figure 1 on the next page provides an overview of the five levels of the maturity model. A maturity ranking of level 4 represents an effective level of security within an area.

Figure 1: Maturity Model Rating Scale



Source: OIG analysis of DHS's FY 2016 Inspector General Federal Information Security Modernization Act of 2014 Reporting Metrics.

Summary of Findings

The CFPB continues to mature its information security program and ensure that it is consistent with FISMA requirements. The agency has implemented several tools to automate ISCM capabilities, matured its ISCM program from level 1 (*ad hoc*) to level 3 (*consistently implemented*), and strengthened its role-based training program for users with significant security responsibilities. In addition, we found that the CFPB's information security program is generally consistent with the requirements outlined in DHS's FISMA reporting guidance for IGs in seven of eight information security areas: risk management, contractor systems, configuration management, identity and access management, security and privacy training, ISCM, and IR. For the remaining area—contingency planning—we found that the agency has not completed an agency-wide business impact analysis (BIA) to guide its contingency planning activities and its continuity of operations plan (COOP) does not reflect the agency's current information technology (IT) operating environment.

We also identified improvements needed in the CFPB's risk management and identity and access management programs. Given the recent threat environment and increased governmentwide focus on insider threats, the CFPB should formalize its insider threat activities and evaluate options to develop an agency-wide insider threat program that leverages planned activities around data loss prevention (DLP). We identified improvements to controls for the agency's privileged IT users, such as system and database administrators, to better manage risks from insider threats. Specifically, we found that rules of behavior for these users were not consistently maintained and user access forms were not being resubmitted to validate the need for elevated privileges.

In addition, although the CFPB's information security program is consistent with requirements outlined in DHS's FISMA reporting guidance for IGs in the areas of ISCM and IR, we determined that the agency can mature those areas by strengthening processes related to developing and implementing security metrics and further centralizing and automating such activities as DLP.

In addition, our prior years' FISMA audit reports included 12 total recommendations, 7 of which remained open at the start of our 2016 FISMA audit. These recommendations were related to ISCM, configuration management, security training, IR, policies and procedures, and remote access. The CFPB has taken sufficient actions to close 6 of the 7 open recommendations. We are leaving our 2014 recommendation related to configuration management open and will follow up on its status as part of our future FISMA audits.⁴

4. Office of Inspector General, *2014 Audit of the CFPB's Information Security Program*. [OIG Report 2014-IT-C020](#), November 14, 2014.

Analysis of the CFPB's Progress in Implementing Key FISMA and DHS Information Security Program Requirements

Risk Management

Requirement

Risk management refers to the program and supporting processes used to manage information security risk to organizational operations, assets, individuals, and other organizations. This includes establishing the context for risk-related activities, assessing risk, responding to risks, and monitoring risks over time. NIST Special Publication 800-39, *Managing Information Security Risk: Organization, Mission, and Information System View*, notes that managing risk is a complex, multifaceted activity that requires the involvement of the entire organization. As depicted in figure 2 below, to best integrate the risk management process throughout an organization and more effectively address mission and business concerns, a three-tiered approach is employed that addresses risk at the organization, mission and business process, and information system levels.

Figure 2: The Three Tiers of Risk Management



Source: NIST Special Publication 800-39, *Managing Information Security Risk: Organization, Mission, and Information System View*.

One organization-level risk that has garnered considerable attention recently in the federal government is that of insider threats. Personnel who are entrusted with sensitive agency data can pose specific types of security risks to organizations, both intentionally and inadvertently. For example, trusted employees of the agency may feel justified in pursuing malicious activity against the organization, or they may be exploited by outside adversaries to inflict harm against the organization. These particular types of insider threats have become increasingly common and have been the source of several recent and highly publicized data breaches across the public and private sectors.

The importance of managing risks from insider threats led to the issuance of Executive Order 13587 as well as the *National Insider Threat Policy*. Executive Order 13587 directs executive agencies to establish, implement, monitor, and report on the effectiveness of insider threat programs to protect classified national security information. Although the CFPB has determined that these requirements do not apply to the agency because it does not handle classified information, NIST notes that the standards and guidelines can also be employed effectively to improve the security of controlled unclassified information in non-national security systems.⁵ Technical components of such a program should include effective DLP solutions.

Progress to Date

In accordance with the three-tiered risk management approach defined by NIST, the CFPB has established a risk assessment methodology that is integrated at the organization, business process, and information system levels. This risk assessment methodology has been updated to consider both malicious and nonmalicious insider threats. Specifically, the CFPB has developed several risk monitoring reports and incident management practices that consider the risk of insider threats. Further, we noted that the CFPB's annual security awareness training includes content regarding malicious and nonmalicious insider threats, and agency officials informed us that the agency is prioritizing the implementation of a DLP program to complement its risk management and IR programs.

Work to Be Done

While the CFPB considers the threats that insiders pose as a part of its cybersecurity risk assessment methodology, the agency does not have an agency-wide insider threat strategy or program. Further, components of an effective insider threat program—including policies; implementation plans; and host-based user monitoring and DLP tools to deter, detect, and mitigate actions by employees who may represent a threat—have not been implemented. CFPB officials indicated that the agency's organizational structure and limited resources have affected its ability to effectively implement a centralized insider threat program. However, given the sensitive nature of the data collected by the CFPB to fulfill its mission, we believe that an agency-wide insider threat program that leverages existing IR capabilities can better inform and guide organizational risk management efforts and further protect the confidentiality, integrity, and availability of the agency's data.

5. NIST Publication 800-53, Revision 4, *Security and Privacy Controls for Federal Information Systems and Organizations* defines *insider threat* as a threat that an insider will use her or his authorized access, wittingly or unwittingly, to do harm to the security of the United States. This threat can include damage to the United States through espionage, terrorism, unauthorized disclosure of national security information, or the loss or degradation of departmental resources or capabilities.

Recommendation

We recommend that the Chief Information Officer (CIO), in coordination with the Chief Operating Officer

1. Evaluate options and develop an agency-wide insider threat program to include
 - a. a strategy to raise organizational awareness.
 - b. an optimal organizational structure.
 - c. integration of IR capabilities, such as ongoing activities around DLP.

Management's Response

In his response to our report, the Acting CIO concurs with our recommendation. The Acting CIO indicates that the CFPB will coordinate across the agency to enhance its security education and training program to include more in-depth operational security facets of insider threats. Additionally, the Acting CIO states that the CFPB will institute new standards related to segregation of duties and other countermeasures that help manage insider threat risks. Lastly, the Acting CIO notes that the CFPB will leverage its DLP tools and incident response processes to assist in preventing and identifying the security events associated with insider threats.

OIG Comment

In our opinion, the actions described by the Acting CIO are responsive to our recommendation. We plan to follow up on the CFPB's actions to ensure that the recommendation is fully addressed.

Identity and Access Management

Requirement

Effective identity and access management is a key control area for managing the risk from insider threats. Identity and access management includes implementing a set of capabilities to ensure that users authenticate to IT resources and have access to only those resources that are required for their job function, a concept referred to as *need to know*. FISMA requires agencies to implement controls to preserve authorized restrictions on access and disclosure. A key component of effective identity and access management is controlling the use of privileged accounts that possess elevated rights and are empowered with broad, direct access to information systems.

NIST Special Publication 800-53, Revision 4, *Security and Privacy Controls for Federal Information Systems and Organizations*, emphasizes the importance of tracking and controlling the use of administrative privileges and ensuring that these privileges are periodically reviewed

and adjusted. This is further highlighted in the federal Cybersecurity Sprint,⁶ which emphasizes the need for two-factor authentication through personal identity verification (PIV) cards or an assurance level 4 credential.⁷

CFPB's information security policies and procedures require that privileged users complete a user access form (UAF) to be approved by the appropriate manager or supervisor. Further, privileged users are required to sign rules of behavior (ROB) to ensure that they recognize, acknowledge, and adhere to the additional responsibilities of their special access to and privileges for computer resources supporting the agency. Violation of these rules could result in the loss of or limitations on the use of information resources as well as disciplinary or legal action, including but not limited to termination of employment or referral for criminal prosecution. Users who hold privileged access must annually resubmit their signed and approved UAFs and ROBs or their privileged access will be revoked.

Progress to Date

In August 2015, the CFPB completed migration of its IT infrastructure from the U.S. Department of the Treasury (Treasury). In May 2016, the CFPB updated its access control process document to reflect this transition. This document outlines the process for requesting, granting, and disabling privileged system access for privileged users. In addition, the agency has an ongoing project to manage identity and access credentials. As a part of this project, the CFPB has enabled PIV across its enterprise. Although PIV is not currently enforced, the agency has developed a project plan to deploy PIV credentials and resolve outstanding technical issues.

Work to Be Done

Several privileged users from our sample were either missing their signed UAF or ROB documentation or had not resubmitted their UAF or ROB documentation in the past year. Further, we found that access for users who had not resubmitted their UAF or ROB documentation within the past year had not been revoked. CFPB officials informed us that several of these privileged users identified as exceptions were granted access before the CFPB's transition from the Treasury infrastructure and had not been recertified.

By nature of their job function and level of access, insider threats from privileged users can pose a high level of risk to the CFPB's IT systems and sensitive information. We believe that by enforcing the agency's access control process, the CFPB can achieve greater assurance that personnel are maintaining their privileged access on a need-to-know basis. Further, by ensuring the maintenance of UAF and ROB documents for privileged users, the agency can have greater assurance that these users are fully aware of the rules and expected behavior they must abide by, as well as any resulting consequences of inappropriate behavior.

6. A 30-day Cybersecurity Sprint was launched by OMB in June 2015 to further improve federal cybersecurity and protect systems against these evolving threats.

7. OMB Memorandum M-04-04, "E-Authentication Guidance for Federal Agencies," December 16, 2003, defines four levels of assurance in terms of the consequences of authentication errors and the misuse of credentials. Level 1 is the lowest assurance level, and level 4 is the highest.

Recommendation

We recommend that the CIO

2. Ensure that
 - a. a signed UAF and ROB document is on file and maintained for each privileged user.
 - b. all privileged user accounts are annually recertified.

Management's Response

In his response to our report, the Acting CIO concurs with our recommendation and notes that the CFPB has commenced the deployment of information systems that specifically address the UAF and ROB processes. The Acting CIO also states that the CFPB will eliminate paper-based artifacts in favor of electronic records. These capabilities will automate workflows and centralize data regarding each privileged user and account. Further, the Acting CIO states that the CFPB is deploying automated solutions to ensure timely and accurate review and approval of the various forms of access that are used by privileged users, as well as the privileged accounts that support them in the performance of their duties.

OIG Comment

In our opinion, the actions described by the Acting CIO are responsive to our recommendation. We plan to follow up on the CFPB's actions to ensure that the recommendation is fully addressed.

Contingency Planning

Requirement

Information system contingency planning refers to a coordinated strategy involving plans, procedures, and technical measures that enable the recovery of information systems, operations, and data after a disruption. FISMA requires agencies to develop, document, and implement plans and procedures to ensure continuity of operations for information systems that support the operations and assets of the agency. NIST Special Publication 800-34, Revision 1, *Contingency Planning Guide for Federal Information Systems* (SP 800-34), provides best practices for information system contingency planning using a seven-step process. These seven steps are (1) developing contingency planning policy, (2) conducting a BIA, (3) identifying preventive controls, (4) developing recovery strategies, (5) developing the information system contingency plan, (6) testing the plan and training personnel, and (7) maintaining the plan.

NIST SP 800-34 also highlights the interrelationships between an information system contingency plan and other types of security and emergency management-related contingency plans that affect organizational resiliency. Specifically, an information system contingency plan provides established procedures for the assessment and recovery of a system following a

disruption. The plan may be activated independently or as part of a larger recovery effort in coordination with an agency's COOP, which is focused on restoring an organization's mission-essential functions. A key step in bringing these two contingency components together is the performance of a BIA. The purpose of the analysis is to correlate the system with the critical mission and business processes and services provided and, based on that information, characterize the consequences of a disruption. Results from the analysis should be appropriately incorporated into the analysis and strategy development efforts for the organization's COOP as well as the contingency planning requirements and priorities in the information system contingency plan.

Progress to Date

The CFPB released a contingency planning process document in September 2013. This document provides requirements and guidance for developing, testing, and maintaining contingency plans for the CFPB's systems as well as related training. We also found that the CFPB developed an agency-wide COOP, which was last approved in September 2015, as well as an information technology contingency plan (ITCP), which was released in June 2016, that contains system-specific contingency information. In addition, the CFPB maintains an offsite data processing facility, equipped with hardware and software, to be used in the event of an information system disruption. CFPB officials informed us that this offsite facility maintains backups of files and servers for restoration in the event of an outage or data loss.

Work to Be Done

We found that an agency-wide BIA has not yet been performed to guide the CFPB's contingency program, which includes the agency's ITCP and COOP. In addition, we found that the agency's COOP is out of date, as it references recovery procedures for Treasury processes that have since been transitioned. Further, some of the information in the COOP is inconsistent with the recovery procedures documented in the CFPB's ITCP. For example, the COOP references Treasury's local area network disaster recovery site; however, the agency's ITCP states that the CFPB maintains its own alternate processing site for its IT infrastructure and in the event of a failure, this facility will serve as the alternate processing site for business continuity until the primary site is restored.

One reason for these contingency planning weaknesses is the timing of the agency's updates to its COOP and ITCP in relation to the agency's transition from the Treasury infrastructure. Specifically, we believe the COOP and ITCP inherited basic business impact information regarding its environment from the Treasury contingency program and have not been updated by the CFPB since the transition of its IT infrastructure. We believe that the performance of an agency-wide BIA that identifies critical mission and business processes, resource requirements, and system-level recovery priorities will inform both the COOP and ITCP and help the agency achieve a more effective contingency program.

Recommendation

We recommend that the CIO, in coordination with the Chief Operating Officer:

3. Strengthen the CFPB's contingency program by
 - a. performing an agency-wide BIA.
 - b. updating the agency's COOP and ITCP to reflect the results of the BIA and the current operating environment of the CFPB.

Management's Response

In his response to our report, the Acting CIO concurs with our recommendation. The Acting CIO indicates that in fiscal year (FY) 2017, the CFPB plans to include the collection of cross-functional information regarding the business impacts of various service-impacting events as identified via its new risk assessment methodology. The Acting CIO states that the CFPB will work closely with its internal partners who maintain and test the agency's COOP and who oversee its emergency management, personnel security, and physical security programs to modernize and harmonize these programs.

OIG Comment

In our opinion, the actions described by the Acting CIO are responsive to our recommendation. We plan to follow up on the CFPB's actions to ensure that the recommendation is fully addressed.

Information Security Continuous Monitoring

Requirement

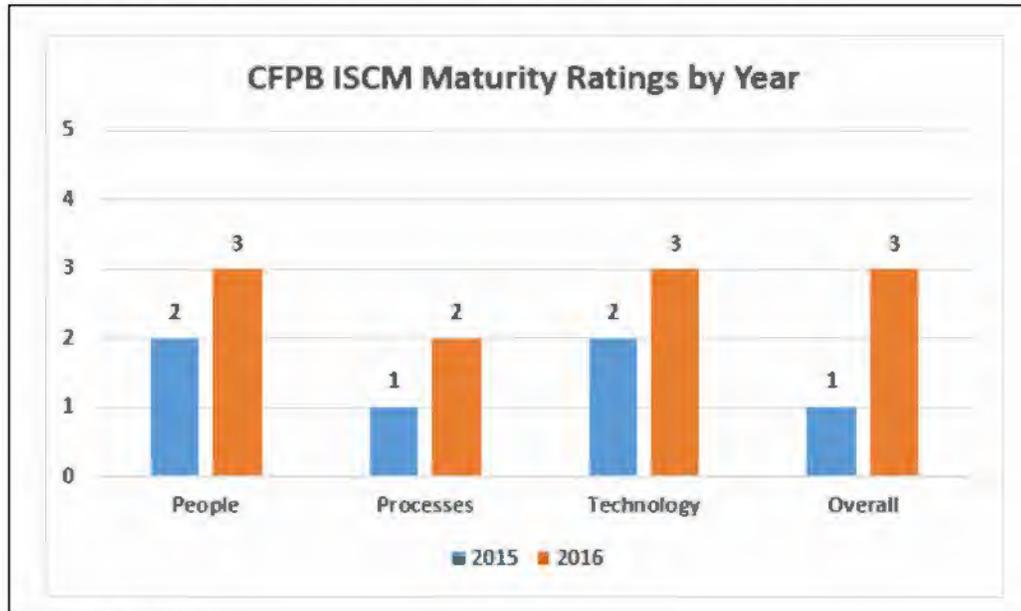
ISCM refers to the process of maintaining ongoing awareness of information security, vulnerabilities, and threats to support organizational risk management decisions. FISMA emphasizes the importance of continuously monitoring information system security by requiring agencies to conduct assessments of security controls at a risk-based frequency. Best practices for implementing ISCM are outlined in NIST Special Publication 800-137, *Information Security Continuous Monitoring for Federal Information Systems and Organizations* (SP 800-137). Given the importance of ISCM in ensuring the security of federal information systems, OMB designated ISCM as a cybersecurity cross-agency priority for FY 2015 through FY 2017.

As previously noted, ISCM was the first domain chosen to be assessed under a maturity model approach in DHS's FISMA reporting guidance for IGs because it is a critical governmentwide focus area. ISCM was the first domain chosen to be assessed under a maturity model approach because of its critical role within an agency's information security program. As noted earlier, there are five levels of maturity, of which level 4 (*managed and measurable*) represents an effective program. As outlined in appendix B, DHS has provided a scoring methodology for IGs to determine the maturity of their agency's ISCM program.

Progress to Date and Work to Be Done

Last year, we found that the CFPB's ISCM program was operating at level 1 (*ad hoc*), with the agency performing several, but not all, recommended activities indicative of higher maturity levels. For 2016, we determined that the agency has taken several steps to mature its ISCM program in accordance with NIST SP 800-137. As such, the CFPB's ISCM program was operating at level 3 (*consistently implemented*) (figure 3).

Figure 3: Maturity Levels for CFPB's ISCM Program (2015–2016)



Source: OIG analysis.

To reach level 4 (*managed and measurable*) and achieve an effective ISCM program, we identified several aspects within the people, processes, and technology domains that need to be strengthened. These include implementing alerting capabilities, adopting the Continuous Diagnostics and Mitigation (CDM) program, and establishing metrics to measure the effectiveness of the ISCM program. The following sections provide additional details on the maturity of the CFPB's ISCM program by domain, including steps we believe the agency should prioritize in the next year to better ensure the effectiveness of its ISCM program.⁸

People

As highlighted in figure 3 above, we found that the CFPB has matured its ISCM program in the people domain from level 2 (*defined*) to level 3 (*consistently implemented*). Specifically, roles and responsibilities have been fully defined and communicated across the organization, and

8. NIST Special Publication 800-53, Revision 4, *Security and Privacy Controls for Federal Information Systems and Organizations*, notes that in the context of information security, effectiveness addresses the extent to which security controls are implemented correctly, operating as intended, and producing the desired outcome with respect to meeting security.

personnel performing ISCM functions have begun to receive training on the ISCM processes and tools utilized in the agency's environment. Further, the CFPB uses contractors, when necessary, to ensure adequate staffing, training, and resources to achieve the objectives of the agency's ISCM program. The CFPB continues to make progress in implementing its role-based security training program, which includes training for ISCM personnel on the processes performed throughout the agency. In conjunction with improvements noted below in the processes and technology domains, the CFPB can further mature its ISCM program by ensuring that skilled personnel are trained to develop and use appropriate security metrics to monitor the success of the program, once those metrics have been fully defined and implemented.

Processes

We found that the processes domain of the CFPB's ISCM program has improved from level 1 (*ad hoc*) to level 2 (*defined*), with several, but not all, ISCM processes performed in a manner indicative of a higher maturity level. Specifically, we found that the agency's processes for performing ongoing security control assessments, managing common vulnerabilities, reporting ISCM findings, and implementing risk responses are consistently implemented. Further, the CFPB has employed a formal lessons-learned process to facilitate ongoing improvements in the agency's ISCM program.

However, we also found two areas in the processes domain in which the CFPB can continue to mature its ISCM program. During our 2016 audit, we reviewed the actions taken by the agency to define, standardize, and automate its processes for hardware asset management. We found that the CFPB has developed a standard operating procedure to perform asset management functions and has begun to populate hardware assets into an automated solution for inventory tracking purposes. However, all assets have not yet been cataloged in this tool. CFPB officials informed us that the agency is planning to implement additional asset management tools as part of DHS's CDM program. We believe that the agency should continue to mature its own asset management process and work toward the implementation of the CDM program in order to implement an effective hardware asset management function.

Further, we found that the CFPB is currently collecting data, tracking, and reporting quarterly on three ISCM-related security metrics in the areas of people, processes, and technology. As the agency continues to utilize its suite of tools to manage organizational security, we believe that the use of additional qualitative and quantitative security metrics to measure the effectiveness of ISCM processes will provide further insight into the effectiveness of the agency's ISCM program.

Technology

We found that the technology domain of the CFPB's ISCM program has improved from level 2 (*defined*) to level 3 (*consistently implemented*), with a suite of tools consistently implemented to cover most of the automation areas outlined in NIST SP 800-137.⁹ Further, the CFPB has

9. The 11 automation areas outlined in SP 800-137 are patch management, license management, information management, software assurance, vulnerability management, event management, malware detection, asset management, configuration management, network management, and incident management.

implemented an automated solution to produce an accurate point-in-time inventory of the devices, as well as the security configurations of those devices, on its network.

Our 2014 FISMA audit report included a recommendation for the CIO to fully implement the agency's selected automated solution for assessing security controls and analyzing and responding to the results of continuous monitoring activities. In 2015, we found that the agency had identified the tools it planned to implement in these areas.¹⁰ This year, we noted that these tools had been consistently implemented. As such, we believe that the CFPB has taken sufficient actions to close this recommendation.

We did identify areas within the technology domain of the agency's ISCM program, however, that should be prioritized to help ensure an effective ISCM program. For instance, although the CFPB has implemented a number of tools to mature its ISCM program, the agency is still customizing a solution that will enable it to centralize and further automate its ISCM reporting and dashboard capabilities. We will continue to monitor the agency's progress in implementing this solution as a part of our future FISMA audits.

We also found that the agency is continuing to mature its technological solutions in the areas of asset management, as detailed above, and license management through DHS's CDM program. The CFPB has been placed within Group F, a collection of smaller agencies and the last of the six groups scheduled for implementation of procured CDM capabilities. The agency is working to build out and automate these particular aspects of its ISCM program as it prepares for the CDM tools and services to complement and strengthen the agency's program. As the CFPB continues to mature, the agency may also want to consider other aspects of its program where it can leverage additional capabilities and tools, such as configuration setting and vulnerability management, which are a part of the CDM program specifically designed to protect privacy data and fulfill FISMA mandates.

The CFPB has taken a number of steps in 2016 to mature its ISCM program. We will continue to monitor the agency's progress to develop and implement an effective ISCM program as part of our future FISMA reviews.

Incident Response

Requirement

Several of the outputs of an effective ISCM program can provide key indicators of an agency's ability to detect, prevent, and respond to computer security incidents in a timely manner. As computer security incidents affecting the federal government have continued to increase in number and impact, implementing an effective IR capability has become a critical component of agency information security programs. FISMA requires agencies to develop and implement procedures for detecting, reporting, and responding to security incidents, including mitigating the risks of such incidents before substantial damage is done. In addition, FISMA requires agencies to notify and consult with the United States Computer Emergency Readiness Team (US-CERT). Specifically, agencies are required to notify US-CERT of all computer security

10. Office of Inspector General, *2015 Audit of the CFPB's Information Security Program*, [OIG Report 2015-IT-C-020](#), November 13, 2015.

incidents involving a federal government information system with a confirmed impact to confidentiality, integrity, or availability within one hour.

Best practices for implementing an effective incident handling capability are outlined in NIST Special Publication 800-61, Revision 1, *Computer Security Incident Handling Guide* (SP 800-61). SP 800-61 highlights the important role that automation plays in incident detection and analysis, particularly with respect to analyzing the voluminous signs of incidents that can occur daily in an organization. As noted earlier in our report, there has been a renewed focus on managing insider threat risks across the government. An automated technology that could help detect insider threat actions and prevent both intentional and inadvertent data leaks is a DLP solution. SP 800-61 also emphasizes the importance of using automated correlation and centralized logging tools to analyze incident data. Correlating events among multiple indicator sources can be valuable in detecting whether a particular incident occurred and mitigating any risks before substantial damage is done.

Progress to Date and Work to Be Done

We found that the CFPB's IR program is operating at level 3 (*consistently implemented*). However, we identified several opportunities to mature the agency's IR program in the areas of people, processes, and technology in order to ensure that the program is effective. The following sections provide additional details on the maturity of the CFPB's IR program by the people, processes, and technology domains, including the steps we believe that the agency should prioritize in the next year to develop an effective IR program.

People

We found that the people domain of the CFPB's IR program is operating at level 3 (*consistently implemented*), with IR roles and responsibilities fully defined and communicated across the organization. For example, the agency has implemented standard operating procedures for its Computer Security Incident Response Team, which includes responsibilities to coordinate and advise appropriate entities on the continuity and protection of normal operating conditions for information systems both before and after the occurrence of an adverse event. Further, we found that the CFPB utilizes the common threat vector taxonomy defined by US-CERT within its incident tracking tool. In conjunction with improvements noted below in the processes and technology domains, the CFPB can further mature its IR program by ensuring that skilled personnel are trained to develop and use appropriate security metrics to monitor the success and effectiveness of the program, once such metrics are fully defined and consistently implemented.

Processes

We found that the processes domain of the CFPB's IR program is operating at level 2 (*defined*), with several, but not all, processes performed at level 3 (*consistently implemented*) maturity. For example, we found that the CFPB is collecting and analyzing incident data from a number of sources to protect the agency's network. We also found that the agency documents incident detection, containment, and recovery activities consistently. Further, our 2013 FISMA report included a recommendation for the CFPB to ensure that audit logs and security incident

information from all relevant sources are centrally tracked, analyzed, and correlated.¹¹ This year, we noted that the agency has implemented an automated solution to perform these functions and, as detailed in the section below on the status of prior years' findings, we are closing this recommendation. We also found that the CFPB has implemented a formal lessons-learned process to facilitate ongoing improvements in the agency's IR program.

We identified several areas within the processes domain, however, in which the CFPB can mature its IR program to ensure that it is effective. Such areas include processes for reporting security incidents in a timely manner and collecting IR-related security metrics to measure the effectiveness of the program. Given the consequences that security breaches can have on the confidentiality, integrity, and availability of agency data, timely reporting is critical to an effective IR function. Coupled with the consistent analysis and documentation of IR activities already performed by the agency, we believe that timely reporting will further mature the effectiveness of the CFPB's IR program.

In addition, we found that the CFPB's incident tracking solution is capturing useful input data, such as incident source and response times, to measure the effectiveness of the agency's IR processes. CFPB officials informed us, however, that additional metrics for the IR program are still being built out as the new suite of tools is implemented throughout the agency. As the CFPB continues to use these tools to manage security, additional qualitative and quantitative security metrics to measure the effectiveness of incident response processes will provide further insight into the effectiveness of the agency's IR program.

Technology

We found that the technology domain of the CFPB's IR program is operating at level 2 (*defined*), with several processes performed in a manner indicative of a higher maturity level. Specifically, we found that since its transition from the Treasury infrastructure, the CFPB has contracted with a service provider to implement OMB's Trusted Internet Connections Initiative, which manages all agency traffic through defined access points.¹² Participation in the initiative is necessary to ensure all external connections are monitored by DHS's intrusion detection sensors, operationally known as the EINSTEIN program.¹³ In addition, we found that the CFPB conducts periodic tests with DHS to ensure that these intrusion detection and prevention capabilities are operating as intended.

We identified opportunities, however, for the CFPB to mature its IR program through further automation by implementing a DLP solution. As noted above, a DLP solution is an important technical component of an effective risk management and insider threat program. CFPB officials informed us that as part of a defense-in-depth approach, the agency is prioritizing the implementation of a DLP program for its internal network. CFPB officials also noted that the

11. Office of Inspector General, *2013 Audit of the CFPB's Information Security Program*, [OIG Report 2013-IT-C-020](#), December 2, 2013.

12. The purpose of the Trusted Internet Connections Initiative, as outlined in OMB Memorandum M-08-05, is to optimize and standardize the security of individual external network connections currently in use by federal agencies, including connections to the Internet.

13. EINSTEIN is an intrusion detection system, provided by DHS, to detect and block cyberattacks from compromising federal agencies and to provide situational awareness by using threat information detected in one agency to protect the rest of the government.

agency is taking a holistic and multipronged approach to DLP with the intent of implementing a program that will include policies and procedures, a DLP solution, and user training.

Status of Prior Years' Recommendations

As part of our annual FISMA audit, we reviewed the actions taken by the CFPB to address outstanding recommendations from our prior years' FISMA reviews. Below is a summary of the status of the recommendations that were open at the start of our 2016 FISMA audit. Based on corrective actions taken by the CFPB, we are closing six prior recommendations related to configuration management, security training, IR, policies and procedures, and remote access. One recommendation in the area of configuration management will remain open at this time. We will update the status of these recommendations in our upcoming *Semiannual Report to Congress* and continue to monitor the CFPB's progress in addressing the one open recommendation as a part of future FISMA reviews.

Information Security Continuous Monitoring

In our 2014 FISMA audit, we recommended that the CIO fully implement the CFPB's selected automated solution for assessing security controls and analyzing and responding to the results of continuous monitoring activities. In 2015, we found that the agency had identified the tools it planned to implement in these areas. This year, we noted that these tools had been consistently implemented. As such, we believe that the CFPB has taken sufficient actions to close this recommendation. The agency is still customizing a solution that will enable it to centralize and further automate its ISCM reporting and dashboard capabilities; therefore, we will continue to monitor the agency's progress in implementing this solution as a part of our future FISMA audits.

Configuration Management

In our 2013 FISMA report, we recommended that the CIO develop and implement an agency-wide configuration management plan and a consistent process for patch management. During our follow-up work in 2014 and 2015, we found that although the agency had implemented a patch management process consistent with FISMA and NIST requirements, it was working on developing a configuration management plan. This year, we found that the agency finalized its agency-wide configuration management plan. We reviewed the plan and found that it describes how configuration management policies will be implemented throughout the agency and includes the components recommended by NIST Special Publication 800-128, *Guide for Security-Focused Configuration Management of Information Systems*. As such, we conclude that the CFPB has taken sufficient actions to address this recommendation.

Our 2014 FISMA report also included a recommendation for the CIO to strengthen the CFPB's vulnerability management practices by implementing an automated solution and process to periodically assess and manage database and application-level security configurations. In 2015, the agency was working to evaluate its current scanning solutions to determine whether the capacity to perform these types of scans could be leveraged from tools already implemented within their environment. In 2016, however, agency officials informed us that application and

database-level scanning will require the implementation of tools from the CDM program. As such, this recommendation will remain open, and we will continue to monitor CFPB's progress in this area as part of our future audit activities.

Security Training

In our 2013 FISMA report, we recommended that the CIO design, develop, and implement a role-based security training program for individuals with significant security responsibilities. In the intervening years, we found that the CFPB was working to develop and implement a role-based training process with content specific to the agency's environment. This year, we found that the agency has developed and implemented a role-based training program for users deemed to have significant security responsibilities. Specifically, the agency has developed knowledge units for specific groups of users and is continuing to refine training content to further mature the effectiveness of its security training program. Therefore, we conclude that the CFPB has taken sufficient actions to close this recommendation.

Incident Response

In our 2013 FISMA report, we recommended that the CIO ensure that audit logs and security incident information from all relevant sources are centrally tracked, analyzed, and correlated. Since that time, the CFPB has procured a solution to provide this functionality and has developed a project plan to begin populating the tool with relevant incident information. As part of our 2016 FISMA testing, we found that the CFPB has made significant progress in implementing this functionality. Specifically, the agency has implemented the automated solution to collect audit log and security incident information for analysis and correlation. Most high-priority audit logs have been loaded into the tool, which is already in production and integrated into the agency's IR function. Although the CFPB is still refining the tool's alerting capabilities, we conclude that the agency has taken sufficient actions to close this recommendation.

Policies and Procedures

In our 2015 FISMA report, we recommended that the CIO ensure that the CFPB's information security policy, procedure, standard, and process documents are periodically updated to reflect the security requirements, processes, and technologies currently in place. During our 2016 FISMA testing, we found that the majority of the agency's policy, procedure, and process documents had been revised to reflect the agency's current operating environment. For those security-related documents that had not yet been updated, we found that these items were currently going through the review and publication process. As such, we conclude that sufficient actions have been taken to close this recommendation.

Remote Access

In our 2015 FISMA report, we recommended that the CIO strengthen the cryptographic mechanism employed for the CFPB's remote access solution in accordance with NIST guidance. As a part of our 2016 FISMA testing, we found that the encryption mechanism used

for remote access to the agency's IT infrastructure has been updated to meet NIST standards. As such, we conclude that sufficient actions have been taken to close this recommendation.

Appendix A

Scope and Methodology

Our specific audit objectives, based on the requirements FISMA, were to evaluate the effectiveness of the CFPB's (1) security controls and techniques and (2) information security policies, procedures, and practices. To accomplish our objectives, we reviewed the effectiveness of the CFPB's information security program across the eight areas outlined in DHS's *FY 2016 Inspector General Federal Information Security Modernization Act of 2014 Reporting Metrics*. These areas are ISCM, configuration management, identity and access management, IR, risk management, security and privacy training, contingency planning, and contractor systems.

To assess the CFPB's information security program in these areas, we interviewed CFPB management, staff, and contractors; analyzed security policies, procedures, and documentation; and observed and tested specific security processes and controls. We also assessed the implementation of select security controls for an agency system and performed vulnerability scanning at the network and operating system levels on select IT devices. We used the results of our review of the CFPB's information security program and testing of controls for an agency system to evaluate the implementation of specific attributes outlined in DHS's 2016 FISMA reporting guidance for IGs.

We performed our fieldwork from June 2016 to September 2016. We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence we obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix B

FISMA Scoring Methodology

This appendix contains the scoring methodology contained in DHS's *FY 2016 Inspector General Federal Information Security Modernization Act of 2014 Reporting Metrics*. IGs are required to use this methodology to determine the maturity level of their respective agency's information security programs. Specifically, based on the IGs' assessments, agencies are allotted points for each cybersecurity framework function area based on their achievement of various levels of maturity. For each framework function, a total of 20 points is possible. Last year, when determining the overall maturity for an agency's program, a lowest common denominator approach was used, meaning an agency could only meet a particular level of maturity if they met all ISCM security metrics defined for that level. The FY 2016 IG FISMA reporting metrics continue the effort begun in 2015; however, the lowest common denominator scoring approach has been removed. The scoring methodology for each maturity level is provided in table B-1 below.

Table B-1: Maturity Level Scoring Methodology

Maturity level	Scoring description	Scoring distribution
Level 1: <i>ad hoc</i>	Automatically receives points regardless of achievements.	3 points
Level 2: <i>defined</i>	For the identify, protect, and recover function areas, met at least half the metrics designated at level 2 (<i>defined</i>). For the detect and respond function areas, met all metrics designated at level 1 (<i>ad hoc</i>) and at least half those designated at level 2 (<i>defined</i>).	4 points
Level 3: <i>consistently implemented</i>	For all function areas, met all metrics designated at level 2 (<i>defined</i>) and at least half those designated at level 3 (<i>consistently implemented</i>).	6 points
Level 4: <i>managed and measurable</i>	For all function areas, met all metrics designated at level 3 (<i>consistently implemented</i>) and at least half those designated at level 4 (<i>managed and measurable</i>).	5 points
Level 5: <i>optimized</i>	For all function areas, met all metrics designated at level 4 (<i>managed and measurable</i>) and level 5 (<i>optimized</i>).	2 points

Source: OIG analysis of DHS's *FY 2016 Inspector General Federal Information Security Modernization Act of 2014 Reporting Metrics*.

Appendix C

Management's Response



1700 G Street NW, Washington, DC 20552

November 4, 2016

Mr. Peter Sheridan
Associate Inspector General for Information Technology
Board of Governors of the Federal Reserve System &
Consumer Financial Protection Bureau
20th and C Streets, NW
Washington, DC 20551

Thank you for the opportunity to review and comment on the Office of Inspector General's draft report of the *2016 Audit of the CFPB's Information Security Program*.

The Bureau is pleased to note that you record us as consistent with seven of the eight FY 2016 Inspector General (IG) Federal Information Security Modernization Act (FISMA) Metric Domains--specifically Risk Management, Contractor Systems, Configuration Management, Identity and Access Management, Security and Privacy Training, Information Security Continuous Monitoring (ISCM), and Incident Response. During the next fiscal year, we will continue to improve and mature our processes and activities in the remaining contingency planning domain.

We are pleased that you found that the Bureau continues to mature our FISMA compliance and information security posture. The report noted our new risk assessment methodology that is integrated at the organization, business process, and information system levels, and how the methodology is tailored to ensure that the Bureau addresses insider as well as outsider threats, both malicious and non-malicious.

As your report points out, following the completion of our independence project, we refined and updated numerous process and standards publications, including our access control doctrine. Our Identity, Credential, and Access Management (ICAM) team is making great strides in automating our identity and authorization processes, for all levels of users across a broad spectrum of privileges and capabilities. In FY 2017, we will continue our personal identity verification (PIV) enablement and integration efforts, as well as automating the tracking of user permissions and associated agreements with behavior rules and usage policies.

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Your report notes our continued work on contingency planning materials, with our new Information Technology Contingency Plan (ITCP). With the associated training and testing, we will enhance the effectiveness of our off-site backup facilities which, as you noted, are equipped with the necessary hardware, software, and data to support our information systems through a service-impacting event. These system-specific plans respond to risk management processes and decisions at the enterprise, business/mission, and IT levels, per National Institute of Standards and Technology (NIST) guidance, and support the agency-wide continuity of operations plan (COOP). In FY 2017, we will continue that work as we tune and harmonize the technological, operational, and managerial aspects of our contingency planning work. This work will focus on business-driven impact factors such as time-sensitivity and resiliency, as experienced by the various business units that drive the requirements behind our technology programs. Through analyses of such business impact information, we will continue to take steps to mature our capabilities in this FISMA domain.

We are pleased that you have found that our ISCM program has matured from level one to level three, as defined by the ISCM maturity model included in the FY2015 FISMA reporting guidance. When comparing our rating for this year to the rating of the CFO Act Agencies and Small Agencies who were scored using the ISCM maturity model last year (as documented in OMB's *Annual Report to Congress: Federal Information Security Modernization Act*), CFPB has outperformed 91.7% of the CFO Act Agencies and 76.3% of the Small Agencies. We view this as an attestation of the significant work we have applied in the ISCM domain, where we captured "lessons learned" that informed our prioritization and resource allocation decisions, thus allowing us to hone and improve our ISCM program, and jump from level one to level three within the course of a single fiscal year. We will use your feedback regarding ISCM metrics and measurements to help move the Bureau towards a level four "Managed and Measurable" rating during the course of FY 2017.

This year, your report notes that the maturity of our Incident Response domain has been measured at level three as defined in the FISMA reporting guidance. The deployment of our new Security Event and Incident Management (SEIM) platform is already providing us with valuable information that enhances the timeliness and responsiveness of our existing procedures, which we crafted in agreement with NIST guidance. We look forward to leveraging our SEIM in conjunction with other improvements in our processes as we move toward the fourth level of maturation. We will also enhance our user education and incident response procedures to ensure that reporting times to the United States Computer Emergency Readiness Team (US-CERT) and other parties are at optimum, risk-based levels.

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We appreciate your noting our progress on remediating recommendations from previous Inspector General (IG) reviews. We value your objective, independent viewpoints and consider our IG to be a trusted source of informed, accurate, and insightful information. This year, you reported upon the success of our efforts to address many of the valuable recommendations that you have provided to us in the past. We are pleased that you consider six of the seven recommendations that existed at the start of this year's FISMA audit to have been successfully closed through our remediation efforts. We will also be working to ensure that the areas of application and database security configurations are successfully addressed once DHS concludes their deployment of the Continuous Diagnostics and Mitigation (CDM) solution in our infrastructure.

Thank you for the professionalism and courtesy that you and all of the OIG personnel demonstrated throughout this review. We have provided comments for each recommendation.

Sincerely,

VIJAY DESAI Digitally signed by VIJAY DESAI
Date: 2016.11.04 10:21:39
-0400

Vijay Desai
Chief Information Officer (Acting)

consumerfinance.gov

**Response to recommendations presented in the Draft IG Report,
“2016 Audit of the CFPB’s Information Security Program.”**

Recommendation 1: Evaluate options and develop an agency-wide insider threat program to include (a) a strategy to raise organizational awareness; (b) an optimal organizational structure; and (c) integrated IR capabilities, such as ongoing activities around DLP.

Management Response: The Bureau concurs with this recommendation. The Bureau is well informed on Executive Order (EO) 13587, *Structural Reforms to Improve the Security of Classified Networks and the Responsible Sharing and Safeguarding of Classified Information*, and the resulting insider threat security control requirements as articulated by National Institute of Standards and Technology (NIST). We will be coordinating across the Bureau to enhance our security education and training program to include more in-depth operational security facets of the insider threat. We will also be instituting new standards related to segregation of duties and other countermeasures that work to help manage the insider threat risk. Further, we will be leveraging our Data Loss Prevention (DLP) tools and incident response processes to assist in preventing and identifying the security events associated with insider threats. There is no single countermeasure to insider threats, and our approach will continue to grow as a balanced, risk-reasoned stance that bridges technological aspects with people and well-defined processes.

Recommendation 2: Ensure that (a) a signed UAF and ROB document is on file and maintained for each privileged user and (b) all privileged user accounts are annually recertified.

Management Response: The Bureau concurs with this recommendation. Even prior to the issuance of your report, the Bureau had commenced deployment of information systems that specifically address the User Access Forms (UAF) and Rules of Behavior (ROB) processes. We are eliminating paper-based artifacts in favor of electronic records. These capabilities will automate workflows and centralize data-of-record regarding each privileged user and each privileged account. Further, we are deploying automated solutions to ensure timely and accurate review and approval of the various forms of access that are used by our privileged users, as well as the privileged accounts that support them in the performance of their duties.

Recommendation 3: Strengthen the CFPB’s contingency program by (a) performing an agency-wide BIA and (b) updating the agency’s COOP and IT contingency plan to reflect the results of the BIA and the current operating environment of the CFPB.

Management Response: The Bureau concurs with this recommendation. In FY 2017, our plans include the collection of cross-functional information regarding the business impacts of various service-impacting events as identified via our new risk assessment methodology, and mapped to

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the various artifacts that describe our responses to these events. We will be working closely with our internal partners who maintain and test the Bureau's Continuity of Operations Plan (COOP), as well as oversee our emergency management, personnel security, and physical security programs to modernize and harmonize these programs. This will, among other benefits, enhance our COOP, our Information Technology Contingency Plan (ITCP) program, and other related business processes.

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OFFICE OF INSPECTOR GENERAL
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
CONSUMER FINANCIAL PROTECTION BUREAU

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Office of Inspector General, c/o Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW, Mail Stop K-300, Washington, DC 20551
Attention: OIG Hotline

Fax: 202-973-5044

Questions about what to report?

Visit the OIG website at www.federalreserve.gov/oig
or
www.consumerfinance.gov/oig

Senior Agency Official For Privacy

Section Report

2016
Annual
FISMA

Consumer Financial Protection Bureau

Section 1: Information Security Systems

		1a Number of Federal information systems reported in question 1.1 of the FY 2016 Chief Information Officer FISMA Metrics that are used to create, collect, use, process, store, maintain, disseminate, disclose, or dispose			1b Number of Federal information systems reported in question 1a that were approved by the SAOP prior to authorization or reauthorization.				1c Number of information technology systems maintained or used by the agency (or by another entity on behalf of the agency) for which a privacy impact assessment (PIA) is required			1d Number of information technology systems reported in question 1c that are covered by an up-to-date PIA.				1e Number of Privacy Act systems of records maintained by the agency (or by another entity on behalf of the agency).			1f Number of Privacy Act systems of records reported in question 1e for which an up-to-date system of records notice (SORN) has been published in the Federal Register.			
Bureau/ Component	Submission Status	Agency Systems	Contractor Systems	Total Systems	Agency Systems	Contractor Systems	Total Systems	% Complete	Agency Systems	Contractor Systems	Total Systems	Agency Systems	Contractor Systems	Total Systems	% Complete	Agency Systems	Contractor Systems	Total Systems	Agency Systems	Contractor Systems	Total Systems	% Complete
CFPB	Submitted to Agency	4	6	10	0	0	0	0%	27	3	30	27	3	30	100%	24	2	26	24	2	26	100%
<i>Agency Totals</i>		4	6	10	0	0	0	0%	27	3	30	27	3	30	100%	24	2	26	24	2	26	100%

Section 2: Agency Privacy Program

2a Does the SAOP have the necessary skills, expertise, and knowledge of privacy-related matters to carry out the privacy-related functions required in law and OMB policies?

Yes

2b In addition to the SAOP, does the agency have a career Senior Executive Service employee who has privacy expertise and reports to the SAOP?

No

Comments:

CFPB does not have SES positions, in consultation with other financial regulators, we wish to respond as "N/A" but CyberScope will not accommodate that. Therefore, we are selecting "No."

2c How many total staff (full-time equivalent) at the agency (not including staff at sub-agencies, components, and programs) work at least half the time on privacy-related functions?

5

2d How many total contractors at the agency (not including contractors at sub-agencies, components, and programs) work at least half the time on privacy-related functions?

0

2e How many total staff (full-time equivalent) at sub-agencies, components, and programs work at least half the time on privacy-related functions?

0

2f How many total contractors at sub-agencies, components, and programs work at least half the time on privacy-related functions?

0

2g Is the agency up-to-date with its review of its PII holdings, pursuant to the requirements in OMB Memorandum M-07-16?

Yes

Comments:

PIA Inventory completed September 2016, served as review of PII holding, coordinated through the Bureau's Data Catalog.

2h Can the agency demonstrate with documentation that the SAOP participates in agency privacy compliance and privacy risk management activities?

Yes

Comments:

Addressed via our CFPB Privacy Policy and our Comprehensive Privacy Plan.

Section 2: Agency Privacy Program

2i Can the agency demonstrate with documentation that the SAOP participates in evaluating the privacy implications of legislative, regulatory, and other policy proposals, as well as testimony and comments under OMB Circular A-19?

Yes

Comments: Addressed in our Comprehensive Privacy Plan.

Section 3: Privacy Program Website

3a Provide the URL of the agency's central privacy program page (indicate "N/A" if not applicable).

<http://www.consumerfinance.gov/privacy/>

3b Provide the URL of the centrally located page on the agency website that provides working links to the agency's PIAs (indicate "N/A" if not applicable).

<http://www.consumerfinance.gov/privacy/privacy-impact-assessments/>

3c Provide the URL of the centrally located page on the agency's website that provides working links to the agency's published SORNs (indicate "N/A" if not applicable).

<http://www.consumerfinance.gov/privacy/system-records-notices/>

3d Provide the URL of the centrally located page on the agency's website that provides an inventory of third-party websites, applications, and digital services used by the agency (indicate "N/A" if not applicable).

<http://www.consumerfinance.gov/privacy/digital-privacy-policy/>

Comments: This web page includes a link to social media PIA, which includes a list of social media accounts.

Section 4: Privacy Act Processes

4a Has the agency developed and implemented a written policy or process for determining whether a SORN is required when the agency collects or maintains information?

Yes

4b Has the agency developed and implemented a written policy or process for ensuring that a SORN is published in the Federal Register prior to the agency establishing or altering a system of records?

Yes

4c Has the agency developed and implemented a written policy or process for determining whether changes to a system of records require the agency to publish a new or revised SORN in the Federal Register?

Yes

Section 4: Privacy Act Processes

4d Has the agency developed and implemented a written policy or process for ensuring that information collections include a Privacy Act Statement, if required?

Yes

4e Has the agency developed and implemented a written policy or process for receiving and processing individuals' requests for access and amendment to records?

Yes

Comments:

Information can be found at
<http://www.consumerfinance.gov/privacy/amending-and-correcting-records-under-privacy-act/>

Section 5: Privacy Impact Assessment Processes

5a Has the agency developed and implemented a written policy or process for determining whether a PIA is required when the agency develops, procures, or uses an information technology system?

Yes

5b Has the agency developed and implemented a written policy or process to ensure that a PIA is conducted and approved before an information technology system that requires a PIA is developed, procured, or used?

Yes

5c Has the agency developed and implemented a written policy or process for ensuring that systems owners, privacy officials, and information technology experts participate in conducting the PIA?

Yes

5d Has the agency developed and implemented a written policy or process for making PIAs available to the public as required by law and OMB policy?

Yes

5e Has the agency developed and implemented a written policy or process for monitoring the agency's information technology systems and practices to determine when and how PIAs should be updated?

Yes

5f Has the agency developed and implemented a written policy or process for ensuring that PIAs are updated whenever a change to an information technology system, a change in agency practices, or another factor alters the privacy risks?

Yes

Section 5: Privacy Impact Assessment Processes

5g **Has the agency developed and implemented a written policy or process for assessing the quality and thoroughness of each PIA and performing reviews to ensure that appropriate standards for PIAs are maintained?**

Yes

Section 6: Privacy Training and Accountability

6a **Has the agency developed and implemented a policy to ensure that all employees and contractors with access to information resources receive privacy training?**

Yes

Comments: CFPB has implemented privacy education as part of our New Employee Orientation and our mandatory Annual Privacy Training.

6b **Does the agency require role-based privacy training for employees and contractors who have particular responsibilities before authorizing access to information resources?**

Yes

Comments: CFPB has implemented annual mandatory role-based privacy training (97% completion for FY2016).

6c **Has the agency established rules of behavior, including consequences for violating rules of behavior, for employees and contractors that have access to information resources?**

Yes

Comments: This is addressed in our policy CFPB-COO-CS02, "Acceptable Use of CFPB Information Technology Resources", most recently updated 7 October, 2016.

6d **Has the agency developed and implemented a policy to ensure that employees and contractors are held accountable for complying with privacy requirements and managing privacy risks?**

Yes

Comments: Information can be found at <http://www.consumerfinance.gov/privacy/privacy-policy/>

Section 7: Websites, Mobile Applications, and Digital Privacy Practices

7a **Does the agency maintain an inventory of websites, applications, social media accounts, and other digital services provided or maintained by the agency?**

Yes

Comments: Information can be found at http://files.consumerfinance.gov/f/201509_cfpb_pia-use-of-social-media.pdf

Section 7: Websites, Mobile Applications, and Digital Privacy Practices

7b Has the agency developed and implemented a written policy or process for the agency’s use of social media (indicate “N/A” if the agency does not use social media)?

Yes

7c Does each of the agency’s websites and mobile applications have a privacy policy?

Yes

Comments: Information can be found at <http://www.consumerfinance.gov/privacy/digital-privacy-policy/>

7d Has the agency developed and implemented a process to regularly review and update each of the agency’s website and mobile application privacy policies?

Yes

Comments: Our annual review was conducted in September 2016. Participants included our Privacy Team, as well as the Legal Division and the Data Team.

7e Does each of the agency’s website and mobile application privacy policies clearly explain what information is collected and the purpose of the collection?

Yes

7f Has the agency developed and implemented a process to address privacy in the development and use of mobile applications?

Yes

Comments: The Bureau does not use any mobile applications, but we do have Privacy incorporated into our SDLC and related development activities.

7g Does the agency use web management and customization technologies on any website or mobile application?

Yes

Comments: While the Bureau does not operate any mobile apps, we do employ customization and management tools on our web services.

7h Does the agency annually review the use of web management and customization technologies to ensure compliance with all laws, regulations, and OMB guidance (indicate “N/A” if the agency does not use web management and customization technologies)?

Yes

Comments: The review is incorporated into our website privacy policy review, and the program is supplemented by our Data Team's compliance issuance, updated in September 2016.

Section 7: Websites, Mobile Applications, and Digital Privacy Practices

7i Can the agency demonstrate, with documentation, the continued justification for, and approval to use, web management and customization technologies (indicate “N/A” if the agency does not use web management and customization technologies)?

Yes

7j Number of requests for tier 3 web measurement and customization technologies approved by the SAOP during the reporting period.

0

Section 8: Mandated Reviews

Section (m) Contracts. Review every two years a sample of agency contracts that provide for the maintenance of a system of records on behalf of the agency to accomplish an agency function, in order to ensure that the wording of each contract makes the provisions of the Privacy Act binding on the contractor and his or her employees.

Bureau/Component	a. Section (m) Contracts	b. Recordkeeping Practices	c. Routine Use Disclosures	d. Exemptions of Systems of Records	e. Matching Programs	f. Privacy Act Training	g. Violations	h. System of Records Notices
CFPB	Yes	Yes	Yes	Yes	N/A	Yes	N/A	Yes

Section 9: Social Security Numbers

9a Does the agency have a written inventory of the agency’s collection and use of Social Security numbers (SSNs)?

Yes

9b Has the agency developed and implemented a written policy or procedure to ensure that any new collection or use of SSNs is necessary?

Yes

9c Has the agency developed and implemented a written policy or procedure to ensure that any necessary collection or use of SSNs remains necessary over time?

Yes

9d Has the agency developed and implemented a written policy or procedure to ensure that any collection or use of SSNs associated with agency websites, online forms, mobile applications, and other digital services, are necessary and comply with applicable privacy and security requirements?

Yes

Description of CFPB's Privacy Program

FY2016 FISMA ANNUAL REPORT

November, 2016



Consumer Financial
Protection Bureau

Description of CFPB's Privacy Program

The Bureau's Senior Agency Official for Privacy is the Chief Privacy Officer (CPO). The Privacy Team reports through the Chief Data Officer to the Chief Information Officer. The Chief Information Officer reports to the Chief Administrative Officer. In the Bureau's Disclosure of Records and Information Regulation¹ the Chief Privacy Officer means the Chief Information Officer of the CFPB or any CFPB employee to whom the Chief Information Officer has delegated this authority. The Chief Information Officer delegated this authority to the CPO. The CFPB's CPO is responsible for all of the CFPB's privacy compliance and operational activities. The CPO evaluates the privacy implications of legislative, regulatory, and other policy proposals and ensures that the technology used by the CFPB upholds privacy protections. The CPO is responsible for ensuring that all employees are familiar with information privacy laws, regulations, policies, and procedures and understand the serious consequences and ramifications of inappropriate access, use, or disclosure of PII. The CPO ensures completion of System of Records Notices ("SORN"), and Privacy Impact Assessments ("PIA"). The CPO is also responsible for ensuring that the CFPB only collects, uses, maintains, and disseminates Social Security numbers when required to do so by statute or regulation.

During the FY2016 reporting period, no changes in leadership, staffing, structure, or organization were made. For the FY2017 reporting period, no changes in leadership, staffing, structure, or organization are expected, other than the hiring of a new employee to replace a retiring employee.

The CFPB has published several documents that describe the policies, procedures, structure, roles, and responsibilities with respect to the Bureau's privacy program and the Bureau's creation, collection, use, processing, storage, maintenance, dissemination, disclosure, and disposal of PII. These documents can be found on the Bureau's website: <http://www.consumerfinance.gov/privacy/>

Privacy Policy: <http://www.consumerfinance.gov/privacy/privacy-policy/>

System of Records Notices: <http://www.consumerfinance.gov/privacy/system-records-notices/>

Privacy Impact Assessments: <http://www.consumerfinance.gov/privacy/privacy-impact-assessments/>

Digital Privacy Policy: <http://www.consumerfinance.gov/privacy/digital-privacy-policy/>

Privacy Policy for Non-US Citizens: <http://www.consumerfinance.gov/privacy/privacy-policy-non-us-citizens/>

Instructions for Amending and Correcting Records under the Privacy Act:

<http://www.consumerfinance.gov/privacy/amending-and-correcting-records-under-privacy-act/>

Instructions on Filing a Privacy Complaint: <http://www.consumerfinance.gov/privacy/file-privacy-complaint/>

¹ http://www.ecfr.gov/cgi-bin/text-idx?c=ecfr&tpl=/ecfrbrowse/Title12/12cfr1070_main_02.tpl

CFPB Efforts to Comply with Privacy-related Requirements in M-16-04

FY2016 FISMA ANNUAL REPORT



Consumer Financial
Protection Bureau

CFPB Efforts to Comply with Privacy-related Requirements in M-16-04

OMB directed agencies to initiate processes to identify their High Value Assets (HVAs). Federal Information Processing Standard (FIPS) 199, Standards for Security Categorization of Federal Information and Information Systems, provides relevant guidance and requires Federal agencies to categorize their information and information systems to determine the worst-case adverse impact to operations and assets, individuals, other organizations, and the Nation if their information or systems are compromised¹. The CFPB does not have any holdings that are identified as High Value Assets, therefore the agency's has no HVAs that contain PII.

¹ FIPS Publication 199 defines three levels of potential impact (i.e., low, moderate, and high) on organizations or individuals should there be a breach of security (i.e., a loss of confidentiality, integrity, or availability).

Privacy Training at CFPB

FY2016 FISMA ANNUAL REPORT



Consumer Financial
Protection Bureau

The Consumer Financial Protection Bureau (CFPB) has developed a comprehensive program of privacy training that includes new employee orientation training, general annual privacy training, and role-based privacy training specific to everyone's role in the organization. The CFPB uses the Treasury-provided employee training for the annual information security and privacy training.

New Employee Orientation

As part of new employee orientation, the CFPB provides all new employees with privacy training. This training includes a brief history of the Privacy Act and description of System of Records Notices. The training also includes information on the definition of Personally Identifiable Information (PII). The training also includes a discussion of the requirement to have both the legal authority and a business need to collect or access information. New employees are provided contacts in the Privacy Team who are available to help them as they use PII. The training stresses that employees have a responsibility to protect the CFPB's sensitive information.

Promoting a Culture of Privacy Awareness at the Department of the Treasury

To promote a culture of privacy employees must be aware of the legal requirements outlined in the Privacy Act of 1974, as amended, as well as other requirements affecting the collection, use, storage, and safeguarding of personally identifiable information (PII).

The CFPB uses the Department of Treasury training. After completing the annual privacy training, employees are expected to have a clear understanding of:

- Their obligations pursuant to the Privacy Act of 1974, as amended
- The federal requirements for operating a system of records
- The federal requirements for conducting a privacy threshold assessment and a privacy impact assessment
- Their responsibility to safeguard PII
- What they should do in the event of a breach involving PII

Privacy training is delivered in conjunction with information security training, specifically:

Role-Based Privacy Training

CFPB has developed role-based training for employees throughout the Bureau. The training varies based on the role but ultimately has the goals of providing an overall understanding of privacy and the responsibilities around protecting and using PII, while also providing specific information and guidance for each of the various role. In 2016 the Privacy training was integrated with Information Governance training, to provide Bureau employees with a full overview of appropriate data handling, starting with bringing data into the Bureau and ended with appropriate data destruction. The training includes a focus on identifying and reporting privacy incidents. This training is provided to employees and contractors.

Implementation Plan and Progress Update On Reducing Unnecessary Holdings of Personally Identifiable Information (PII)

FY2016 FISMA ANNUAL REPORT



Consumer Financial
Protection Bureau

Implementation Plan and Progress Update on Reducing the Unnecessary Holdings of Personally Identifiable Information

As a new agency, the Consumer Financial Protection Bureau is taking steps to ensure that there are no unnecessary collections of Personally Identifiable Information (PII). We work to confirm the appropriate collection and planned use of PII before the Bureau collects certain information, and we validate usage on an ongoing basis through annual reviews of data collections. All data collections with PII are reviewed by the Privacy Office to ensure that the Bureau only collects PII that is necessary. All data collections are reviewed by the Privacy Office to ensure that the Bureau only uses SSNs when required to do so by statute or regulation. This process occurs through the Bureau's Data Intake Group process. The Bureau also conducts an annual review of PII holdings. This review includes reviewing data sets that include SSNs to ensure those holdings are still necessary.

Implementation Plan and Progress Update On Use of Social Security numbers (SSN)

FY2016 FISMA ANNUAL REPORT



Consumer Financial
Protection Bureau

Implementation Plan and Progress Update on the Use of Social Security numbers (SSN)

As a new agency, the Consumer Financial Protection Bureau is taking steps to ensure that there are no unnecessary uses of Social Security numbers (SSN). The Privacy team plans to confirm the appropriate use of sensitive PII including SSNs before the Bureau collects the sensitive PII, and we plan to validate usage on an ongoing basis through annual reviews of data collections. All data collections are reviewed by the Privacy Office to ensure that the Bureau only uses SSNs when required to do so by statute or regulation. This process occurs through the Bureau's Data Intake Group process.



Consumer Financial
Protection Bureau

1700 G Street NW Washington, DC 20551

February 22, 2017

The Honorable Elijah E. Cummings
Ranking Member
Committee on Oversight and Government Reform
U.S. House of Representatives
2471 Rayburn House Office Building
Washington, D.C. 20515

Dear Ranking Member Cummings:

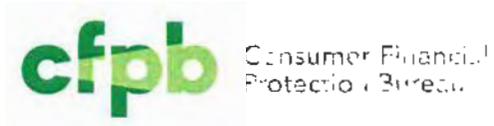
Enclosed, please find the Fiscal Year 2016 Federal Information Security Management Act (FISMA) Report of the Consumer Financial Protection Bureau, as required under FISMA.

Should you have any questions concerning this report, please feel free to contact me at 202-435-9711.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Galicia', written over the word 'Sincerely,'.

Catherine Galicia
Assistant Director for Legislative Affairs



1700 G Street NW Washington, DC 20552

February 22, 2017

The Honorable Eddie Bernice Johnson
Ranking Member
Committee on Science, Space and Technology
U.S. House of Representatives
394 Ford House Office Building
Washington, D.C. 20515

Dear Ranking Member Johnson:

Enclosed, please find the Fiscal Year 2016 Federal Information Security Management Act (FISMA) Report of the Consumer Financial Protection Bureau, as required under FISMA.

Should you have any questions concerning this report, please feel free to contact me at 202-435-9711.

Sincerely,

A handwritten signature in black ink, appearing to read "C. Galicia", written in a cursive style.

Catherine Galicia
Assistant Director for Legislative Affairs



Consumer Financial
Protection Bureau

1700 G Street NW Washington, DC 20006

February 22, 2017

The Honorable Lamar S. Smith
Chairman
Committee on Science, Space and Technology
U.S. House of Representatives
2321 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Smith:

Enclosed, please find the Fiscal Year 2016 Federal Information Security Management Act (FISMA) Report of the Consumer Financial Protection Bureau, as required under FISMA.

Should you have any questions concerning this report, please feel free to contact me at 202-435-9711.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Galicia', written in a cursive style.

Catherine Galicia
Assistant Director for Legislative Affairs



1700 G Street NW Washington, DC 20009

February 22, 2017

The Honorable Claire C. McCaskill
Ranking Member
Committee on Homeland Security and Governmental Affairs
U.S. Senate
442 Hart Senate Office Building
Washington DC 20510

Dear Ranking Member McCaskill:

Enclosed, please find the Fiscal Year 2016 Federal Information Security Management Act (FISMA) Report of the Consumer Financial Protection Bureau, as required under FISMA.

Should you have any questions concerning this report, please feel free to contact me at 202-435-9711.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Galicia', is written over a light blue horizontal line.

Catherine Galicia
Assistant Director for Legislative Affairs



1700 G Street NW Washington, DC 20009

February 22, 2017

The Honorable Bill Nelson
Ranking Member
Committee on Commerce, Science and Transportation
U.S. Senate
425 Hart Senate Office Building
Washington DC 20510

Dear Ranking Member Nelson:

Enclosed, please find the Fiscal Year 2016 Federal Information Security Management Act (FISMA) Report of the Consumer Financial Protection Bureau, as required under FISMA.

Should you have any questions concerning this report, please feel free to contact me at 202-435-9711.

Sincerely,

A handwritten signature in black ink, appearing to read "C. Galicia", written in a cursive style.

Catherine Galicia
Assistant Director for Legislative Affairs



1700 G Street NW Washington, DC 20552

February 22, 2017

The Honorable John Thune
Chairman
Committee on Commerce, Science and Transportation
U.S. Senate
512 Dirksen Senate Office Building
Washington DC 20510

Dear Chairman Thune:

Enclosed, please find the Fiscal Year 2016 Federal Information Security Management Act (FISMA) Report of the Consumer Financial Protection Bureau, as required under FISMA.

Should you have any questions concerning this report, please feel free to contact me at 202-435-9711.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Galicia', written in a cursive style.

Catherine Galicia
Assistant Director for Legislative Affairs

Congress of the United States
Washington, DC 20515

February 27, 2017

The Honorable Richard Cordray
Director
Bureau of Consumer Financial Protection
1700 G Street, NW
Washington, D.C. 20552

Dear Director Cordray:

Recent reports suggest that you use a private device for official communications in circumvention of the federal recordkeeping laws.¹ Specifically, the Bureau of Consumer Financial Protection (“Bureau”) produced records in response to a Freedom of Information Act (“FOIA”) request that indicate you sent and received text messages to a number associated with a personal, non-government device.²

Provisions in the Federal Records Act (Pub. L. 113-187) specifically bar federal employees from conducting official business over non-official electronic accounts, unless that material is properly filed in an official account within 20 days, a requirement in place in order to properly preserve and maintain those records.³ Federal employees who violate this disclosure requirement are subject to disciplinary action under chapter 75 of title 5, United States Code.

The Committee on Financial Services and the Committee on Oversight and Government Reform write to ensure that you are complying in full with federal recordkeeping laws and that you are not deliberately conducting official business through private channels. It is important that you comply with these laws so that your actions as Director of the Bureau may be subject to review by Congress and the public.

Accordingly, by no later than March 13, 2017, please provide:

¹ See Justin Caruso, *CFPB Head Cordray Used Private Device, Didn't Create Records Of Messages*, THE DAILY CALLER (Jan. 23, 2017), <http://dailycaller.com/2017/01/23/exclusive-cfpb-head-cordray-used-private-device-didnt-create-records-of-messages/>.

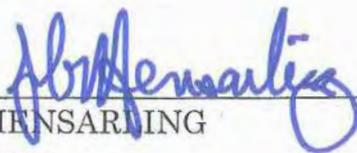
² The Daily Caller reproduced the Bureau's September 29, 2016 response to an August 31, 2016 FOIA request wherein the Bureau notes no text or SMS messages were located after searching your government devices. *Id.* However, a search of your staff's government issued devices located messages sent to and from your personal device which the Bureau confirmed in a letter dated November 16, 2016 and reproduced in the report by the Daily Caller. *Id.*

³ See 44 U.S.C. § 2911(a).

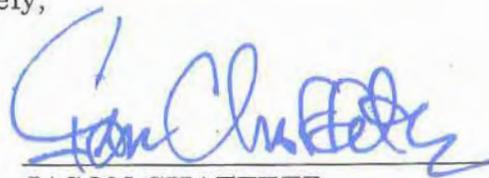
1. A list of all phone numbers used by you from January 2011 – present to transact government business, and the service providers associated with each number;
2. A list of all non-governmental email accounts used by you from January 2011 – present to transact government business;
3. The number of emails sent by you using a non-governmental email account to the Chief of Staff or any Assistant, Associate, or Deputy Director of the Bureau from January 2011 – present;
4. The number of emails received by you using a non-governmental e-mail account from the Chief of Staff or any Assistant, Associate, or Deputy Director of the Bureau from January 2011 – present;
5. A description of the steps you took to comply with all applicable federal recordkeeping laws in light of your apparent use of non-governmental email for official purposes; and
6. Copies of the FOIA requests referenced in the press report titled *CFPB Head Cordray Used Private Device, Didn't Create Records of Messages*, *The Daily Caller* (Jan. 23, 2017), and unredacted copies of all records responsive to those requests.

If you have any questions regarding this request, please contact Elie Greenbaum of the Committee on Financial Services staff at (202) 225-7502 or Corey Cooke of the Committee on Oversight and Government Reform staff at (202) 225-5074.

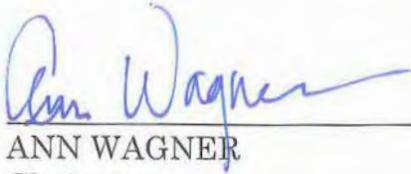
Sincerely,



JEB HENSARLING
Chairman
Committee on Financial Services



JASON CHAFFETZ
Chairman
Committee on Oversight and
Government Reform



ANN WAGNER
Chairman
Subcommittee on
Oversight and Investigations



JIM JORDAN
Chairman
Subcommittee on
Health Care, Benefits,
and Administrative Rules

cc: The Hon. Maxine Waters, Ranking Member
Committee on Financial Services

The Hon. Elijah Cummings, Ranking Member
Committee on Oversight and Government Reform

The Hon. Al Green, Ranking Member
Subcommittee on Oversight and Investigations
Committee on Financial Services

The Hon. Raja Krishnamoorthi, Ranking Member
Subcommittee on Health Care, Benefits, and Administrative Rules
Committee on Oversight and Government Reform

Committee Records Request Instructions

1. In complying with this request, you are required to produce all responsive records that are in your possession, custody, or control, whether held by you or your past or present agents, employees, and representatives acting on your behalf. You shall also produce records that you have a legal right to obtain, that you have a right to copy or to which you have access, as well as records that you have placed in the temporary possession, custody, or control of any third party. Requested records shall not be destroyed, modified, removed, transferred, or otherwise made inaccessible to the Committees.
2. In the event that any entity, organization, or individual denoted in this request has been, or is also known by any other name than that herein denoted, the request shall be read also to include that alternative identification.
3. A cover letter shall be included with each production and include the following:
 - a. A list of each piece of media included in the production with its unique production volume number.
 - b. A list of custodians, identifying the Bates range for each custodian.
 - c. The time zone in which the emails were standardized during conversion.
 - d. All Bates Prefix and Suffix formats for records contained in the production.
4. Records shall be produced to the Committees on one or more CDs, memory sticks, thumb drives, or USB hard drives. Production media shall be labeled with the following information: Case Number, Production Date, Producing Party, Bates Range.
5. All records shall be Bates-stamped sequentially and produced sequentially.
6. Records produced shall be organized, identified, and indexed electronically.
7. Only alphanumeric characters and the underscore (“_”) character are permitted in file and folder names. Special characters are not permitted.
8. Electronic record productions shall be prepared according to the following standards:
 - a. All submissions must be organized by custodian unless otherwise instructed.

b. Productions shall include:

1. A Concordance Data (.DAT) Load File in accordance with metadata fields as defined in **Appendix A**.
2. A Standard Format Opticon Image Cross-Reference File (.OPT) to link produced images to the records contained in the .DAT file.
3. A file (can be Microsoft Word, Microsoft Excel, or Adobe PDF) defining the fields and character lengths of the load file.

c. The production format shall include images, text, and native electronic files. Electronic files must be produced in their native format, i.e., the format in which they are ordinarily used and maintained during the normal course of business. For example, a Microsoft Excel file must be produced as a Microsoft Excel file rather than an image of a spreadsheet. **NOTE:** An Adobe PDF file representing a printed copy of another file format (such as Word Document or Webpage) is NOT considered a native file unless the record was initially created as a PDF.

1. Image Guidelines:

1. Single or multi page TIFF files.
2. All TIFF images must have a unique file name, i.e., Bates Number
3. Images must be endorsed with sequential Bates numbers in the lower right corner of each image.

2. Text Guidelines:

1. All text shall be produced as separate text files, not inline within the .DAT file.
2. Relative paths shall be used to link the associated text file (FIELD: TEXTPATH) to the record contained in the load file.
3. Associated text files shall be named as the BEGBATES field of each record.

3. Native File Guidelines:

1. Copies of original email and native file records/attachments must be included for all electronic productions.

2. Native file records must be named per the BEGBATES field.
 3. Relative paths shall be used to link the associated native file (FIELD: NATIVEFILELINK) to the record contained in the load file.
 4. Associated native files shall be named as the BEGBATES field of each record.
- d. All record family groups, i.e. email attachments, embedded files, etc., should be produced together and children files should follow parent files sequentially in the Bates numbering.
 - e. Only 1 load file and one Opticon image reference file shall be produced per production volume.
 - f. All extracted text shall be produced as separate text files.
 - g. Record numbers in the load file should match record Bates numbers and TIFF file names.
 - h. All electronic record produced to the Committees should include the fields of metadata listed in **Appendix A**.
9. Records produced to the Committees shall include an index describing the contents of the production. To the extent that more than one CD, hard drive, memory stick, thumb drive, box, or folder is produced, each CD, hard drive, memory stick, thumb drive, box, or folder shall contain an index describing its contents.
 10. Records produced in response to this request shall be produced together with copies of file labels, dividers, or identifying markers with which they were associated when the request was served.
 11. When you produce records, you shall identify the paragraph or number in the Committees' request to which the records respond and add a metadata tag listing that paragraph or number (see **Appendix A**).
 12. Four sets of records shall be delivered, two sets to the Majority Staff and two sets to the Minority Staff of the Committees. To the extent the Minority Staff of the Committees does not have an electronic record review platform, records shall be produced to the Minority Staff in searchable PDF format and shall be produced consistent with the instructions specified in this schedule to the maximum extent practicable.

13. Production media and produced records shall not be encrypted, contain any password protections, or have any limitations that restrict access and use.
14. It shall not be a basis for refusal to produce records that any other person or entity also possesses non-identical or identical copies of the same records.
15. In the event that a record is withheld, you shall provide a log containing the following information concerning any such record: (a) the reason why the record was withheld; (b) the type of record; (c) the general subject matter; (d) the date, author and addressee; (e) the relationship of the author and addressee to each other; and (f) any other description necessary to identify the record and to explain the basis for not producing the record. If a claimed privilege applies to only a portion of any record, that portion only should be withheld and the remainder of the record should be produced. As used herein, "claim of privilege" includes, but is not limited to, any claim that a record either may or must be withheld from production pursuant to the constitution or any statute, rule, or regulation.
 - a. Any objections or claims of privilege are waived if you fail to provide an explanation of why full compliance is not possible and a log identifying with specificity the ground(s) for withholding each withheld record prior to the request compliance date.
 - b. In complying with the request, be apprised that (unless otherwise determined by the Committees) the Committees do not recognize: any purported non-disclosure privileges associated with the common law including, but not limited to, the deliberative-process privilege, the attorney-client privilege, and attorney work product protections; any purported privileges or protections from disclosure under the Freedom of Information Act; or any purported contractual privileges, such as non-disclosure agreements.
 - c. Any assertion by a request recipient of any such non-constitutional legal bases for withholding records or other materials shall be of no legal force and effect and shall not provide a justification for such withholding or refusal, unless and only to the extent that the Chairmen of the Committees have consented to recognize the assertion as valid.
16. If any record responsive to this request was, but no longer is, in your possession, custody, or control, or has been placed into the possession, custody, or control of any third party and cannot be provided in response to this request, you should identify the record (stating its date, author, subject and recipients) and explain the

circumstances under which the record ceased to be in your possession, custody, or control, or was placed in the possession, custody, or control of a third party.

17. If any record responsive to this request was, but no longer is, in your possession, custody or control, state:
 - a. how the record was disposed of;
 - b. the name, current address, and telephone number of the person who currently has possession, custody or control over the record;
 - c. the date of disposition;
 - d. the name, current address, and telephone number of each person who authorized said disposition or who had or has knowledge of said disposition.
18. If any record responsive to this request cannot be located, describe with particularity the efforts made to locate the record and the specific reason for its disappearance, destruction or unavailability.
19. If a date or other descriptive detail set forth in this request referring to a record is inaccurate, but the actual date or other descriptive detail is known to you or is otherwise apparent from the context of the request, you are required to produce all records which would be responsive as if the date or other descriptive detail were correct.
20. This request is continuing in nature and applies to any newly-discovered information. Any responsive record not produced because it has not been located or discovered by the return date shall be produced immediately upon subsequent location or discovery.
21. If properties or permissions are modified for any records produced electronically, receipt of such records will not be considered full compliance with the request.
22. Upon completion of the record production, you shall submit a written certification signed by you or your counsel, stating that:
 - a. a diligent search has been completed of all records in your possession, custody, or control which reasonably could contain responsive records;
 - b. records responsive to the request have not been destroyed, modified, removed, transferred, or otherwise made inaccessible to the Committees since the date of receiving the Committees' request or in anticipation of receiving the Committees' request, and

- c. all records located during the search that are responsive have been produced to the Committees, identified in a log provided to the Committees, as described in (15) above, or identified as provided in (16), (17) or (18) above.
23. When representing a witness or entity before the Committee(s) in response to a record request or request for transcribed interview, counsel for the witness or entity must promptly submit to the Committee(s) a notice of appearance specifying the following: (a) counsel's name, firm or organization, and contact information; and (b) each client represented by the counsel in connection with the proceeding. Submission of a notice of appearance constitutes acknowledgement that counsel is authorized to accept service of process by the Committee(s) on behalf of such client(s), and that counsel is bound by and agrees to comply with all applicable House and Committee rules and regulations.

Committee Records Request Definitions

1. The term “records” means any written, recorded, or graphic matter of any nature whatsoever, regardless of how recorded or preserved, and whether original or copy.
2. The term “records in your possession, custody or control” means (a) records that are in your possession, custody, or control, whether held by you or your past or present agents, employees, or representatives acting on your behalf; (b) records that you have a legal right to obtain, that you have a right to copy, or to which you have access; and (c) records that have been placed in the possession, custody, or control of any third party.
3. The term “communication” means each manner or means of disclosure or exchange of information, regardless of means utilized, whether oral, electronic, by document or otherwise, and whether in an in-person meeting, by telephone, facsimile, e-mail (desktop or mobile device), text message, MMS or SMS message, regular mail, telexes, releases, or otherwise.
4. The terms “and” and “or” shall be construed broadly and either conjunctively or disjunctively to bring within the scope of this request any information which might otherwise be construed to be outside its scope. The singular includes plural number, and vice versa. The masculine includes the feminine and neuter genders.
5. The terms “person” or “persons” means natural persons, firms, partnerships, associations, corporations, subsidiaries, divisions, departments, joint ventures, proprietorships, syndicates, or other legal, business or government entities, and all subsidiaries, affiliates, divisions, departments, branches, and other units thereof.
6. The terms “pertaining to,” “referring,” or “relating,” with respect to any given subject, means anything that constitutes, contains, embodies, reflects, identifies, states, refers to, deals with or is in any manner whatsoever pertinent to that subject.

MIME_TYPE	MSG	The content type of an Email or native file record as identified/extracted from the header
FILE_EXTEN	MSG	The file type extension representing the Email or native file record; will vary depending on the email format
AUTHOR	John Smith	Email: (empty) Native: Author of the record
DATE_CREATED	10/10/2010	Email: (empty) Native: Date the record was created
TIME_CREATED	10:25 AM	Email: (empty) Native: Time the record was created **This data must be a separate field and cannot be combined with the DATE_CREATED field
DATE_MOD	10/12/2010	Email: (empty) Native: Date the record was last modified
TIME_MOD	07:00 PM	Email: (empty) Native: Time the record was last modified **This data must be a separate field and cannot be combined with the DATE_MOD field
DATE_ACCESSD	10/12/2010	Email: (empty) Native: Date the record was last accessed
TIME_ACCESSD	07:00 PM	Email: (empty) Native: Time the record was last accessed **This data must be a separate field and cannot be combined with the DATE_ACCESSD field
PRINTED_DATE	10/12/2010	Email: (empty) Native: Date the record was last printed
NATIVEFILESIZE	5,952	Size of native file record/email in KB **Use only whole numbers
PGCOUNT	1	Number of pages in native file record/email
PATH	J:\Shared\Smith\October Agenda.doc	Email: (empty) Native: Path where native file record was stored including original file name
INTFILEPATH	Personal Folders\Deleted Items\Board Meeting Minutes.msg	Email: original location of email including original file name Native: (empty)
INTMSGID	<000805c2c71b\$75977050\$cb.8306d1@MSN>	Email: Unique Message ID Native: (empty)
MD5HASH	d131dd02c5e6eec4693d9a069.8aff95c2fcab58712467eab4004583eb.8fb7f89	MD5 Hash value of the record
TEXTPATH	\TEXT\AAA0001.txt	Path to the record's text file that contains extracted text to be used for processing. Every record has a relative path to its text file in this field. Note: These paths may also be fully qualified; and thus do not have to be relative.
NATIVEFILEPATH	\NATIVES\MESSAGE1.msg; \NATIVES\ATTACHMENT1.doc	Path to the record's native file. Every record has a relative path to its native file in this field. Note: These paths may also be fully qualified; and thus do not have to be relative.
HANDWRITTEN	YES	Field should be marked "YES" if the record has any handwritten notes or other text that is not contained in the text file
REDACTED	YES	Field should be marked "YES" if the record contains any redactions, "NO" otherwise

Metadata Fields Required Upon Specific Request

TAGS	FirstPass\Responsive; FirstPass\ForQC	If requested – a list of tags assigned to the record. Multiple tags are separated by the multi-value separator, for example: “A; B; C”, and nested tags are denoted using the nested value separator, for example: “X\Y\Z”. Tags for attachments will appear under the custom field “ATTACHMENT_TAGS”.
FOLDERS	JohnDoeDocs\FirstPass	If requested – a list of folders of which the record is a part. Multiple folders are separated by the multi-value separator, for example: “A; B; C”, and nested folders are denoted using the nested value separator, for example: “X\Y\Z”. Folders for attachments will appear under the custom field “ATTACHMENT_FOLDERS”.

February 27, 2017

The Honorable Richard Cordray
Director
Bureau of Consumer Financial Protection
1700 G Street, NW
Washington, D.C. 20552

Dear Director Cordray:

The Committee continues to review the Civil Penalty Fund (“Fund”) and “payments to the victims of activities for which civil penalties have been imposed under the Federal consumer financial laws” made from the Fund.¹ The Consumer Financial Protection Bureau (“Bureau”) recently reported that the Bureau collected \$182.1 million in 2016 and that \$170 million remains available for future allocations from the Fund.² To allow the Committee to carry out its oversight responsibilities under the House Rules,³ please provide by not later than March 13, 2017:

1. All records identifying the victim classes that received or are eligible to receive disbursements from the Bureau’s May 27, 2016 Fund allocation;
2. All records discussing the basis and rationale for determining the victim classes that received or are eligible to receive disbursements from the Fund pursuant to allocations made on May 27, 2016;
3. All records identifying (a) the amount allocated to each alleged victim, (b) the amount of uncompensated harm for each alleged victim, and (c) the basis on which the Bureau calculated such amounts; and
4. All communications between the Bureau and its third-party administrators that distribute Fund payments allocated on May 27, 2016.

¹ Dodd-Frank Wall Street Reform and Consumer Protection Act § 1017(d)(2), 12 U.S.C. § 5497(d)(2). The Committee requested records on May 26, 2016, and the Bureau has failed to provide a full and complete response to that request. See Letter from Sean Duffy, Chairman, Subcomm. on Oversight and Investigations of the H. Comm. on Fin. Serv., to Richard Cordray, Dir., Consumer Fin. Prot. Bureau (May 26, 2016). The information requests contained herein are in addition to, and in no way supersede or replace, the Committee’s May 26, 2016 records requests; all records requested by the Committee should be fully and promptly produced.

² See CONSUMER FIN. PROT. BUREAU, FISCAL YEAR 2016 FINANCIAL REPORT 30, 35 (2016).

³ Rule X. Rules of the House of Representatives, 115th Cong.

The Hon. Richard Cordray
February 27, 2017
Page 2 of 2

If you have any questions regarding this request, please have your staff contact Elie Greenbaum of the Committee staff at (202) 225-7502.

Sincerely,



ANN WAGNER

Chairman

Subcommittee on Oversight and
Investigations

cc: The Hon. Al Green, Ranking Member

Committee Records Request Instructions

1. In complying with this request, you are required to produce all responsive records that are in your possession, custody, or control, whether held by you or your past or present agents, employees, and representatives acting on your behalf. You shall also produce records that you have a legal right to obtain, that you have a right to copy or to which you have access, as well as records that you have placed in the temporary possession, custody, or control of any third party. Requested records shall not be destroyed, modified, removed, transferred, or otherwise made inaccessible to the Committee.
2. In the event that any entity, organization, or individual denoted in this request has been, or is also known by any other name than that herein denoted, the request shall be read also to include that alternative identification.
3. A cover letter shall be included with each production and include the following:
 - a. A list of each piece of media included in the production with its unique production volume number.
 - b. A list of custodians, identifying the Bates range for each custodian.
 - c. The time zone in which the emails were standardized during conversion.
 - d. All Bates Prefix and Suffix formats for records contained in the production.
4. Records shall be produced to the Committee on one or more CDs, memory sticks, thumb drives, or USB hard drives. Production media shall be labeled with the following information: Case Number, Production Date, Producing Party, Bates Range.
5. All records shall be Bates-stamped sequentially and produced sequentially.
6. Records produced shall be organized, identified, and indexed electronically.
7. Only alphanumeric characters and the underscore (“_”) character are permitted in file and folder names. Special characters are not permitted.
8. Electronic record productions shall be prepared according to the following standards:
 - a. All submissions must be organized by custodian unless otherwise instructed.
 - b. Productions shall include:

1. A Concordance Data (.DAT) Load File in accordance with metadata fields as defined in **Appendix A**.
 2. A Standard Format Opticon Image Cross-Reference File (.OPT) to link produced images to the records contained in the .DAT file.
 3. A file (can be Microsoft Word, Microsoft Excel, or Adobe PDF) defining the fields and character lengths of the load file.
- c. The production format shall include images, text, and native electronic files. Electronic files must be produced in their native format, i.e., the format in which they are ordinarily used and maintained during the normal course of business. For example, a Microsoft Excel file must be produced as a Microsoft Excel file rather than an image of a spreadsheet. **NOTE:** An Adobe PDF file representing a printed copy of another file format (such as Word Document or Webpage) is NOT considered a native file unless the record was initially created as a PDF.
1. Image Guidelines:
 1. Single or multi page TIFF files.
 2. All TIFF images must have a unique file name, i.e., Bates Number
 3. Images must be endorsed with sequential Bates numbers in the lower right corner of each image.
 2. Text Guidelines:
 1. All text shall be produced as separate text files, not inline within the .DAT file.
 2. Relative paths shall be used to link the associated text file (FIELD: TEXTPATH) to the record contained in the load file.
 3. Associated text files shall be named as the BEGBATES field of each record.
 3. Native File Guidelines:
 1. Copies of original email and native file records/attachments must be included for all electronic productions.
 2. Native file records must be named per the BEGBATES field.

3. Relative paths shall be used to link the associated native file (FIELD: NATIVEFILELINK) to the record contained in the load file.
 4. Associated native files shall be named as the BEGBATES field of each record.
 - d. All record family groups, i.e. email attachments, embedded files, etc., should be produced together and children files should follow parent files sequentially in the Bates numbering.
 - e. Only 1 load file and one Opticon image reference file shall be produced per production volume.
 - f. All extracted text shall be produced as separate text files.
 - g. Record numbers in the load file should match record Bates numbers and TIFF file names.
 - h. All electronic record produced to the Committee should include the fields of metadata listed in **Appendix A**.
9. Records produced to the Committee shall include an index describing the contents of the production. To the extent that more than one CD, hard drive, memory stick, thumb drive, box, or folder is produced, each CD, hard drive, memory stick, thumb drive, box, or folder shall contain an index describing its contents.
 10. Records produced in response to this request shall be produced together with copies of file labels, dividers, or identifying markers with which they were associated when the request was served.
 11. When you produce records, you shall identify the paragraph or number in the Committee's request to which the records respond and add a metadata tag listing that paragraph or number (see **Appendix A**).
 12. Two sets of records shall be delivered, one set to the Majority Staff and one set to the Minority Staff. To the extent the Minority Staff does not have an electronic record review platform, records shall be produced to the Minority Staff in searchable PDF format and shall be produced consistent with the instructions specified in this schedule to the maximum extent practicable.
 13. Production media and produced records shall not be encrypted, contain any password protections, or have any limitations that restrict access and use.
 14. It shall not be a basis for refusal to produce records that any other person or entity also possesses non-identical or identical copies of the same records.

15. In the event that a record is withheld, you shall provide a log containing the following information concerning any such record: (a) the reason why the record was withheld; (b) the type of record; (c) the general subject matter; (d) the date, author and addressee; (e) the relationship of the author and addressee to each other; and (f) any other description necessary to identify the record and to explain the basis for not producing the record. If a claimed privilege applies to only a portion of any record, that portion only should be withheld and the remainder of the record should be produced. As used herein, "claim of privilege" includes, but is not limited to, any claim that a record either may or must be withheld from production pursuant to the constitution or any statute, rule, or regulation.
 - a. Any objections or claims of privilege are waived if you fail to provide an explanation of why full compliance is not possible and a log identifying with specificity the ground(s) for withholding each withheld record prior to the request compliance date.
 - b. In complying with the request, be apprised that (unless otherwise determined by the Committee) the Committee does not recognize: any purported non-disclosure privileges associated with the common law including, but not limited to, the deliberative-process privilege, the attorney-client privilege, and attorney work product protections; any purported privileges or protections from disclosure under the Freedom of Information Act; or any purported contractual privileges, such as non-disclosure agreements.
 - c. Any assertion by a request recipient of any such non-constitutional legal bases for withholding records or other materials shall be of no legal force and effect and shall not provide a justification for such withholding or refusal, unless and only to the extent that the Chairman of the Committee has consented to recognize the assertion as valid.
16. If any record responsive to this request was, but no longer is, in your possession, custody, or control, or has been placed into the possession, custody, or control of any third party and cannot be provided in response to this request, you should identify the record (stating its date, author, subject and recipients) and explain the circumstances under which the record ceased to be in your possession, custody, or control, or was placed in the possession, custody, or control of a third party.
17. If any record responsive to this request was, but no longer is, in your possession, custody or control, state:
 - a. how the record was disposed of;

- b. the name, current address, and telephone number of the person who currently has possession, custody or control over the record;
 - c. the date of disposition;
 - d. the name, current address, and telephone number of each person who authorized said disposition or who had or has knowledge of said disposition.
18. If any record responsive to this request cannot be located, describe with particularity the efforts made to locate the record and the specific reason for its disappearance, destruction or unavailability.
19. If a date or other descriptive detail set forth in this request referring to a record is inaccurate, but the actual date or other descriptive detail is known to you or is otherwise apparent from the context of the request, you are required to produce all records which would be responsive as if the date or other descriptive detail were correct.
20. This request is continuing in nature and applies to any newly-discovered information. Any responsive record not produced because it has not been located or discovered by the return date shall be produced immediately upon subsequent location or discovery.
21. If properties or permissions are modified for any records produced electronically, receipt of such records will not be considered full compliance with the request.
22. Upon completion of the record production, you shall submit a written certification signed by you or your counsel, stating that:
 - a. a diligent search has been completed of all records in your possession, custody, or control which reasonably could contain responsive records;
 - b. records responsive to the request have not been destroyed, modified, removed, transferred, or otherwise made inaccessible to the Committee since the date of receiving the Committee's request or in anticipation of receiving the Committee's request, and
 - c. all records located during the search that are responsive have been produced to the Committee, identified in a log provided to the Committee, as described in (15) above, or identified as provided in (16), (17) or (18) above.
23. When representing a witness or entity before the Committee in response to a record request or request for transcribed interview, counsel for the witness or entity must promptly submit to the Committee a notice of appearance specifying the following: (a) counsel's name, firm or organization, and contact information;

and (b) each client represented by the counsel in connection with the proceeding. Submission of a notice of appearance constitutes acknowledgement that counsel is authorized to accept service of process by the Committee on behalf of such client(s), and that counsel is bound by and agrees to comply with all applicable House and Committee rules and regulations.

Committee Records Request Definitions

1. The term “records” means any written, recorded, or graphic matter of any nature whatsoever, regardless of how recorded or preserved, and whether original or copy.
2. The term “records in your possession, custody or control” means (a) records that are in your possession, custody, or control, whether held by you or your past or present agents, employees, or representatives acting on your behalf; (b) records that you have a legal right to obtain, that you have a right to copy, or to which you have access; and (c) records that have been placed in the possession, custody, or control of any third party.
3. The term “communication” means each manner or means of disclosure or exchange of information, regardless of means utilized, whether oral, electronic, by document or otherwise, and whether in an in-person meeting, by telephone, facsimile, e-mail (desktop or mobile device), text message, MMS or SMS message, regular mail, telexes, releases, or otherwise.
4. The terms “and” and “or” shall be construed broadly and either conjunctively or disjunctively to bring within the scope of this request any information which might otherwise be construed to be outside its scope. The singular includes plural number, and vice versa. The masculine includes the feminine and neuter genders.
5. The terms “person” or “persons” means natural persons, firms, partnerships, associations, corporations, subsidiaries, divisions, departments, joint ventures, proprietorships, syndicates, or other legal, business or government entities, and all subsidiaries, affiliates, divisions, departments, branches, and other units thereof.
6. The terms “pertaining to,” “referring,” or “relating,” with respect to any given subject, means anything that constitutes, contains, embodies, reflects, identifies, states, refers to, deals with or is in any manner whatsoever pertinent to that subject.

MIME_TYPE	MSG	The content type of an Email or native file record as identified/extracted from the header
FILE_EXTEN	MSG	The file type extension representing the Email or native file record; will vary depending on the email format
AUTHOR	John Smith	Email: (empty) Native: Author of the record
DATE_CREATED	10/10/2010	Email: (empty) Native: Date the record was created
TIME_CREATED	10:25 AM	Email: (empty) Native: Time the record was created **This data must be a separate field and cannot be combined with the DATE_CREATED field
DATE_MOD	10/12/2010	Email: (empty) Native: Date the record was last modified
TIME_MOD	07:00 PM	Email: (empty) Native: Time the record was last modified **This data must be a separate field and cannot be combined with the DATE_MOD field
DATE_ACCESSD	10/12/2010	Email: (empty) Native: Date the record was last accessed
TIME_ACCESSD	07:00 PM	Email: (empty) Native: Time the record was last accessed **This data must be a separate field and cannot be combined with the DATE_ACCESSD field
PRINTED_DATE	10/12/2010	Email: (empty) Native: Date the record was last printed
NATIVEFILESIZE	5,952	Size of native file record/email in KB **Use only whole numbers
PGCOUNT	1	Number of pages in native file record/email
PATH	J:\Shared\SmithJ\October Agenda.doc	Email: (empty) Native: Path where native file record was stored including original file name
INTFILEPATH	Personal Folders\Deleted Items\Board Meeting Minutes.msg	Email: original location of email including original file name Native: (empty)
INTMSGID	<000805c2c71b\$75977050\$cb 8306d1@MSN>	Email: Unique Message ID Native: (empty)
MD5HASH	d131dd02c5e6eec4693d9a069 8aff95c2fcab58712467eab4004583eb 8fb7f89	MD5 Hash value of the record
TEXTPATH	\TEXT\AAA0001.txt	Path to the record's text file that contains extracted text to be used for processing. Every record has a relative path to its text file in this field. Note: These paths may also be fully qualified; and thus do not have to be relative.
NATIVEFILEPATH	\NATIVES\MESSAGE1.msg; \NATIVES\ATTACHMENT1.doc	Path to the record's native file. Every record has a relative path to its native file in this field. Note: These paths may also be fully qualified; and thus do not have to be relative.
HANDWRITTEN	YES	Field should be marked "YES" if the record has any handwritten notes or other text that is not contained in the text file
REDACTED	YES	Field should be marked "YES" if the record contains any redactions, "NO" otherwise

Metadata Fields Required Upon Specific Request

TAGS	FirstPass\Responsive; FirstPass\ForQC	If requested – a list of tags assigned to the record. Multiple tags are separated by the multi-value separator, for example: "A; B; C",
------	--	---

		and nested tags are denoted using the nested value separator, for example: "X\YZ". Tags for attachments will appear under the custom field "ATTACHMENT_TAGS".
FOLDERS	JohnDoeDocs\FirstPass	If requested – a list of folders of which the record is a part. Multiple folders are separated by the multi-value separator, for example: "A; B; C", and nested folders are denoted using the nested value separator, for example: "X\YZ". Folders for attachments will appear under the custom field "ATTACHMENT_FOLDERS".

United States Senate

February 28, 2017

The Honorable Richard Cordray
Director
Consumer Financial Protection Bureau
1625 Eye Street, N.W
Washington, D.C. 20006

Dear Director Cordray:

I write to recommend (b)(6) to sit on the Consumer Financial Protection Bureau's (CFPB) Consumer Advisory Board (CAB).

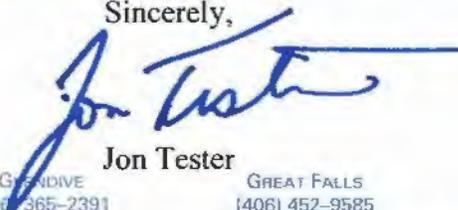
(b)(6)

It is my understanding that the CAB is looking to recruit individuals that have expertise in consumer protection, consumer financial products and services, and fair lending. I believe (b)(6) would offer an insightful perspective on these issues. He is a trusted expert in these areas and in many programs related to his community-based work.

(b)(6)

I would welcome the opportunity to discuss this nomination further and it is without hesitation that I recommend (b)(6) to join the CFPB's Consumer Advisory Board.

Sincerely,



Jon Tester



March 6, 2017

The Honorable Adam B. Schiff
U.S. House of Representatives
2411 Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Schiff:

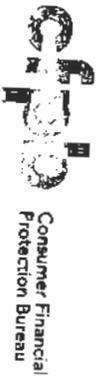
Thank you for contacting the Consumer Financial Protection Bureau regarding your constituent, (b)(6) concerning his recent experience as a victim of fraud.

We have referred this information to the Bureau's Office of Consumer Response. Collecting, investigating, and responding to consumer complaints are integral parts of the Bureau's work. 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. In addition, 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.

Thank you for bringing (b)(6) concerns to our attention and for the opportunity to respond. Should you have any additional questions, please feel free to contact me at (202) 435-9711.

Sincerely,

Catherine Galicia
Assistant Director for Legislative Affairs



March 2017

Dear Rep. Cleaver,

Thank you so much for being such a smash hit in your recent visit! One again, your message was incredibly inspiring to our folks here and I have heard from many of them since how much you mean and your words meant to them. And for myself, I wanted to thank you again for all your personal kindness to me,
 yours,
Ruben

consumerfinance.gov

Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

2157 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515-6143

MAJORITY (202) 225-5074
MINORITY (202) 225-5051

<http://oversight.house.gov>

March 8, 2017

The Honorable Richard Cordray
Director
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

Dear Mr. Cordray:

Federal recordkeeping and government transparency laws such as the Federal Records Act and the Freedom of Information Act (FOIA) ensure the official business of the government is properly preserved and accessible to the American public.¹ As the Committee with legislative jurisdiction over these laws, we have a longstanding interest in ensuring compliance with their provisions.² Over the past decade, our oversight has included monitoring trends in federal employees' use of technology in order to ensure the statutory requirements of these laws keeps pace with their original purpose. The Committee has authored several updates to these laws, such as the Presidential and Federal Records Act Amendments of 2014 and the FOIA Improvement Act of 2016.³ We plan to pursue additional efforts to update these laws.

Federal Records Act challenges have spanned across administrations. A 2013 report by the Inspector General for the Commodities Futures Trading Commission found that former Chairman Gary Gensler used his personal email consistently.⁴ Documents produced as part of the Committee's investigation into the Department of Energy's disbursement of funds under the Recovery Act showed that the former Executive Director of the Loan Program Office Jonathan Silver often used his personal email account to conduct official business.⁵

¹ Pub. L. No. 81-754 (1950); Pub. L. No. 89-487 (1967).

² See, e.g., letter from Hon. Henry Waxman, Chairman, Comm. on Oversight & Gov't Reform, to Hon. Michael Astrue, Comm'r, U.S. Soc. Sec. Admin., *et al.* (Apr. 12, 2007); letter from Hon. Darrell Issa, Chairman, Comm. on Oversight & Gov't Reform, to Hon. Jeffrey Zients, Acting Dir. for Mgmt., Office of Mgmt. & Budget, *et al.* (Dec. 13, 2012); MAJORITY STAFF OF H. COMM. ON OVERSIGHT & GOV'T REFORM, 114TH CONG., FOIA IS BROKEN: A REPORT (2016).

³ Pub. L. No. 113-187 (2014); Pub. L. No. 114-185 (2016).

⁴ OFFICE OF INSPECTOR GEN., COMMODITY FUTURES TRADING COMM'N, REVIEW OF THE COMMODITY FUTURES TRADING COMMISSION'S OVERSIGHT AND REGULATION OF MF GLOBAL, INC. (May 16, 2013).

⁵ See Carol D. Leonnig and Joe Stephens, *Energy Department loan program staffers were warned not to use personal e-mail*, WASH. POST, Aug. 14, 2012, http://articles.washingtonpost.com/2012-08-14/politics/35490043_1_personal-e-mail-e-mails-email.

Where a federal employee conducts any business related to the work of the government from a non-governmental email account, such as a personal email account, the Federal Records Act requires that the employee copy their official account or forward the record to their government email account within 20 days.⁶ Official business must be conducted in such a way as to preserve the official record of actions taken by the federal government and its employees.

Recent news reports suggest federal employees may increasingly be turning to new forms of electronic communication, including encrypted messaging applications like Signal, Confide, and WhatsApp, that could result in the creation of federal records that would be unlikely or impossible to preserve.⁷ The security of such applications is unclear.⁸ Generally, strong encryption is the best defense against cyber breaches by outside actors, and can preserve the integrity of decision-making communications. The need for data security, however, does not justify circumventing requirements established by federal recordkeeping and transparency laws.

To assist the Committee in better understanding your agency's policies on these issues, please provide the following information as soon as possible, but by no later than March 22, 2017:

1. Identify any senior agency officials who have used an alias email account to conduct official business since January 1, 2016. Include the name of the official, the alias account, and other email accounts used by the official to conduct official business.
2. Identify all agency policies referring or relating to the use of non-official electronic messaging accounts, including email, text message, messaging applications, and social media platforms to conduct official business, including but not limited to archiving and recordkeeping procedures.
3. Identify all agency policies referring or relating to the use of official text message or other messaging or communications applications, and social media platforms to conduct official business, including but not limited to archiving and recordkeeping procedures.
4. Identify agency policies and procedures currently in place to ensure all communications related to the creation or transmission of federal records on official electronic messaging accounts other than email, including social networking platforms, internal agency instant messaging systems and other communications applications, are properly captured and preserved as federal records.

⁶ 44 U.S.C. § 2911 (2017).

⁷ Andrew Restuccia, Marianne Levine, and Nahal Toosi, *Federal workers turn to encryption to thwart Trump*, POLITICO, Feb. 2, 2017, <http://www.politico.com/story/2017/02/federal-workers-signal-app-234510>; Jonathan Swan and David McCabe, *Confide: The app for paranoid Republicans*, AXIOS, Feb. 8, 2017, <https://www.axios.com/confide-the-new-app-for-paranoid-republicans-2246297664.html>.

⁸ Sheera Frenkel, *White House Staff Are Using A "Secure" App That's Not Really So Secure*, BUZZFEED NEWS, Feb. 16, 2017, <https://www.buzzfeed.com/sheerafrenkel/white-house-staff-are-using-a-secure-app-thats-really-not-so>.

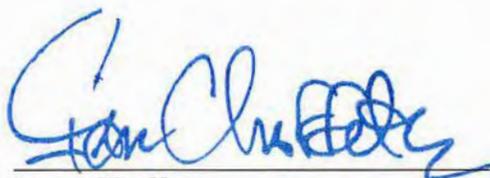
5. Explain how your agency complies with FOIA requests that may require searching and production of documents stored on non-official email accounts, social networking platforms, or other messaging or communications.
6. Provide the status of compliance by the agency with the Managing Government Records Directive issued by the Office of Management and Budget on August 24, 2012.⁹

When producing documents to the Committee, please deliver production sets to the Majority Staff in Room 2157 of the Rayburn House Office Building and the Minority Staff in Room 2471 of the Rayburn House Office Building. The Committee prefers, if possible, to receive all documents in electronic format. An attachment to this letter provides additional information about responding to the Committee's request. Please note that Committee Rule 16(b) requires counsel representing an individual or entity before the Committee or any of its subcommittees, whether in connection with a request, subpoena, or testimony, promptly submit the attached notice of appearance to the Committee.

The Committee on Oversight and Government Reform is the principal oversight committee of the House of Representatives and may at "any time" investigate "any matter" as set forth in House Rule X.

For any questions about this request, please have your staff contact Jeff Post of the Majority staff at (202) 225-5074 or Krista Boyd of the Minority staff at (202) 225-9493. Thank you for your attention to this matter.

Sincerely,



Jason Chaffetz
Chairman



Elijah E. Cummings
Ranking Member

Enclosures

⁹ Jeffrey D. Zients, Acting Director, Office of Management and Budget and David S. Ferriero, Archivist of the United States, National Archives and Records Administration, *Managing Government Records Directive* (Aug. 24, 2012) (M-12-18).

Responding to Committee Document Requests

1. In complying with this request, you are required to produce all responsive documents that are in your possession, custody, or control, whether held by you or your past or present agents, employees, and representatives acting on your behalf. You should also produce documents that you have a legal right to obtain, that you have a right to copy or to which you have access, as well as documents that you have placed in the temporary possession, custody, or control of any third party. Requested records, documents, data or information should not be destroyed, modified, removed, transferred or otherwise made inaccessible to the Committee.
2. In the event that any entity, organization or individual denoted in this request has been, or is also known by any other name than that herein denoted, the request shall be read also to include that alternative identification.
3. The Committee's preference is to receive documents in electronic form (i.e., CD, memory stick, or thumb drive) in lieu of paper productions.
4. Documents produced in electronic format should also be organized, identified, and indexed electronically.
5. Electronic document productions should be prepared according to the following standards:
 - (a) The production should consist of single page Tagged Image File ("TIF"), files accompanied by a Concordance-format load file, an Opticon reference file, and a file defining the fields and character lengths of the load file.
 - (b) Document numbers in the load file should match document Bates numbers and TIF file names.
 - (c) If the production is completed through a series of multiple partial productions, field names and file order in all load files should match.
 - (d) All electronic documents produced to the Committee should include the following fields of metadata specific to each document;

BEGDOC, ENDDOC, TEXT, BEGATTACH, ENDATTACH,
PAGECOUNT,CUSTODIAN, RECORDTYPE, DATE, TIME, SENTDATE,
SENTTIME, BEGINDATE, BEGINTIME, ENDDATE, ENDTIME, AUTHOR, FROM,
CC, TO, BCC, SUBJECT, TITLE, FILENAME, FILEEXT, FILESIZE,
DATECREATED, TIMECREATED, DATELASTMOD, TIMELASTMOD,
INTMSGID, INTMSGHEADER, NATIVELINK, INTFILPATH, EXCEPTION,
BEGATTACH.
6. Documents produced to the Committee should include an index describing the contents of the production. To the extent more than one CD, hard drive, memory stick, thumb drive, box or folder is produced, each CD, hard drive, memory stick, thumb drive, box or folder should contain an index describing its contents.

7. Documents produced in response to this request shall be produced together with copies of file labels, dividers or identifying markers with which they were associated when the request was served.
8. When you produce documents, you should identify the paragraph in the Committee's schedule to which the documents respond.
9. It shall not be a basis for refusal to produce documents that any other person or entity also possesses non-identical or identical copies of the same documents.
10. If any of the requested information is only reasonably available in machine-readable form (such as on a computer server, hard drive, or computer backup tape), you should consult with the Committee staff to determine the appropriate format in which to produce the information.
11. If compliance with the request cannot be made in full by the specified return date, compliance shall be made to the extent possible by that date. An explanation of why full compliance is not possible shall be provided along with any partial production.
12. In the event that a document is withheld on the basis of privilege, provide a privilege log containing the following information concerning any such document: (a) the privilege asserted; (b) the type of document; (c) the general subject matter; (d) the date, author and addressee; and (e) the relationship of the author and addressee to each other.
13. If any document responsive to this request was, but no longer is, in your possession, custody, or control, identify the document (stating its date, author, subject and recipients) and explain the circumstances under which the document ceased to be in your possession, custody, or control.
14. If a date or other descriptive detail set forth in this request referring to a document is inaccurate, but the actual date or other descriptive detail is known to you or is otherwise apparent from the context of the request, you are required to produce all documents which would be responsive as if the date or other descriptive detail were correct.
15. Unless otherwise specified, the time period covered by this request is from January 1, 2009 to the present.
16. This request is continuing in nature and applies to any newly-discovered information. Any record, document, compilation of data or information, not produced because it has not been located or discovered by the return date, shall be produced immediately upon subsequent location or discovery.
17. All documents shall be Bates-stamped sequentially and produced sequentially.
18. Two sets of documents shall be delivered, one set to the Majority Staff and one set to the Minority Staff. When documents are produced to the Committee, production sets shall be delivered to the Majority Staff in Room 2157 of the Rayburn House Office Building and the Minority Staff in Room 2471 of the Rayburn House Office Building.

19. Upon completion of the document production, you should submit a written certification, signed by you or your counsel, stating that: (1) a diligent search has been completed of all documents in your possession, custody, or control which reasonably could contain responsive documents; and (2) all documents located during the search that are responsive have been produced to the Committee.

Definitions

1. The term “document” means any written, recorded, or graphic matter of any nature whatsoever, regardless of how recorded, and whether original or copy, including, but not limited to, the following: memoranda, reports, expense reports, books, manuals, instructions, financial reports, working papers, records, notes, letters, notices, confirmations, telegrams, receipts, appraisals, pamphlets, magazines, newspapers, prospectuses, inter-office and intra-office communications, electronic mail (e-mail), contracts, cables, notations of any type of conversation, telephone call, meeting or other communication, bulletins, printed matter, computer printouts, teletypes, invoices, transcripts, diaries, analyses, returns, summaries, minutes, bills, accounts, estimates, projections, comparisons, messages, correspondence, press releases, circulars, financial statements, reviews, opinions, offers, studies and investigations, questionnaires and surveys, and work sheets (and all drafts, preliminary versions, alterations, modifications, revisions, changes, and amendments of any of the foregoing, as well as any attachments or appendices thereto), and graphic or oral records or representations of any kind (including without limitation, photographs, charts, graphs, microfiche, microfilm, videotape, recordings and motion pictures), and electronic, mechanical, and electric records or representations of any kind (including, without limitation, tapes, cassettes, disks, and recordings) and other written, printed, typed, or other graphic or recorded matter of any kind or nature, however produced or reproduced, and whether preserved in writing, film, tape, disk, videotape or otherwise. A document bearing any notation not a part of the original text is to be considered a separate document. A draft or non-identical copy is a separate document within the meaning of this term.
2. The term “communication” means each manner or means of disclosure or exchange of information, regardless of means utilized, whether oral, electronic, by document or otherwise, and whether in a meeting, by telephone, facsimile, email (desktop or mobile device), text message, instant message, MMS or SMS message, regular mail, telexes, releases, or otherwise.
3. The terms “and” and “or” shall be construed broadly and either conjunctively or disjunctively to bring within the scope of this request any information which might otherwise be construed to be outside its scope. The singular includes plural number, and vice versa. The masculine includes the feminine and neuter genders.
4. The terms “person” or “persons” mean natural persons, firms, partnerships, associations, corporations, subsidiaries, divisions, departments, joint ventures, proprietorships, syndicates, or other legal, business or government entities, and all subsidiaries, affiliates, divisions, departments, branches, or other units thereof.

5. The term “identify,” when used in a question about individuals, means to provide the following information: (a) the individual's complete name and title; and (b) the individual's business address and phone number.
6. The term “referring or relating,” with respect to any given subject, means anything that constitutes, contains, embodies, reflects, identifies, states, refers to, deals with or is pertinent to that subject in any manner whatsoever.
7. The term “employee” means agent, borrowed employee, casual employee, consultant, contractor, de facto employee, independent contractor, joint adventurer, loaned employee, part-time employee, permanent employee, provisional employee, subcontractor, or any other type of service provider.

**COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
U.S. HOUSE OF REPRESENTATIVES
115TH CONGRESS**

NOTICE OF APPEARANCE OF COUNSEL

Counsel submitting: _____

Bar number: _____ **State/District of admission:** _____

Attorney for: _____

Address: _____

Telephone: (_____) _____ - _____

Pursuant to Rule 16 of the Committee Rules, notice is hereby given of the entry of the undersigned as counsel for _____ in (select one):

- All matters before the Committee**
- The following matters (describe the scope of representation):**

All further notice and copies of papers and other material relevant to this action should be directed to and served upon:

Attorney's name: _____

Attorney's email address: _____

Firm name (where applicable): _____

Complete Mailing Address: _____

I agree to notify the Committee within 1 business day of any change in representation.

Signature of Attorney

Date



Consumer Financial
Protection Bureau

1300 Second Street, N.W. Washington, DC 20560

March 10, 2017

The Honorable Andy Barr
U.S. House of Representatives
1427 Longworth House Office Building
Washington, DC 20515

Dear Congressman Barr:

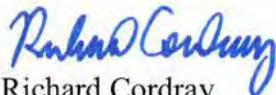
Thank you for your letter regarding the Consumer Financial Protection Bureau's use of media embargoes when communicating with the public. We appreciate your continued interest in the Bureau's work, and our shared recognition of the importance of ensuring the public is made aware of important Bureau matters in a clear and transparent manner.

Embargoed media advisories are a common practice at many government agencies, as they ensure that complex news or news tied to a public event is delivered transparently on the day it is officially released by the agency. The Bureau's goal is for the public to have an accurate representation of a Bureau announcement, and as a neutral third party the media is best suited to provide that information. Reporters routinely prepare stories for the morning of an anticipated news announcement. When the news is not made available under embargo, those stories often rely on unsubstantiated information from anonymous sources, or secondhand accounts by outside parties. Such practices are a less transparent way for the public to learn about Bureau announcements regarding important consumer protection matters. Providing embargoed announcements and background material assists in ensuring that reporters have sufficient time to review and understand the material, and to seek clarifications or additional information from the Bureau before filing a story.

A Bureau media embargo prohibits reporters from sharing the materials with third parties before the specified time. However, a reporter can call outside sources about embargoed materials while the embargo is still in place, so long as the specific content is not divulged. Although sharing embargoed material prior to its official release is not prohibited by law, media representatives generally adhere to the timing instructions assigned to the embargoed material, and the Bureau believes that the integrity behind this understanding acts as a critical safeguard. Furthermore, the Bureau does not share material with the media, embargoed or otherwise, where such a disclosure would constitute a violation of the law.

Thank you for sharing your concerns and providing the Bureau with an opportunity to respond. Should you have any additional questions, please do not hesitate to contact me, or have your staff contact Patrick O'Brien in the Bureau's Office of Legislative Affairs. Mr. O'Brien can be reached at 202-435-7180.

Sincerely,



Richard Cordray
Director



1100 G Street, N.W. | Washington, D.C. 20552

March 10, 2017

The Honorable Randy Hultgren
U.S. House of Representatives
2455 Rayburn House Office Building
Washington, DC 20515

Dear Congressman Hultgren:

Thank you for your letter regarding the Consumer Financial Protection Bureau's use of media embargoes when communicating with the public. We appreciate your continued interest in the Bureau's work, and our shared recognition of the importance of ensuring the public is made aware of important Bureau matters in a clear and transparent manner.

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Thank you for sharing your concerns and providing the Bureau with an opportunity to respond. Should you have any additional questions, please do not hesitate to contact me, or have your staff contact Patrick O'Brien in the Bureau's Office of Legislative Affairs. Mr. O'Brien can be reached at 202-435-7180.

Sincerely,



Richard Cordray
Director

March 10, 2017

The Honorable Richard Cordray
Director
Bureau of Consumer Financial Protection
1700 G Street, NW
Washington, D.C. 20552

Dear Director Cordray:

The Committee continues to review the August 24, 2016 rule proposed¹ by the Bureau of Consumer Financial Protection (“Bureau”) to substantially change the confidential treatment of information obtained by the Bureau from its regulated institutions.² While Section § 1022(c) of the Dodd-Frank Wall Street Reform and Consumer Protection (Pub. L. 111-203) (“Dodd-Frank”) Act permits the Bureau to share information collected from regulated institutions with other Federal agencies that have jurisdiction over institutions examined by the Bureau,³ the Bureau’s recent proposal may expand its authority in violation of the Dodd-Frank Act.

Specifically, the proposal would allow the Bureau to disclose any confidential information that is “relevant to the exercise of the Agency’s statutory or regulatory authority”⁴ with any “Federal, State, or foreign governmental authority, or an entity exercising governmental authority.”⁵ Notably absent from the Bureau’s proposed definition is the requirement that the entity receiving the Bureau’s confidential information exercise jurisdiction over the regulated institution from which the information is derived.

The Bureau’s proposal also raises important First Amendment concerns because it may operate as a prior restraint on speech.⁶ The proposed rule would prevent the disclosure of “civil investigative demands [and] notice and opportunity

¹ Amendments Relating to Disclosure of Records and Information, 81 Fed. Reg. 58,310 (proposed Aug. 24, 2016) (to be codified at 12 C.F.R. pt. 1070).

² See Letters from Hon. Jeb Hensarling, Chairman, H. Comm. on Fin. Services, to Hon. Richard Cordray, Dir., Consumer Fin. Prot. Bureau (Oct. 21, 2016).

³ Dodd-Frank Wall Street Reform and Consumer Protection Act § 1022(c)(6)(C)(ii), 12 U.S.C. § 5512(c)(6)(C)(ii).

⁴ Amendments Relating to Disclosure of Records and Information, 81 Fed. Reg. at 58,335.

⁵ *Id.* at 58,323. The Bureau proposes that entities exercising government authority even include “registration and disciplinary organizations like state bar associations.” *Id.* at 58,311.

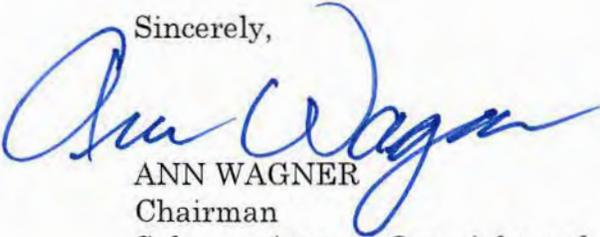
⁶ See Letter from Arthur Spitzer, Legal Dir., Am. Civil Liberties Union, to Consumer Fin. Prot. Bureau (Oct. 20, 2016) (submitting for official comment the ACLU’s position that the proposed regulation would be a prior restraint on speech requiring prospective speakers—recipients of civil investigative demands and notice and opportunity to respond and advise letters who wish to disclose them more broadly—to seek the Bureau’s permission before the speech takes place).

to respond and advise letters,"⁷ contrary to the long established practice of other agencies such as the Federal Trade Commission and the Securities and Exchange Commission.⁸ This departure – for which the Bureau offers no justification – would shield potential enforcement abuses from public scrutiny.

To allow the Committee to carry out its oversight responsibilities under the House Rules,⁹ please provide by not later than March 24, 2017:

1. The names and titles of all Bureau employees who developed the proposed rule;
2. All records regarding the Bureau's legal authority to share confidential information with foreign governmental authorities and entities that exercise governmental authority, such as state bar associations, and the procedures for sharing such information;
3. All records relating to the Bureau's interpretation of 12 U.S.C. § 5512(c)(6) and the proposed rule, including, but not limited to, legal memoranda relating to Section 5512(c)(6); and
4. All records relating to the proposal to expand the scope of 12 C.F.R. § 1070.42.¹⁰

If you have any questions regarding this request, please have your staff contact Elie Greenbaum of the Committee staff at (202) 225-7502.

Sincerely,

ANN WAGNER
Chairman
Subcommittee on Oversight and
Investigations

cc: The Hon. Al Green, Ranking Member

⁷ *Id.* at 58,316.

⁸ See 16 C.F.R. § 2.9 and 17 C.F.R. § 203.7.

⁹ Rule X, Rules of the House of Representatives, 115th Cong.

¹⁰ On October 21, 2016, the Committee requested the Bureau provide information regarding "the statutory authority on which the Bureau relies for amending 12 C.F.R. § 1070.42 [and the] legal safeguards [that] exist to prevent the Bureau from abusing the power it proposes to grant itself in this proposal." Letters from Hon. Jeb Hensarling, Chairman, H. Comm. on Fin. Services, to Hon. Richard Cordray, Dir., Consumer Fin. Prot. Bureau (Oct. 21, 2016). The Bureau has failed to provide a full and complete response to that request. The information requests contained herein are in addition to, and in no way supersede or replace, the Committee's October 21, 2016 records requests; all records requested by the Committee should be fully and promptly produced.

Committee Records Request Instructions

1. In complying with this request, you are required to produce all responsive records that are in your possession, custody, or control, whether held by you or your past or present agents, employees, and representatives acting on your behalf. You shall also produce records that you have a legal right to obtain, that you have a right to copy or to which you have access, as well as records that you have placed in the temporary possession, custody, or control of any third party. Requested records shall not be destroyed, modified, removed, transferred, or otherwise made inaccessible to the Committee.
2. In the event that any entity, organization, or individual denoted in this request has been, or is also known by any other name than that herein denoted, the request shall be read also to include that alternative identification.
3. A cover letter shall be included with each production and include the following:
 - a. A list of each piece of media included in the production with its unique production volume number.
 - b. A list of custodians, identifying the Bates range for each custodian.
 - c. The time zone in which the emails were standardized during conversion.
 - d. All Bates Prefix and Suffix formats for records contained in the production.
4. Records shall be produced to the Committee on one or more CDs, memory sticks, thumb drives, or USB hard drives. Production media shall be labeled with the following information: Case Number, Production Date, Producing Party, Bates Range.
5. All records shall be Bates-stamped sequentially and produced sequentially.
6. Records produced shall be organized, identified, and indexed electronically.
7. Only alphanumeric characters and the underscore (“_”) character are permitted in file and folder names. Special characters are not permitted.
8. Electronic record productions shall be prepared according to the following standards:
 - a. All submissions must be organized by custodian unless otherwise instructed.
 - b. Productions shall include:

1. A Concordance Data (.DAT) Load File in accordance with metadata fields as defined in **Appendix A**.
 2. A Standard Format Opticon Image Cross-Reference File (.OPT) to link produced images to the records contained in the .DAT file.
 3. A file (can be Microsoft Word, Microsoft Excel, or Adobe PDF) defining the fields and character lengths of the load file.
- c. The production format shall include images, text, and native electronic files. Electronic files must be produced in their native format, i.e., the format in which they are ordinarily used and maintained during the normal course of business. For example, a Microsoft Excel file must be produced as a Microsoft Excel file rather than an image of a spreadsheet. **NOTE:** An Adobe PDF file representing a printed copy of another file format (such as Word Document or Webpage) is NOT considered a native file unless the record was initially created as a PDF.
1. Image Guidelines:
 1. Single or multi page TIFF files.
 2. All TIFF images must have a unique file name, i.e., Bates Number
 3. Images must be endorsed with sequential Bates numbers in the lower right corner of each image.
 2. Text Guidelines:
 1. All text shall be produced as separate text files, not inline within the .DAT file.
 2. Relative paths shall be used to link the associated text file (FIELD: TEXTPATH) to the record contained in the load file.
 3. Associated text files shall be named as the BEGBATES field of each record.
 3. Native File Guidelines:
 1. Copies of original email and native file records/attachments must be included for all electronic productions.
 2. Native file records must be named per the BEGBATES field.

3. Relative paths shall be used to link the associated native file (FIELD: NATIVEFILELINK) to the record contained in the load file.
 4. Associated native files shall be named as the BEGBATES field of each record.
 - d. All record family groups, i.e. email attachments, embedded files, etc., should be produced together and children files should follow parent files sequentially in the Bates numbering.
 - e. Only 1 load file and one Opticon image reference file shall be produced per production volume.
 - f. All extracted text shall be produced as separate text files.
 - g. Record numbers in the load file should match record Bates numbers and TIFF file names.
 - h. All electronic record produced to the Committee should include the fields of metadata listed in **Appendix A**.
9. Records produced to the Committee shall include an index describing the contents of the production. To the extent that more than one CD, hard drive, memory stick, thumb drive, box, or folder is produced, each CD, hard drive, memory stick, thumb drive, box, or folder shall contain an index describing its contents.
 10. Records produced in response to this request shall be produced together with copies of file labels, dividers, or identifying markers with which they were associated when the request was served.
 11. When you produce records, you shall identify the paragraph or number in the Committee's request to which the records respond and add a metadata tag listing that paragraph or number (see **Appendix A**).
 12. Two sets of records shall be delivered, one set to the Majority Staff and one set to the Minority Staff. To the extent the Minority Staff does not have an electronic record review platform, records shall be produced to the Minority Staff in searchable PDF format and shall be produced consistent with the instructions specified in this schedule to the maximum extent practicable.
 13. Production media and produced records shall not be encrypted, contain any password protections, or have any limitations that restrict access and use.
 14. It shall not be a basis for refusal to produce records that any other person or entity also possesses non-identical or identical copies of the same records.

15. In the event that a record is withheld, you shall provide a log containing the following information concerning any such record: (a) the reason why the record was withheld; (b) the type of record; (c) the general subject matter; (d) the date, author and addressee; (e) the relationship of the author and addressee to each other; and (f) any other description necessary to identify the record and to explain the basis for not producing the record. If a claimed privilege applies to only a portion of any record, that portion only should be withheld and the remainder of the record should be produced. As used herein, "claim of privilege" includes, but is not limited to, any claim that a record either may or must be withheld from production pursuant to the constitution or any statute, rule, or regulation.
 - a. Any objections or claims of privilege are waived if you fail to provide an explanation of why full compliance is not possible and a log identifying with specificity the ground(s) for withholding each withheld record prior to the request compliance date.
 - b. In complying with the request, be apprised that (unless otherwise determined by the Committee) the Committee does not recognize: any purported non-disclosure privileges associated with the common law including, but not limited to, the deliberative-process privilege, the attorney-client privilege, and attorney work product protections; any purported privileges or protections from disclosure under the Freedom of Information Act; or any purported contractual privileges, such as non-disclosure agreements.
 - c. Any assertion by a request recipient of any such non-constitutional legal bases for withholding records or other materials shall be of no legal force and effect and shall not provide a justification for such withholding or refusal, unless and only to the extent that the Chairman of the Committee has consented to recognize the assertion as valid.
16. If any record responsive to this request was, but no longer is, in your possession, custody, or control, or has been placed into the possession, custody, or control of any third party and cannot be provided in response to this request, you should identify the record (stating its date, author, subject and recipients) and explain the circumstances under which the record ceased to be in your possession, custody, or control, or was placed in the possession, custody, or control of a third party.
17. If any record responsive to this request was, but no longer is, in your possession, custody or control, state:
 - a. how the record was disposed of;

- b. the name, current address, and telephone number of the person who currently has possession, custody or control over the record;
 - c. the date of disposition;
 - d. the name, current address, and telephone number of each person who authorized said disposition or who had or has knowledge of said disposition.
18. If any record responsive to this request cannot be located, describe with particularity the efforts made to locate the record and the specific reason for its disappearance, destruction or unavailability.
19. If a date or other descriptive detail set forth in this request referring to a record is inaccurate, but the actual date or other descriptive detail is known to you or is otherwise apparent from the context of the request, you are required to produce all records which would be responsive as if the date or other descriptive detail were correct.
20. This request is continuing in nature and applies to any newly-discovered information. Any responsive record not produced because it has not been located or discovered by the return date shall be produced immediately upon subsequent location or discovery.
21. If properties or permissions are modified for any records produced electronically, receipt of such records will not be considered full compliance with the request.
22. Upon completion of the record production, you shall submit a written certification signed by you or your counsel, stating that:
- a. a diligent search has been completed of all records in your possession, custody, or control which reasonably could contain responsive records;
 - b. records responsive to the request have not been destroyed, modified, removed, transferred, or otherwise made inaccessible to the Committee since the date of receiving the Committee's request or in anticipation of receiving the Committee's request, and
 - c. all records located during the search that are responsive have been produced to the Committee, identified in a log provided to the Committee, as described in (15) above, or identified as provided in (16), (17) or (18) above.
23. When representing a witness or entity before the Committee in response to a record request or request for transcribed interview, counsel for the witness or entity must promptly submit to the Committee a notice of appearance specifying the following: (a) counsel's name, firm or organization, and contact information;

and (b) each client represented by the counsel in connection with the proceeding. Submission of a notice of appearance constitutes acknowledgement that counsel is authorized to accept service of process by the Committee on behalf of such client(s), and that counsel is bound by and agrees to comply with all applicable House and Committee rules and regulations.

Committee Records Request Definitions

1. The term “records” means any written, recorded, or graphic matter of any nature whatsoever, regardless of how recorded or preserved, and whether original or copy.
2. The term “records in your possession, custody or control” means (a) records that are in your possession, custody, or control, whether held by you or your past or present agents, employees, or representatives acting on your behalf; (b) records that you have a legal right to obtain, that you have a right to copy, or to which you have access; and (c) records that have been placed in the possession, custody, or control of any third party.
3. The term “communication” means each manner or means of disclosure or exchange of information, regardless of means utilized, whether oral, electronic, by document or otherwise, and whether in an in-person meeting, by telephone, facsimile, e-mail (desktop or mobile device), text message, MMS or SMS message, regular mail, telexes, releases, or otherwise.
4. The terms “and” and “or” shall be construed broadly and either conjunctively or disjunctively to bring within the scope of this request any information which might otherwise be construed to be outside its scope. The singular includes plural number, and vice versa. The masculine includes the feminine and neuter genders.
5. The terms “person” or “persons” means natural persons, firms, partnerships, associations, corporations, subsidiaries, divisions, departments, joint ventures, proprietorships, syndicates, or other legal, business or government entities, and all subsidiaries, affiliates, divisions, departments, branches, and other units thereof.
6. The terms “pertaining to,” “referring,” or “relating,” with respect to any given subject, means anything that constitutes, contains, embodies, reflects, identifies, states, refers to, deals with or is in any manner whatsoever pertinent to that subject.

MIME_TYPE	MSG	The content type of an Email or native file record as identified/extracted from the header
FILE_EXTEN	MSG	The file type extension representing the Email or native file record; will vary depending on the email format
AUTHOR	John Smith	Email: (empty) Native: Author of the record
DATE_CREATED	10/10/2010	Email: (empty) Native: Date the record was created
TIME_CREATED	10:25 AM	Email: (empty) Native: Time the record was created **This data must be a separate field and cannot be combined with the DATE_CREATED field
DATE_MOD	10/12/2010	Email: (empty) Native: Date the record was last modified
TIME_MOD	07:00 PM	Email: (empty) Native: Time the record was last modified **This data must be a separate field and cannot be combined with the DATE_MOD field
DATE_ACCESSSD	10/12/2010	Email: (empty) Native: Date the record was last accessed
TIME_ACCESSSD	07:00 PM	Email: (empty) Native: Time the record was last accessed **This data must be a separate field and cannot be combined with the DATE_ACCESSSD field
PRINTED_DATE	10/12/2010	Email: (empty) Native: Date the record was last printed
NATIVEFILESIZE	5,952	Size of native file record/email in KB **Use only whole numbers
PGCOUNT	1	Number of pages in native file record/email
PATH	J:\Shared\SmithJ\October Agenda.doc	Email: (empty) Native: Path where native file record was stored including original file name
INTFILEPATH	Personal Folders\Deleted Items\Board Meeting Minutes.msg	Email: original location of email including original file name Native: (empty)
INTMSGID	<000805c2c71b\$75977050\$cb 8306d1@MSN>	Email: Unique Message ID Native: (empty)
MD5HASH	d131dd02c5e6eec4693d9a069 8aff95c2fcab58712467eab4004583eb 8fb7f89	MD5 Hash value of the record
TEXTPATH	\TEXT\AAA0001.txt	Path to the record's text file that contains extracted text to be used for processing. Every record has a relative path to its text file in this field. Note: These paths may also be fully qualified; and thus do not have to be relative.
NATIVEFILEPATH	\NATIVES\MESSAGE1.msg; \NATIVES\ATTACHMENT1.doc	Path to the record's native file. Every record has a relative path to its native file in this field. Note: These paths may also be fully qualified; and thus do not have to be relative.
HANDWRITTEN	YES	Field should be marked "YES" if the record has any handwritten notes or other text that is not contained in the text file
REDACTED	YES	Field should be marked "YES" if the record contains any redactions, "NO" otherwise

Metadata Fields Required Upon Specific Request

TAGS	FirstPass\Responsive; FirstPass\ForQC	If requested – a list of tags assigned to the record. Multiple tags are separated by the multi-value separator, for example: "A; B; C",
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		and nested tags are denoted using the nested value separator, for example: "X\YZ". Tags for attachments will appear under the custom field "ATTACHMENT_TAGS".
FOLDERS	JohnDoeDocs\FirstPass	If requested – a list of folders of which the record is a part. Multiple folders are separated by the multi-value separator, for example: "A; B; C", and nested folders are denoted using the nested value separator, for example: "X\YZ". Folders for attachments will appear under the custom field "ATTACHMENT_FOLDERS".



Consumer Financial
Protection Bureau

1700 G Street, N.W. Washington, DC 20552

March 13, 2017

The Honorable Jeb Hensarling
Chairman
Committee on Financial Services
United States House of Representatives
2129 Rayburn House Office Building
Washington, DC 20515

The Honorable Jason Chaffetz
Chairman
Committee on Oversight and Government Reform
United States House of Representatives
2157 Rayburn House Office Building
Washington, DC 20515

The Honorable Ann Wagner
Chairman
Subcommittee on Oversight and Investigations
Committee on Financial Services
United States House of Representatives
2129 Rayburn House Office Building
Washington, DC 20515

The Honorable Jim Jordan
Chairman
Subcommittee on Health Care, Benefits and
Administrative Rules
Committee on Oversight and Government Reform
United States House of Representatives
2157 Rayburn House Office Building
Washington, DC 20515

Dear Chairmen Hensarling, Chaffetz, Wagner, and Jordan:

Thank you for your letter of February 27, 2017, regarding the Consumer Financial Protection Bureau's compliance with federal records preservation requirements. The Bureau is committed to maintaining an effective and efficient records management program that governs the creation, retention, appraisal, and disposal of records in a systematic and orderly way and in accordance with federal records preservation requirements.

To ensure compliance with federal records management obligations, the Bureau has instituted policies and procedures regarding records management and provided training to all employees on their recordkeeping obligations. The Bureau has in place several policies specifically addressing the management and retention of emails. Additionally, in order to address emerging technological issues such as the management and retention of electronic messages including text messages, the Bureau's Records Management Officer is currently working to create and distribute supplemental Bureau-wide records management guidance to include specific guidance on managing electronic records. The Bureau is also updating the Records Management Policy to include additional electronic messaging guidance. In addition, the Bureau has implemented the "Capstone Approach" to manage email and instant messaging records by creating over 1,745 archive mailboxes for employees and contractors, and transferring over 1,419 gigabytes of data into the archive mailboxes. To support the transition to the "Capstone Approach," the Records Management Office has conducted over 30 Capstone Management briefings with Bureau staff.

The Records Management Office also routinely conducts electronic messaging briefings with Senior Officials, Records Liaison Officers, and staff.

Your letter refers to a press report published by the *Daily Caller* on January 23, 2017, which describes certain text messages produced by the Bureau pursuant to Freedom of Information Act requests. As discussed in the *Daily Caller* article, pursuant to a FOIA request in August 2016, the Bureau produced text messages that were stored on the Bureau-issued or Bureau-reimbursed devices of certain Bureau staff since January 1, 2015. After further communications with the requester, the requester also sought all incoming and outgoing text messages from my private device to or from CFPB staff since January 1, 2015. Per your request, enclosed please find copies of the Freedom of Information Act requests discussed in the *Daily Caller* article referenced in your letter, as well as the documents produced in response to those requests.

Your letter also requested certain information regarding any non-governmental email accounts or phone numbers used by me, including a list of all email accounts and phone numbers used by me to transact government business, and the number of emails sent or received by me using a non-governmental email account to or from the governmental email accounts of dozens of Bureau employees. Bureau staff is conducting a review to determine what if any information is responsive to these requests. Given the large number of Bureau email accounts implicated by the list of officials in your letter, a responsible review of each of these accounts for any responsive records will take some time. Bureau staff will work assiduously to conduct the necessary searches and will provide that information once it is available.

Should you have any questions about this response, please contact me or have your staff contact Anne Tindall of the Bureau's Legal Division or Patrick O'Brien of the Bureau's Office of Legislative Affairs. Ms. Tindall can be reached at (202) 435-9591 and Mr. O'Brien can be reached at (202) 435-7180.

Sincerely,



Richard Cordray
Director

cc: The Honorable Maxine Waters, Ranking Member
Committee on Financial Services

The Honorable Elijah Cummings, Ranking Member
Committee on Oversight and Government Reform

The Honorable Al Green, Ranking Member
Subcommittee on Oversight and Investigations
Committee on Financial Services

The Honorable Raja Krishnamoorthi, Ranking Member
Subcommittee on Health Care, Benefits and Administrative Rules
Committee on Oversight and Government Reform



1700 G Street, N.W., Washington, DC 20552

March 13, 2017

The Honorable Ann Wagner
Chairman
Subcommittee on Oversight and Investigations
Committee on Financial Services
U.S. House of Representatives
2129 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Wagner:

I write in response to your February 27, 2017 letter, which requests records related to the allocation made from the Consumer Financial Protection Bureau's Civil Penalty Fund on May 27, 2016.

The records included in the enclosed production respond to items 1, 2 and 3 in your letter, and concern the three allocations made from the Civil Penalty Fund on May 27, 2016 to classes of victims from the Walter J. Ledda (Morgan Drexen, Inc.); Irvine Web Works, Inc. d/b/a Student Loan Processing; and Student Aid Institute, Inc. and Steven Lamont cases. Please be advised that the Bureau is still performing due diligence on the data for the Walter J. Ledda (Morgan Drexen, Inc.) case and has not yet created its final list of victims for that case. Thus, it does not yet have the list that will indicate the amount that each victim will receive from the Civil Penalty Fund or the amount of each victim's uncompensated harm, as requested by item 3 of your February 27 letter. The Bureau has, however, finalized the victim lists for the Student Loan Processing and Student Aid Institute matters, and it is including with this production records indicating the amount that each victim from those cases is receiving from the Civil Penalty Fund, the amount of those victims' uncompensated harm, and the basis for those amounts.

Item 4 in your letter will likely yield a large volume of potentially responsive materials. While some of the documents we are producing today are responsive to that request, given the request's substantial breadth, staff-level dialogue will be necessary to ensure efficient and expeditious production. We invite your staff to engage in discussions with Bureau staff to scope and prioritize the records of most interest to the Committee.

Should you have questions about this matter, please contact me or have your staff contact Steven Bressler of the Bureau's Legal Division or Patrick O'Brien of the Bureau's Office of Legislative Affairs. Mr. Bressler can be reached at (202) 435-7248, and Mr. O'Brien can be reached at (202) 435-7180.

Sincerely,



Richard Cordray
Director

cc: The Honorable Al Green, Ranking Member
Subcommittee on Oversight and Investigations
Committee on Financial Services

United States House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

March 13, 2017

Stuart Ishimaru
Director, Office of Minority and Women Inclusion
Consumer Financial Protection Bureau
1625 Eye Street N.W.
Washington, D.C. 20006

Dear Mr. Ishimaru:

We invite you and other Directors of the Offices of Minority and Women Inclusion (OMWI) to participate in a public roundtable with the Federal financial services agencies on Tuesday, March 21, 2017, from 4:00 p.m. to 6:00 p.m. in room HVC-200, of the Capitol Visitor Center in Washington, D.C.

This event will give Members from the Tri-Congressional Caucus, and other interested stakeholders, a chance to engage in a robust discussion with the OMWI Directors regarding how they are promoting workforce and supplier diversity in all levels of business and activities within their respective agencies. We appreciate the OMWI Directors' work in understanding and identifying challenges to increasing diversity and inclusion at their agencies, as outlined in their annual reports submitted over the last several years. However, Members and the public are all eager to learn about the new and innovative solutions that agencies have adopted, and are likely to be implemented going forward.

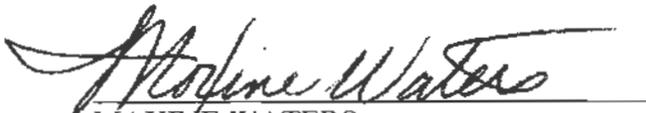
We have received feedback from various organizations, including women and minority trade associations, regarding implementation of section 342 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, as well as section 1116 of the Housing and Economic Recovery Act. Based on the aforementioned feedback, we anticipate that there will be considerable interest. We expect that the OMWI Directors will be prepared to provide detailed responses about their agency's specific efforts to increase the utilization of women, minorities, and women- and minority-owned businesses at all levels within their agency, including procurement, insurance, and other types of contracting opportunities.

We hope that the OMWI Directors share our view that it is important to conduct broad and on-going outreach to both build awareness about their roles within the agencies, in addition to ensuring that their activities are achieving desired outcomes. For this reason, we plan to conduct a moderated discussion between 4:00 p.m. and 5:30 p.m. However we would like all OMWI Directors to remain at the event until 6:00 p.m., enabling Members and external stakeholders to interact with them on a more informal basis.

Stuart Ishimaru
March 13, 2017
Page 2

Please RSVP for this roundtable no later than noon by Wednesday, March 15, 2017, by contacting Erika Jeffers, with the Financial Services Committee Democratic staff, Erika.Jeffers@mail.house.gov or Scott Farnin, with Congresswoman Beatty's staff, Scott.Farnin@mail.house.gov.

Sincerely,


MAXINE WATERS
Member of Congress


JOYCE BEATTY
Member of Congress

cc: Honorable Richard Cordray, Director, Consumer Financial Protection Bureau

EMANUEL CLEAVER, II
FIFTH DISTRICT, MISSOURI

FINANCIAL SERVICES COMMITTEE
HOUSING AND INSURANCE SUBCOMMITTEE
OVERSIGHT AND INVESTIGATIONS SUBCOMMITTEE



<http://WWW.HOUSE.GOV/CLEAVER>
[TWITTER.COM/REPCLEAVER](https://twitter.com/REPCLEAVER)
[FACEBOOK.COM/EMANUELCLEAVER II](https://facebook.com/emanuelcleaver)

Congress of the United States
House of Representatives

March 15, 2017

Mr. Richard Cordray
Director
Consumer Financial Protection Bureau
1275 First St. N.E.
Washington, D.C. 20002

Dear Director Cordray:

Thank you for the continued work of the Consumer Financial Protection Bureau (CFPB) to protect consumers from financial abuse and to fight discrimination in our financial markets. This work is invaluable, but we need the agency to fend off new potentially discriminatory lending models that are emerging online.

FinTech lending companies, also known as alternative small-business lending, are a fast-growing industry offering a new wave of innovation—and also pose many new risks. Over the past decade, there's been a very large increase of Silicon Valley start-ups and technology companies that are functioning like banks. The CFPB was created to protect consumers and borrowers from banks and non-bank practices that may have previously operated in the shadows of the system.

While the CFPB's primary focus is on protecting consumers, the Congress also gave clear authority for the agency to protect borrowers of small business loans from discriminatory practices. I am deeply concerned that some FinTech companies may be using algorithms that shut out hardworking individuals from communities of color from accessing affordable small business credit. The CFPB must use its authorities under the Equal Credit Opportunity Act to combat these abuses.

According to a Harvard Business School study exploring the promise and challenges of alternative small-business lending, there were some serious problems identified amongst these companies:

- **High costs.** Lenders commonly charge APRs (annual percentage rates) above 50% and can easily reach over 300%.
- **Double dipping.** Repeat borrowers incur additional fees each time they renew their loans.
- **Hidden prepayment charges.** Unlike traditional loans, many alternative lenders require payment of the full interest even when loans are repaid early.
- **Misaligned broker incentives.** Small-business loan brokers often recommend the most expensive loans because they earn the highest fees on those loans.
- **Stacking.** Multiple lenders provide loans to the same borrower, resulting in additional and hidden fees.

PLEASE REPLY TO:

2335 RAYBURN HOB
WASHINGTON, DC 20515
(202) 225-4535 (PHONE)
(202) 225-4403 (FAX)

101 WEST 31ST STREET
KANSAS CITY, MO 64108
(816) 842-4545 (PHONE)
(816) 471-5215 (FAX)

211 WEST MAPLE AVENUE
INDEPENDENCE, MO 64050
(816) 833-4545 (PHONE)
(816) 833-2991 (FAX)

1923 MAIN STREET
HIGGINSVILLE, MO 64037
(660) 584-7373 (PHONE)
(660) 584-7227 (FAX)



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In addition to the facts laid out in this report, it is also evident that, historically in our country, we have witnessed numerous instances where discriminatory behavior has been directed toward African-Americans, other racial minorities or even minority-owned businesses within the auto-lending, home mortgage, and traditional banking industries. And too often in a "Wild West" economic environment, it can be the most vulnerable and least protected people or small businesses that can be taken advantage of by unsavory actors.

FinTech companies geared toward lending to small businesses by using certain biased algorithms for creditworthiness have the potential of charging disproportionately higher rates to minority-owned businesses. It is therefore important to determine if minority-owned small businesses are being charged higher rates, or if they have been subject to predatory fees by these FinTech firms.

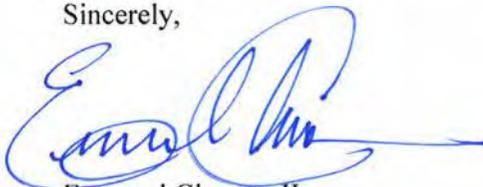
For example, algorithms used by large technology firms have led to disturbing discriminatory outcomes. Researchers at Harvard found that ads for arrest records were significantly more likely to show up when users include search terms for distinctively black names or a Historically Black fraternity.^[1] According to a study by Carnegie Mellon University researchers, Google's online advertising system showed ads for high-income jobs to men much more often than it showed them to women.^[2]

Given the importance of ensuring our small business lending markets are free of discrimination, I am calling on you and the CFPB to vigorously investigate whether FinTech companies engaged in small business lending are complying with all anti-discrimination laws, including the Equal Credit Opportunity Act. I would also appreciate responses to the following questions:

- (1) Section 1071 of Dodd-Frank amended the ECOA to require financial institutions to collect and maintain loan data for women-owned, minority-owned and small business credit applicants. When does the CFPB anticipate finalizing regulation and guidance to fully implement this provision?
- (2) Has the CFPB engaged in any supervisory activities over FinTech small business lenders? If so, did the CFPB identify problems with their compliance with the ECOA?
- (3) Will the CFPB solicit complaints from consumers, particularly those from communities of color, through its consumer complaint portal, who feel they have been discriminated against by a FinTech lender offering small business loans? If not, how can consumers formally submit a complaint?

For the health of our society and our economy, the CFPB must act quickly to combat any abuses by FinTech companies that may be charging minority borrowers predatory rates on small business credit. Thank you for your close attention to this issue.

Sincerely,



Emanuel Cleaver, II
Member of Congress

^[1] <http://dataprivacylab.org/projects/onlineads/1071-1.pdf>

^[2] <http://www.andrew.cmu.edu/user/danupam/dtd-pets15.pdf>



Consumer Financial
Protection Bureau

1700 G Street N.W., Washington, DC 20552

March 16, 2017

The Honorable Tom Graves
Chairman
Subcommittee on Financial Services and General Government
Committee on Appropriations
U.S. House of Representatives
2000 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Graves:

Thank you for your letter concerning the Consumer Financial Protection Bureau's rulemaking activity. The Dodd-Frank Wall Street Reform and Consumer Protection Act created the Consumer 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. The purpose of the Consumer Bureau is to implement and, where applicable, enforce Federal consumer financial laws consistently to ensure that all consumers have access to markets for consumer financial products and services, and that such markets are fair, transparent, and competitive.

Your letter asks whether the Consumer Bureau will comply with a memorandum from White House Chief of Staff Reince Priebus to the heads of Executive Departments and Agencies. Subsequent to that memorandum, President Trump issued executive orders regarding regulations, to which, many have noted, independent agencies are not subject. One of the executive orders directs the Secretary of the Department of the Treasury to consult with the heads of the member agencies of the Financial Stability Oversight Council on the extent to which existing laws and regulations promote certain core principles. In my role as a member of the FSOC, I will work with the Treasury Secretary as he engages in this consultation.

Additionally, the Consumer Bureau is committed to well-tailored and effective regulations in accordance with the provisions of the Dodd-Frank Act. To date, the Consumer Bureau has sought to carefully calibrate its efforts to ensure consistency with respect to consumer financial protections across the financial services marketplace, while accounting for the different business models and classes of financial institutions. In furtherance of this commitment, the Consumer Bureau has taken the following actions for different models and classes of institutions:

- **Expanded safe harbor for small creditors.** A small creditor has a broader safe harbor for its Qualified Mortgage (QM) loans than a non-small creditor. The Consumer Bureau's rules provide a safe harbor for QMs with annual percentage rate (APR) spreads over Average Prime Offer Rate (APOR) up to 350 basis points, whereas non-small creditors

have a safe harbor for spreads up to 150 basis points. The Consumer Bureau's rules also allow a small creditor to make QMs with debt-to-income ratios that exceed the otherwise applicable 43 percent cap. (Small creditors must hold these loans in portfolio for three years.)

- **Exempted small creditors in rural and underserved areas.** Small creditors that operate predominantly in rural or underserved areas are exempt from requirements to establish escrow accounts for higher priced mortgage loans and from restrictions on offering QMs and Home Ownership and Equity Protection Act (HOEPA) loans ("high cost" mortgages as defined in the HOEPA) that have balloon payment features. QMs and HOEPA loans generally cannot have balloon payments.
- **Implemented a two-year pause for small creditors.** The Consumer Bureau established a two-year transition period (until January 10, 2016) allowing small creditors to make balloon-payment QMs and balloon-payment HOEPA loans regardless of whether they operate predominantly in rural or underserved areas, while the Consumer Bureau revisited and reconsidered the definition of "rural" for this purpose.
- **Expanded exemptions for rural and underserved areas.** In connection with other changes to amend the definitions of "small creditor" and "rural area," the Consumer Bureau published a final rule in October 2015 that extended this two-year transition period from January 2016 until April 2016. The Bureau's final rule also provided a significant expansion of "rural," as well as an expansion of which entities can qualify as "small creditors." The Consumer Bureau's final rule took effect on January 1, 2016, before the two-year transition period expired. In March 2016, the Consumer Bureau issued an interim final rule that implements the Helping Expand Lending Practices in Rural Communities Act, and makes these provisions available to small creditors that extend at least one covered transaction secured by property located in a rural or underserved area in the previous calendar year. About 6,000 additional small creditors will be eligible as a result of this change.
- **Relaxed requirements for appraisals.** Small creditors have relaxed rules regarding conflict of interest in ordering appraisals and other valuations.
- **Exempted small servicers from providing periodic statements.** Small servicers are exempt from the Truth in Lending Act requirement to provide periodic statements.
- **Exempted small servicers from loss mitigation requirements.** Small servicers are exempt from all of the Real Estate Settlement Procedures Act provisions on policies and procedures; early intervention; continuity of contact; and loss mitigation, except that a small servicer may not file for foreclosure unless the borrower is more than 120 days delinquent on the mortgage. Small servicers may also not file for foreclosure (or move for a foreclosure judgment or order of sale, or conduct a foreclosure sale) if a borrower is performing under the terms of a loss mitigation agreement.

- **Excluded certain seller-financed transactions and mortgage loans voluntarily serviced for a non-affiliate from being counted toward the small servicer loan limit**, allowing servicers that would otherwise qualify for small servicer status to retain their exemption while servicing those transactions.
- **Exempted lower-volume depository institutions from Home Mortgage Disclosure Act reporting.** In October of 2015, the Consumer Bureau adopted a final rule revising Regulation C, which implements HMDA. HMDA and Regulation C, among other things, require covered mortgage lenders to report data concerning their mortgage lending activity. Changes to coverage in the final rule will reduce the number of banks, savings associations, and credit unions that are required to report HMDA data. The revisions will relieve about 22 percent of currently reporting depository institutions from the burden of reporting HMDA data.
- **Provided regulatory certainty for small entities under the Electronic Fund Transfer Act.** In the Consumer Bureau's rules implementing the Dodd-Frank Act's amendments to the Electronic Fund Transfer Act, the Consumer Bureau determined that the remittance requirements do not apply to transfers sent by entities that provide 100 or fewer remittances each year.

The Consumer Bureau is committed to ensuring our rules and regulations are tailored and balanced. As we fulfill our mandate to protect consumers, we are mindful of the impact of compliance on financial institutions and responsive to their concerns. Balanced regulations are essential for protecting consumers from harmful practices and ensuring that consumer financial markets function in a fair, transparent, and competitive manner.

Should you have any additional questions about the Consumer Bureau's rulemaking, please do not hesitate to contact me, or have your staff contact Catherine Galicia in the Consumer Bureau's Office of Legislative Affairs. Mrs. Galicia can be reached at 202-435-9711. I look forward to working with you on consumer financial protection issues of interest to you and your constituents.

Sincerely,



Richard Cordray
Director



March 20, 2017

The Honorable Sherrod Brown
Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, DC 20510

Dear Ranking Member Brown:

Enclosed please find the Consumer Financial Protection Bureau's sixth annual report to Congress pursuant to Section 1692m of the Fair Debt Collection Practices Act.

Should you have any questions about the enclosed report, please contact me at (202) 435-9711.

Sincerely,

Catherine Galicia

Assistant Director for Legislative Affairs

Fair Debt Collection Practices Act

CFPB Annual Report 2017

Message from Richard Cordray



Director of the CFPB

The year 2017 marks the fortieth anniversary of the enactment of the Fair Debt Collection Practices Act (“FDCPA”). In enacting that law, Congress found “abundant evidence of the use of abusive, deceptive, and unfair debt collection practices by many debt collectors” and enacted the law to put an end to such practices and assure “that those debt collectors who refrain from using abusive debt collection practices are not competitively disadvantaged.” Much has changed in the ensuing forty years in the ways in which debt is collected and even in the types of entities engaged in debt collection. But the Act remains as important today as it was the day that it was signed into law.

The Consumer Financial Protection Bureau (“Bureau” or “CFPB”) is the only federal government agency dedicated solely to consumer financial protection. Among our important responsibilities is administering and enforcing the FDCPA. We recognize that debt collection is a necessary part of a functioning financial system. At the same time, we recognize that illegal practices have no place in the debt collection process, and that if such practices are not stopped, those collectors seeking to adhere to the law will find themselves at a competitive disadvantage. It is therefore vitally important that the protections built into the FDCPA are vigorously enforced. The Bureau is authorized to do so along with our partners at the Federal Trade Commission (“FTC”). In 2016, the Bureau and the FTC took important steps to vindicate the rights set forth in the FDCPA.

The CFPB seeks to assure compliance with the FDCPA through its Supervision program and through public enforcement actions. The CFPB is the first federal agency to have the authority to supervise non-depository institutions, including debt collectors, in the same manner that banks

and other depositories have long been examined. In 2016, our examinations of debt collectors identified a number of violations of the law, including false representations made by debt collectors to consumers, unlawful fees charged by debt collectors, and illegal disclosure of debts to third parties. CFPB examinations also found instances in which debt sellers sold accounts for collection that did not properly reflect that the accounts were discharged in bankruptcy, were fraudulent, or had already been paid. Where appropriate, the CFPB required debt collectors to provide consumer redress and undertake remedial and corrective actions.

Additionally, in 2016 the CFPB brought ten new public enforcement actions involving debt collections and continued litigation in three other such cases that had been filed previously. In the cases that were concluded in 2016, \$39 million was paid in restitution for consumers who were impacted by illegal debt collection practices and \$20 million in civil penalties.¹

Likewise, as described more fully in the Report and in the FTC letter included as the Appendix, the FTC brought or resolved 12 debt collection cases in 2016, including a focus on phantom debt collection and a sweep on unlawful text messages and emails as a means of collecting debt. The CFPB also filed *amicus curiae* briefs in two appellate court FDCPA actions raising significant legal issues, and assisted the Solicitor General's office in the preparation of two *amicus* briefs that were filed in the Supreme Court in cases implicating the FDCPA. Those four cases are still pending. Additionally, three cases before federal courts of appeals in which CFPB filed *amicus* briefs in prior years were decided in 2016, two of which had been filed jointly with the FTC.

Another important tool through which the Bureau is able to protect consumers is through its Consumer Response program, which receives and processes complaints from consumers who believe they have been mistreated by debt collectors or other providers of consumer financial products or services. In 2016, as in past years, debt collection was the category in which the Bureau received the most complaints from consumers. The most common complaint involved "continued attempts to collect debt not owed." The Office of Consumer Response receives these complaints and, where appropriate, sends them to the debt collector to provide them with the opportunity to respond to or remedy the complaint and/or sends them to other agencies.

¹ These figures include actions related to unlawful collection conduct in violation of the FDCPA, the Consumer Financial Protection Act of 2010 ("CFPA"), or both.

The Bureau also continues to provide a variety of resources to consumers who face debt collection attempts and to social services workers and volunteers that serve populations that may face debt collection attempts. One of these resources, “Ask CFPB,” provides answers to common questions across a number of consumer financial topics. The debt collection category continues to be one of the most viewed topics.² In 2013, the Bureau created five sample letters which consumers can use to communicate when debt collectors contact them. These letters have since been downloaded approximately 389,800 times. The Bureau also created a financial empowerment training and toolkit called *Your Money, Your Goals* for use by social services workers and other front-line staff and volunteers working with economically vulnerable consumers. This toolkit covers a variety of financial topics, including debt management and consumer financial protection. As of the end of 2016, more than 13,500 staff and volunteers in social services, legal aid, worker, and community organizations were trained on *Your Money, Your Goals*, reaching an estimated 600,000 consumers.

In enacting the Dodd-Frank Wall Street Reform and Consumer Protection Act, Congress granted the CFPB general rulemaking authority to issue regulations under the FDCPA. The Bureau commenced its rulemaking activity in 2013 by issuing an Advance Notice of Proposed Rulemaking. In July 2016, the Bureau released an Outline of Proposals Under Consideration (the “Outline”) for those who are defined as “debt collectors” under the FDCPA. At the same time, the Bureau published a Study of Third Party Debt Collection Operations, and preliminary results from the Bureau’s Survey of Consumer Views on Debt.

On August 25, 2016, the Bureau convened a panel pursuant to the Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA). That panel, which was composed of the CFPB, Small Business Administration (SBA), and the Office of Management and Budget (OMB), obtained input from small businesses in the debt collection industry on the possible impact of debt collection rulemaking on their businesses. The Bureau is considering the feedback it received through the SBREFA panel and from other stakeholders subsequent to publication of the Outline.

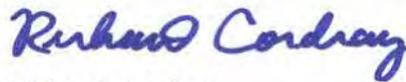
At the same time, the Bureau continues to conduct research and monitor the debt collection market. In January 2017, the Bureau released two studies on the debt collection market: a white

² The Bureau’s debt collection consumer education resources can be found at <https://www.consumerfinance.gov/consumer-tools/debt-collection/>.

paper about the Online Debt Sales market, which describes websites where charged-off consumer debts can be purchased and outlines potential consumer protection concerns that may arise in the absence of appropriate safeguards; and a groundbreaking research report on Consumer Experiences With Debt Collection, based upon the Bureau's Survey of Consumer Views on Debt.

At the CFPB, we believe in a debt collection market where consumers know their rights and are protected from harassment and deception while collectors are able to collect debts in an honest, lawful, and cost-effective manner. On the FDCPA's fortieth anniversary, we remain committed to the law's goal of protecting consumers while ensuring that debt collectors who follow the law and respect consumers are not competitively disadvantaged.

Sincerely,



Richard Cordray

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Introduction

The Consumer Financial Protection Bureau is pleased to submit to Congress its sixth annual report summarizing activities to administer the Fair Debt Collection Practices Act (“FDCPA”), 15 U.S.C. § 1692 *et seq.* The Bureau and the Federal Trade Commission (“FTC” or “the Commission”) share government enforcement responsibility for the FDCPA. The Commission’s activities during the past year are included in this report and a letter from the FTC describing them appears in the Appendix. The CFPB and the FTC work closely to coordinate debt collection enforcement actions and other matters related to debt collection.³

This report provides a background on the debt collection market; contains an overview of consumer complaints submitted to the CFPB and the FTC in 2016; summarizes the Bureau’s supervisory activities in the debt collection market; describes the Bureau’s and the Commission’s enforcement actions; describes *amicus curiae* briefs filed in cases related to the FDCPA; presents the CFPB’s and FTC’s consumer education and outreach initiatives; and discusses developments in the Bureau’s rulemaking activities and the FTC’s policy and research initiatives.

³ See Memorandum of Understanding between the Consumer Financial Protection Bureau and the Federal Trade Commission (March 2015), *available at* https://www.ftc.gov/system/files/documents/cooperation_agreements/150312ftc-cfpb-mou.pdf. As part of this coordination, CFPB and FTC staff regularly meet to discuss ongoing and upcoming law enforcement, rulemaking, and other activities, share debt collection complaints, cooperate on consumer education efforts in the debt collection arena, and consult on debt collection rulemaking and guidance initiatives.

2. Background

Debt collection is an \$11.4 billion dollar industry that employs more than 130,000 people across approximately 8,500 collection agencies in the United States.⁴ The debt collection industry affects millions of Americans. According to a recent CFPB survey of US consumers, about one-third of consumers with credit files – or about 70 million Americans – were contacted by a creditor or third-party debt collector attempting to collect a debt in the past year.⁵ Debt collection efforts include calls, letters, filing lawsuits, and other methods to collect alleged debts from consumers.

In the course of attempting to collect debts, debt collectors must adhere to a variety of laws and regulations which govern topics as diverse as telephone communications (e.g., the Telephone Consumer Protection Act, or TCPA) and furnishing information to credit reporting agencies (e.g. the Fair Credit Reporting Act, or FCRA) as well as various state statutes. The primary law that governs the conduct of debt collectors is the FDCPA,⁶ which establishes consumer protections in the debt collection process including the rights to dispute a debt and instruct a collector to stop communication about an alleged debt. The FDCPA prohibits debt collectors from harassing and abusing consumers and prohibits them from discussing a consumer’s debts with third parties (with some exceptions).

The law empowers the CFPB and FTC to enforce its provisions and establishes a private right of action for any person affected by a violation of the FDCPA. The FDCPA also requires the CFPB to

⁴ Edward Rivera at IBIS World, *Debt Collection Agencies in the US* (December 2016).

⁵ Consumer Financial Protection Bureau. *Consumer Experiences with Debt Collection*. January 2017

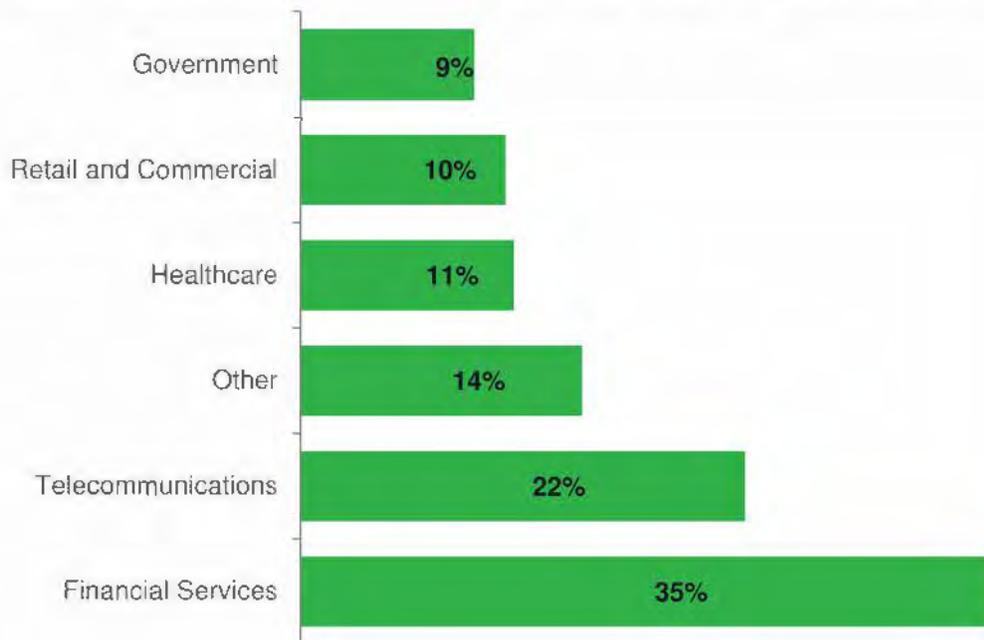
⁶ Fair Debt Collection Practice Act. 15 U.S.C. § 1692 et. seq.

submit this report on “the administration of its functions” under the FDCPA and enables it to “obtain ... the views” of other agencies that enforce the FDCPA, such as the FTC.⁷

2.1 Industry Breakdown

Debt collectors generate most of their revenue from collections of medical debt, student loans, and financial services obligations such as credit cards, auto loans, and mortgages. Financial services are the largest source of revenue for the industry, accounting for more than a third of all debt collection revenue. However, telecommunications debt also accounts for a large share of industry revenue – more than a fifth.⁸ Government, retail, and medical debt are also significant drivers of industry revenue.

FIGURE 1: DEBT COLLECTION MARKET SEGMENTS BY SHARE OF REVENUE, 2016 (IBIS WORLD)



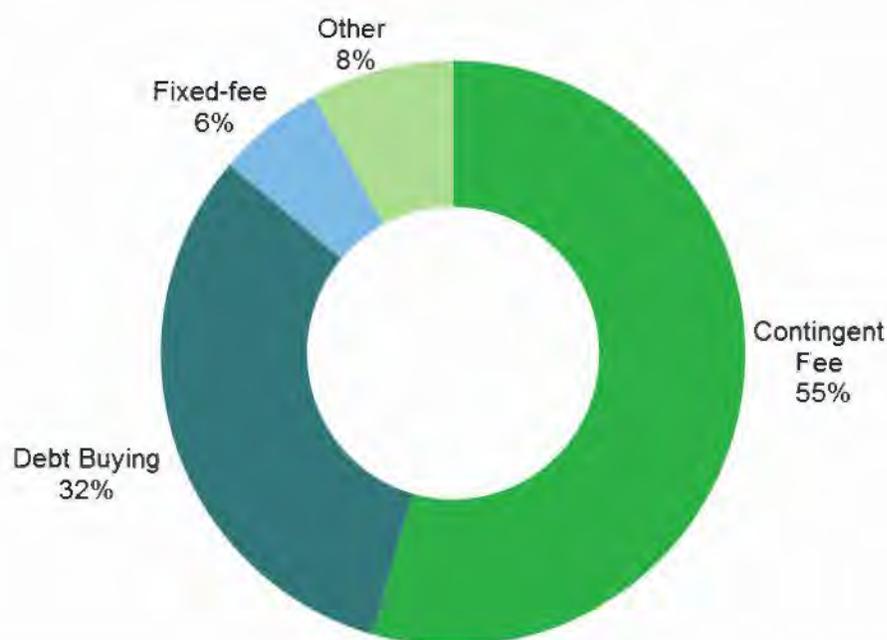
⁷ 15 U.S.C. § 1692m

⁸ Edward Rivera at IBIS World, *Debt Collection Agencies in the US* (December 2016).

\$6.27 billion – more than half the industry’s revenue – is generated by firms contracting with creditors to collect their debts on a contingency fee basis, meaning that the creditor and the collector each receive a share of the amount collected.

About one-third of debt collection revenue, \$3.6 billion, comes from debt buyers, who purchase accounts from the original creditor or other debt buyers and then generally seek to collect on that debt, either themselves or through contingency debt collectors.⁹ Although they represent about one third of industry revenue, this overstates debt buyers’ share of dollars collected, since debt buyer revenue includes all amounts recovered whereas the revenue of contingency collectors includes only the share of recoveries retained by the collector.

FIGURE 2 DEBT COLLECTION AGENCY TYPES BY SHARE OF REVENUE, 2016 (IBIS WORLD)



Due to its low fixed costs and high susceptibility to fluctuations in the supply of debt and labor costs, debt collection is a volatile industry with a large number of firms – according to some estimates, about 8,500.

⁹ Edward Rivera at IBIS World, *Debt Collection Agencies in the US* (December 2016).

The industry has been experiencing consolidation in recent years. According to a study by the Association of Credit and Collection Professionals, there were 25% fewer debt collection agencies in 2013 than in 2005,¹⁰ despite industry revenues being slightly higher in 2013.¹¹

2.2 Market Outlook

The debt collection industry is substantially impacted by the credit cycle, which determines how many charged-off debts are available to collect. As a result of increased consumer debt, especially in non-housing categories where debt collectors are most frequently employed, it appears likely that the availability of debt to collect will increase. This would be especially likely if an unfavorable change in economic circumstances made it more difficult for consumers to pay their obligations.

Consumer debt has continued to increase since 2013 and is approaching its 2008 peak. However, growth in consumer debt has been fueled primarily by increases in non-housing debt. In 2016 alone, credit card debt rose \$46 billion, or 6.3%, student debt increased by \$78 billion, or 6.3%, and auto debt rose by \$93 billion, or 8.7%.¹² Delinquency rates remain relatively stable, although they have not returned to their pre-crisis levels.¹³ However, the combination of these levels of debt and an economic downturn could lead to a substantial increase in the amount of delinquent and ultimately charged-off accounts.

An increase in portfolios of delinquent debt in the event of a downturn also looks somewhat likely in auto finance. Total outstanding auto debt reached a record high in 2016¹⁴, and lending to

¹⁰ ACA International, Ernst and Young, *Impact of Third-Party Debt Collection on the National and State Economies* (2013, 2011), available at <http://www.acainternational.org/advocacy/industry-research-statistics>

¹¹ Edward Rivera at IBIS World, *Debt Collection Agencies in the US* (September 2015).

¹² Andrew Haughwout et al. "Just Released: Total Household Debt Nears 2008 Peak but Debt Picture Looks Much Different." *Liberty Street Economics*. Federal Reserve Bank of New York. February 16, 2017. <http://libertystreeteconomics.newyorkfed.org/2017/02/just-released-total-household-debt-nears-2008-peak-but-debt-picture-looks-much-different.html>

¹³ Federal Reserve Bank of New York. *Quarterly Report on Household Debt and Credit*. 2016Q4. February 2017

¹⁴ Federal Reserve Bank of New York. *Quarterly Report on Household Debt and Credit*. 2016Q4. February 2017

subprime consumers is at a higher level than it has been for more than a decade.¹⁵ Preliminary results from a study by S&P Global Ratings suggest that net losses on subprime auto loans in the event of a comparatively mild downturn, such as the one between 1998 and 2003, would be higher than the losses that resulted from the 2009 financial crisis.¹⁶ This suggests that a downturn, if one occurs, could lead to a significant number of auto deficiencies, which are in some instances are collected by third party debt collectors or sold to debt buyers.

Similarly, outstanding credit card debt continues to increase, reaching \$927 billion in the third quarter of 2016. The increase in debt in the third quarter was the largest such increase since 2007. The average indebted American household owes about \$8,000 in credit card debt.¹⁷ As with auto lending, a potential downturn would likely cause a spike in delinquencies, which could ultimately increase the number of charged-off accounts available for collection.

¹⁵ Kyle Stock. *Bloomberg*. "The Next Financial Crisis Might Be in Your Driveway." February 21, 2017. Analysis of data from the Federal Reserve Bank of New York. <https://www.bloomberg.com/news/articles/2017-02-21/the-next-financial-crisis-might-be-in-your-driveway>

¹⁶ William Hoffman. *Auto Finance News*. "S&P Stress Tests Show Rising Subprime Auto Losses." February 12, 2017

¹⁷ Alina Comoreanu. *WalletHub*. "2016 Credit Card Debt Study: Trends & Insights." December 8, 2016

Consumer complaints

Collecting, investigating, and responding to consumer complaints are integral parts of the CFPB's work.¹⁸ The CFPB's Office of Consumer Response ("Consumer Response") hears directly from consumers about the challenges they face in the marketplace, brings their concerns to the attention of companies, and assists in addressing these complaints.

The CFPB, which began taking consumer complaints about debt collection in July 2013, accepts complaints through its website and by telephone, mail, email, fax, and referral. Consumers submit complaints on the Bureau's website using complaint forms tailored to specific products and can also log on to a secure consumer portal to check the status of a complaint and review a company's response. When completing the complaint form, consumers provide a narrative of the events giving rise to their complaint and can elect to publish a scrubbed narrative on the Bureau's website. While on the website, consumers can chat with a live agent to get 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.¹⁹ The Bureau answers questions and refers consumers to other regulators or additional resources as appropriate and forwards complaints to companies for review and response.

The CFPB's complaint handling process focuses on collecting, investigating, and responding to complaints.²⁰ The Bureau also uses complaints for law enforcement purposes and shares

¹⁸ See Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, § 1021(c)(2) (2010). ("Dodd-Frank Act").

¹⁹ The CFPB's U.S.-based contact centers provide services to consumers in more than 180 languages and to consumers who are deaf, have hearing loss, or have speech disabilities via a toll-free telephone number.

²⁰ See Dodd-Frank Act, Pub. L. No. 111-203, § 1021(c)(2), 124 Stat. 1376, 1979 (2010).

complaint data with the FTC. The FTC uses the Bureau's information, as well as complaints submitted directly to it by consumers and from other federal and state agencies, to compile consumer complaints in its Consumer Sentinel system and makes them available to federal and state law enforcement. The FTC uses consumer complaints generally to monitor the debt collection industry, select targets for investigation, and conduct preliminary analysis that, with further factual development, might reveal or help prove a law violation.

As in previous years, debt collection is the most complained about consumer financial product or service in the Bureau's complaint system. As shown in Table 1, in 2016, again the most common issue selected by consumers submitting a complaint related to debt collection is continued attempts to collect a debt that the consumer states is not owed (41%). These consumers often report that debt collectors are contacting them about debts that either have a different balance or have been fully paid. In response to these complaints, third-party debt collectors often close and return the account to their clients, while first-party collectors report that they inform the consumer about the current status of their account and make attempts to reach a resolution.

Consumers continue to submit complaints about a lack of debt verification by collectors in response to consumer disputes; in fact, this issue saw the largest percentage increase from 2015 (see Table 2). These consumers report that they were not given enough information to verify a debt. In complaints submitted against third-party collectors especially, some consumers report that they do not have enough information to verify medical debt—often stating that they believed their health insurance covered the expenses.

Consumers still commonly report issues with communication tactics used by collectors, though the number of complaints about communication tactics decreased from 2015 (see Table 2). Consumers complain about frequent or repeated calls from collectors. These consumers report that they receive multiple calls weekly or even daily. In complaints submitted against first-party collectors, some consumers report that they receive repeated calls early in their delinquency or during grace periods.

Number and types of complaints handled

From January 1, 2016 through December 31, 2016, the CFPB handled approximately 88,000 debt collection complaints—2,900 more complaints than the prior year. These complaints include

first-party (creditors collecting on their own debts) and third-party collections. Table 1 shows the types of debt collection complaints the CFPB has handled, while Table 2 shows the change in complaint volume by issue.

TABLE 1: DEBT COLLECTION COMPLAINTS BY ISSUE

Primary issue	%
Continued attempts to collect debt not owed	41%
Disclosure/verification of debt	20%
Communication tactics	15%
False statements or representation	9%
Taking or threatening an illegal action	9%
Improper contact or sharing of information	6%
Total debt collection complaints	100%

TABLE 2: CHANGE IN COMPLAINT VOLUME BY ISSUE²¹

	% change	2015 complaints	2016 complaints
Disclosure verification of debt	36%	12,900	17,500
Continued attempts to collect debt not owed	5%	34,300	36,200
Improper contact or sharing of info	-2%	5,600	5,400
False statements or representation	-3%	8,100	7,800
Communication tactics	-11%	15,200	13,500
Taking or threatening an illegal action	-16%	9,000	7,500
Grand Total	3%	85,100	88,000

²¹ This report is based on dynamic data and may slightly differ from other public reports.

For each of the six issues listed in Table 1 and Table 2, consumers also select additional, more-detailed sub-issues when submitting a complaint.

As indicated in Table 1, the most common debt collection complaint is about continued attempts to collect a debt that the consumer reports is not owed. The vast majority of these consumers report that the debt is not their debt (61%) or that the debt was paid (27%), while the remaining consumers report that the debt resulted from identity theft (8%) or was discharged in bankruptcy (4%).

Issues with disclosures or providing information sufficient to verify the debt was the second-most common issue selected by consumers in their complaints (see line 2 in Table 1). If a collector is covered by the FDCPA, the law requires collectors within five days of that communication to provide consumers with a written notice informing them, among other things, of their right to dispute debts. Some consumers, however, complain that debt collectors do not provide this notice (23%). Most consumers who complain about the dispute process raise the concern that when they exercise their rights to dispute debts, collectors do not provide them with documentation that consumers believe collectors need to verify the debt (69%). The complaints related to disputed debts also reveal confusion on the part of consumers as to when and how they can dispute a debt.²² Other consumers report that the company did not disclose that the communication was an attempt to collect a debt (7%).

Communication tactics used when collecting debts were the third most common issue complained about in 2016 (see line 3 of Table 1). Many of these types of complaints are about improper telephone calls. The majority of complaints about communication tactics are about frequent or repeated calls (53%). In a consumer complaint, one consumer told us that they were frustrated by the amount of calls they received about a debt they didn't understand.

"After missing multiple calls a day from this company I finally spoke with someone. They had sent my final bill to my old address and I never got it. The person I spoke to at the company corrected my address and arranged to send out a reprint of the bill. She waved the ridiculous {\$5.00} fee to have the bill reprinted. I let her know that I would be taking care of the bill as soon as I received it.

²² As discussed in Section 6.1, the Bureau has developed and made available a form letter to assist consumers in disputing debts.

Not 1 day later the calls started again.

I received a call this morning by a very pushy caller and was told that if I was taken off the call list without making payment arrangements my bill would go into collections. I asked why my file hadn't been updated to show that I was cooperating and s(he) said their system just doesn't show everything.

When I complained about their repetitive calls the caller said that legally the system could call my phone up to 6 times per day. This is harassment and also threatening by saying my bill would go into collections.

By their admission, even though I was cooperating, they were going to call me up to 6 times per day until my bill was paid.

These are unacceptable business practices.

Please look into the company."

Consumers report that collectors contact them using alternative methods, in addition to telephone calls. These methods include text messaging, emails, and social media. Other communication tactics complaints relate to reports of companies threatening to take legal action (30%), using obscene, profane, or abusive language (7%), calling after being sent written cease communication notices (6%), or calling outside of the FDCPA's assumed convenient calling hours from 8 a.m. to 9 p.m. at the consumer's location (3%).

The majority of complaints about false statements or representations (see line 4 of Table 2) are about attempts to collect the wrong amount from the consumer (66%). In addition, consumers report that companies impersonated an attorney or a law enforcement or government official (18%), indicated the consumer committed a crime by not paying debt (13%), or indicated that the consumer should not respond to a lawsuit (2%).

Consumers also report companies taking or threatening to take an illegal action (see line 5 of Table 1). Most of these complaints are about threats to arrest or jail consumers if they do not pay (39%). Other complaints relate to lawsuits including threats to sue on a debt that is too old (29%), seizures or attempts to seize property (11%), being sued without proper notification of the lawsuit (10%), collection or attempts to collect exempt funds such as child support or unemployment

benefits (7%), or being sued in a place that is different from where the consumer lives or where the consumer signed the contract (3%).

For consumers submitting complaints about improper contact or sharing of information (see line 6 of Table 1), consumers most often report the collector talked to a third party about the debt (55%), contacted the consumer after being asked not to do so (24%), or contacted an employer after being asked not to do so (19%). A less common complaint relates to consumers reporting that they are contacted directly, instead of the debt collector contacting their attorney (2%).

3.2 Responses to complaints handled

The CFPB has sent approximately 41,400 (47%) of the about 88,000 debt collection complaints it has handled to companies for their review and response. The CFPB has also forwarded some of the remaining debt collection complaints to other regulatory agencies (38%), while other complaints were found to be incomplete (10%), or are pending²³ with the consumer or the CFPB (5%).²⁴

Companies have already responded to approximately 37,000 complaints or 89% of the approximately 41,400 complaints sent to them for response. Consumers have disputed approximately 6,400 company responses (18%) to their complaints.

The following table shows how companies have responded to consumer complaints.

TABLE 3: HOW COMPANIES HAVE RESPONDED TO CONSUMER COMPLAINTS TO THE CFPB

Company Response	#	%
Closed with explanation	28,800	70%

²³ This category includes complaints that do not include information needed for the CFPB to send to companies for responses or refer to other regulatory agencies.

²⁴ All complaints handled by the Bureau, including those sent to other regulators, serve to inform the Bureau in its work to supervise companies, to enforce consumer financial laws, to write better rules and regulations, and to educate and engage consumers.

Closed with non-monetary relief	4,900	12%
Company did not provide a timely response	3,400	8%
Company reviewing	1,500	4%
Closed (without relief or explanation)	1,400	3%
Closed with monetary relief	400	1%
Administrative response	1,200	3%
Total Complaints Sent to Companies for Response	41,400	100%²⁵

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 categorization of the response. Response category options include “closed with monetary relief,” “closed with non-monetary relief,” “closed with explanation,” “closed,” 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. 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 consumer’s 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 provide feedback on all company closure responses.

²⁵ Due to rounding, volume and percentages for each company response category may not add up to the total.

Bureau supervision of debt collection activities

Under the Dodd-Frank Act, the CFPB has the authority to supervise certain bank and nonbank entities that offer or provide consumer financial products or services.²⁶ In addition, for other nonbank markets for consumer financial products or services, the Bureau has the authority to supervise “larger participants” as the Bureau defines by rule. Under the Bureau’s larger participant rule for the debt collection market, the Bureau has supervisory authority over any firm with more than \$10 million in annual receipts from consumer debt collection activities.

In 2016, the Bureau’s supervision of debt collectors uncovered a number of violations of the FDCPA.²⁷

²⁶ Specifically, the Bureau has authority to supervise certain banks and nonbank entities in the residential mortgage, payday lending, and private education lending markets. The Bureau also has the authority to supervise nonbank entities that offer or provide consumer financial products or services where it has “reasonable cause to determine, by order, after notice to the person and a reasonable opportunity for such person to respond...that such person is engaging, or has engaged, in conduct that poses risks to consumers with regard to the offering or provision of consumer financial products or service.” 12 U.S.C. § 5514(a)(1)(C).

²⁷ In deference to the importance of confidentiality and consistent with the policies of the prudential regulators, the Bureau treats information obtained from companies through the supervisory process as confidential and privileged. *See* 12 C.F.R. pt. 1070; CFPB Bulletin 12-01: *The Bureau’s Supervision Authority and Treatment of Confidential Supervisory Information* (January 2012), available at http://files.consumerfinance.gov/f/2012/01/GC_bulletin_12-01.pdf; *see also* 12 U.S.C. §§ 1821(t), 1828(x).

Miscoding of accounts unsuitable for sale by debt sellers

The FDCPA prohibits unfair acts or practices in connection with the collection of a debt.²⁸ During one or more examinations, examiners determined that debt sellers, as a result of widespread coding errors, sold thousands of debts that did not properly reflect that: (1) the accounts were in bankruptcy, (2) the debt sellers had concluded the debts were products of fraud, or (3) the accounts had been settled in full. The relevant accounts sold were in, or likely to be subject to, collections. Supervision concluded that this practice was unfair.

In some cases, coding failed to reflect a pending bankruptcy proceeding when the debt seller had received notice that the consumer had filed for bankruptcy. In other instances, one or more debt sellers either failed to code accounts to indicate that a fraud claim was pending or failed to code accounts to indicate that fraud had occurred. In other cases, one or more debt sellers failed to include codes indicating that the debt seller(s) had settled the relevant accounts in full. These errors caused or were likely to cause substantial injury in the form of subjecting consumers to debt collection efforts either: (1) prohibited by the automatic stay provisions of the Bankruptcy Code²⁹ or (2) on debts for which the consumer was not responsible because the relevant accounts were impacted by fraud or were settled in full. Supervision directed one or more debt sellers to redress consumers impacted by each category of the three coding errors and to enhance service provider oversight to include critical vendors performing collections and processes relating to debt sale arrangements, such as suppliers providing coding services.

Unlawful fees

The FDCPA limits situations where a debt collector may impose convenience fees. Under Section 808(1) of the FDCPA,³⁰ a debt collector may not collect any amount unless such amount is expressly authorized by the agreement creating the debt or permitted by law. In one or more exams, examiners observed that one or more debt collectors charged consumers a “convenience fee” to process payments by phone and online. Examiners determined that this convenience fee

²⁸ 12 USC 5531(c); 5536(a)(1)(B).

²⁹ 11 USC 362.

³⁰ 15 USC 1692f(1).

violated Section 808(1) where the consumer's contract does not expressly permit convenience fees and the applicable state's law was silent on whether such fees are permissible. Additionally, under Section 807(2)(B) of the FDCPA,³¹ a debt collector may not make false representations of compensation which may be lawfully received by the debt collector. Examiners determined that collectors who demanded these unlawful fees, stated that the fees were "nonnegotiable," or withheld information from consumers about other avenues to make payments that would not incur the fee after the consumer requested such information violated Section 807(2)(B) of the FDCPA.

Supervision also found that one or more debt collectors violated Section 808(1) of the FDCPA by charging collection fees in states where collection fees were prohibited or in states that capped collection fees at a threshold lower than the fees that were charged. Examiners also observed a compliance management system weakness at one or more collectors that had not maintained any records showing the relationship between the amount of the collection fee and the cost of collection.

The relevant entities have undertaken remedial and corrective actions regarding these violations; these matters remain under review by the Bureau.

False representations

Section 807(10) of the FDCPA prohibits debt collectors from using any false representation or deceptive means to collect a debt or obtain information concerning a consumer.³² Examiners determined that one or more collectors falsely represented to consumers that a down payment was necessary in order to establish a repayment arrangement, when the collectors' policies and procedures included no such requirement.

In other cases, one or more collectors falsely represented that the only option for repayment was using a checking account, when the debt collectors' policies and procedures did not limit repayment to checking accounts.

³¹ 15 USC 1692e(2)(B).

³² 15 USC 1692e(10).

At one or more debt collectors, examiners identified collection calls where employees purported to assess consumers' creditworthiness, credit scores, or credit reports, which were misleading because collectors could not assess overall borrower creditworthiness. Collectors also misled consumers by representing that an immediate payment would need to be made in order to prevent a negative impact on consumers' credit.

In one or more instances, examiners observed that collectors had impersonated consumers while using the relevant creditors' consumer-facing automated telephone system to obtain information about the consumer's debt. Examiners concluded that this constituted a false representation or deceptive means to collect or attempt to collect any debt or to obtain information concerning a consumer.

On one or more collection calls, examiners heard collectors tell consumers that the ability to settle the collection account was revoked or would expire. Examiners determined that these statements were false or were a deceptive means to collect a debt because the consumers still had the ability to settle. The relevant entities have undertaken remedial and corrective actions regarding these violations; these matters remain under review by the Bureau.

Communication with third parties

Section 805 of the FDCPA³³ prohibits debt collectors from communicating in connection with the collection of a debt with persons other than the consumer, unless the purpose is to acquire information about the consumer's location. Under Section 804 of the FDCPA,³⁴ when communicating with third parties to acquire information about the consumer's location, a collector is prohibited from disclosing the name of the debt collection company unless the third party expressly requests it.

At one or more debt collectors, examiners identified several instances where collectors disclosed the debt owed by the consumer to a third party. These third-party communications were often caused by inadequate identity verification during telephone calls. Additionally, examiners

³³ 15 USC 1692c(b).

³⁴ 15 USC 1692b(1).

observed several instances where collectors identified their employers to third parties without first being asked for that information by the third party.

The relevant entities have undertaken remedial and corrective actions regarding these violations; these matters remain under review by the Bureau.

Debt collection *amicus* briefs

In the past year, the Bureau has filed briefs as *amicus curiae* (friend of the court) in four cases arising under the FDCPA. Two of these briefs were filed in the federal courts of appeals, and two of these briefs were filed in the U.S. Supreme Court through the Office of the Solicitor General. In addition, three cases in which the Bureau filed *amicus* briefs in prior years were decided in 2016.

Collection of Protected Social Security Funds: *Arias* amicus brief

On October 26, 2016, the Bureau filed an *amicus* brief in the Second Circuit case of *Arias v. Gutman, Mintz, Baker & Sonnenfeldt, PC* to address when a debt collector violates the FDCPA in the course of garnishing money from an account containing the consumer's Social Security or other protected funds.³⁵ The consumer in this case alleged, among other things, that a debt collection law firm violated the FDCPA by telling a consumer that he could protect his Social Security benefits from forcible collection only by showing that he had not commingled his benefits with non-exempt funds. The district court dismissed the consumer's suit for failure to state a claim of either deceptive or unfair conduct in violation of the FDCPA.

The Bureau's brief argued that the consumer had stated valid deception and unfairness claims.

The brief argued that the debt collection law firm's alleged conduct was deceptive because it misrepresented what the consumer had to do to avoid garnishment of his Social Security benefits. The Bureau's brief explained that the law firm's alleged misrepresentation would violate the FDCPA because the misstatement had the capacity to discourage the consumer from fully availing himself of his legal rights. In particular, the Bureau contended that the law firm's

³⁵ Brief of Amicus Curiae, *Arias v. Gutman, Mintz, Baker & Sonnenfeldt, PC*, No. 16-2165 (2d Cir. Oct. 28, 2016), available at <https://www.consumerfinance.gov/policy-compliance/amicus/briefs/arias-v-gutman-mintz-baker-sonnenfeldt-pc/>.

misrepresentation would have led a consumer to believe that he had to surmount a potentially daunting (but evidently fictitious) procedural hurdle to safeguard his exempt Social Security benefits from garnishment.

The Bureau argued that the debt collection law firm's alleged conduct would also constitute unfair conduct. This is because the consumer alleged that the law firm filed a baseless pleading with the purpose of intimidating the consumer into forfeiting his right to avoid garnishment of his Social Security benefits. The Bureau argued that the district court had erred by relying on the fact that the law firm used the right procedures to file its apparently baseless objection: Timely filing and service are no substitute for a good faith, reasonable basis to act. Likewise, the Bureau explained that the existence of a potential state law remedy for the law firm's conduct did not deprive the consumer of his rights under the FDCPA.

The court has not yet issued a decision in this case.

Debt Collector Letterhead: *Sheriff* amicus brief

On March 2, 2016, the Solicitor General, with the assistance of the Bureau, filed an *amicus* brief in the Supreme Court case of *Sheriff v. Gillie* to address 1) whether special counsel appointed by the attorney general of Ohio to collect debts owed to the state are exempt from the FDCPA's definition of "debt collector," and 2) whether the special counsel's use of the letterhead of the Ohio attorney general violates the FDCPA.³⁶ The FDCPA defines the term "debt collector" to include any person "who regularly collects or attempts to collect ... debts owed or due another."³⁷ But the definition specifically excludes "any officer or employee of a creditor while, in the name of the creditor, collecting debts for such creditor," and "any officer or employee of ... any State to the extent that collecting or attempting to collect any debt is in the performance of his official duties."³⁸ The special counsel argued that they were officers of the state, and thus exempt from the FDCPA. They also argued that, even if they were not exempt, they did not violate the FDCPA because, even

³⁶ Brief of Amicus Curiae, *Sherriff v. Gillie*, No. 15-338 (U.S. Mar. 2, 2016), available at <https://www.consumerfinance.gov/policy-compliance/amicus/briefs/sheriff-gillie/>.

³⁷ 15 U.S.C. § 1692a(6).

³⁸ 15 U.S.C. § 1692a(6)(A), (C).

though their debt collection letters used the letterhead of the Ohio attorney general, the letters accurately represented their role as special counsel.

The *amicus* brief argued that the special counsel were not state officers because they did not occupy any state office, and did not exercise any portion of the state's sovereignty. Instead, their duties were defined by contracts that declared them to be independent contractors. The brief pointed out that the FDCPA draws a distinction between a creditor's use of in-house personnel to collect debts, and a creditor's use of outside contractors to perform the same function. The FDCPA applies to the latter, but not to the former. The brief argued that it would subvert the basic purpose of the FDCPA to exempt Ohio's use of independent contractors from the Act's coverage.

The brief also argued that whether the special counsel's use of the letterhead of the Ohio attorney general was "false, deceptive, or misleading" should be judged from the perspective of an "unsophisticated consumer" (also referred to as the "least sophisticated consumer"). Accordingly, summary judgment was not appropriate because a reasonable jury could conclude that the use of the letterhead violated the FDCPA. The purpose of a letterhead is to identify the sender of the letter. Thus, a jury could determine that the special counsel's use of the letterhead falsely implied that special counsel worked within the office of the Ohio attorney general, not as independent contractors. The FDCPA specifically prohibits false representations as to the source of a debt collection letter.

On May 16, 2016, the Supreme Court resolved the case in favor of the special counsel.³⁹ The Court assumed without deciding that the special counsel were not exempt from the FDCPA as officers or employees of the state. But it sided with the special counsel because it did not believe that special counsel's use of the letterhead created by false or misleading representation. "The letterhead identifies the principal – Ohio's Attorney General – and the signature block names the agent – a private lawyer hired as outside counsel to the Attorney General."⁴⁰ The Court held it significant that the attorney general required the special counsel to use the attorney general's letterhead. The Court also limited its decision to "special counsel" and noted that "considerations relevant to that category may not carry over to other debt-collector relationships."⁴¹

³⁹ *Sheriff v. Gillie*, 136 S.Ct. 1594 (2016).

⁴⁰ *Id.* at 1601.

⁴¹ *Id.* at 1601 n.5.

Article III Standing: *Bock* amicus brief

On June 3, 2016, the Bureau filed a supplemental *amicus* brief in the Third Circuit in *Bock v. Pressler & Pressler, LLP*, to address consumers' Article III standing to bring suit under the FDCPA.⁴² In this case, a consumer brought suit against a debt-collection law firm that filed a state-court debt-collection against him. The consumer alleged that the firm violated the FDCPA by falsely representing that an attorney was meaningfully involved in filing the action. In 2015, the Bureau and the FTC had jointly filed an *amicus* brief in the case arguing that a law firm violates the FDCPA when it files a debt-collection lawsuit without any attorney meaningfully reviewing the case first.⁴³ In the Bureau's supplemental filing in 2016, the Bureau addressed the consumer's Article III standing to bring this suit in light of the Supreme Court's decision in *Spokeo v. Robins*, 136 S. Ct. 1540 (2016). The Bureau's supplemental *amicus* brief argued that a false representation made to a consumer in violation of the FDCPA is a concrete harm sufficient to support a consumer's standing. On June 26, 2016, the Third Circuit issued an order remanding the case to the district court for a determination on the consumer's Article III standing.

Bankruptcy Proofs of Claim: *Midland Funding* amicus brief

On December 23, 2016, the Acting Solicitor General, with the assistance of the Bureau, filed an *amicus* brief in the Supreme Court in *Midland Funding, LLC v. Johnson* to address whether a debt collector violates the FDCPA by filing an accurate proof of claim in a bankruptcy proceeding for an unextinguished time-barred debt that the creditor knows is judicially unenforceable.⁴⁴ The FDCPA bars a debt collector from "us[ing] any false, deceptive, or misleading representation or means in connection with the collection of any debt," and specifically bars debt collectors from

⁴² Supplemental Brief of Amicus Curiae, *Bock v. Pressler & Pressler, LLP*, No. 15-1056 (3d Cir. June 3, 2016), available at <https://www.consumerfinance.gov/policy-compliance/amicus/briefs/bock-v-pressler-pressler/>.

⁴³ Brief of Amici Curiae, *Bock v. Pressler & Pressler, LLP*, No. 15-1056 (3d Cir. Aug. 13, 2015), available at <https://www.consumerfinance.gov/policy-compliance/amicus/briefs/bock-pressler-pressler/>.

⁴⁴ Brief of Amicus Curiae, *Midland Funding, LLC v. Johnson*, No. 16-348 (U.S. Dec. 21, 2016), available at <https://www.consumerfinance.gov/policy-compliance/amicus/briefs/midland-funding-llc-v-johnson/>.

making a “false representation of . . . the character, amount, or legal status of any debt.”⁴⁵ The Act also provides that “[a] debt collector may not use unfair or unconscionable means to collect or attempt to collect any debt.”⁴⁶ Prior judicial precedent holds that a debt collector violates these prohibitions when it files a state-court collection action against a consumer on a debt for which the statute of limitations has expired.

In this case, the debt collector argued, however, that the FDCPA does not prohibit from filing a proof of claim in a consumer’s bankruptcy proceeding on debt that is known to be time-barred. The debt collector also argued that, if the FDCPA did contain that prohibition, its enforcement would be precluded by the provisions of the Bankruptcy Code.

The government’s *amicus* brief argued that the FDCPA did not permit a debt collector to knowingly file a proof of claim on time-barred debt in a consumer’s bankruptcy proceeding. The brief explained that the Bankruptcy Code does not authorize the filing of a proof of claim known to be unenforceable but, instead, contemplates that such a claim will be disallowed and provides for sanctions and other remedies for abuse of the bankruptcy process. In this context, the brief argues that debt collectors that file a proof of claim are making a representation that the filer has a good-faith basis for believing that the claim is enforceable in bankruptcy. Where that representation is false or misleading, the brief argues that the debt collector has violated the FDCPA’s prohibitions on misrepresentations and unfair debt collection practices, and that this violation can result in real harm for consumers who are undergoing the bankruptcy process.

The court has not yet issued a decision in this case.

Definition of “debt”: *Franklin* case

On December 11, 2015, at the invitation of the court the Bureau and the Federal Trade Commission jointly filed an *amicus* brief in *Franklin v. Parking Revenue Recovery Services*, taking the position that an allegedly unpaid parking fee of \$1.50 and a \$45 nonpayment penalty constituted

⁴⁵ 15 U.S.C. § 1692e, 1692e(2)(A).

⁴⁶ 15 U.S.C. § 1692f.

“debt” covered by the FDCPA.⁴⁷ In a decision last year, the Seventh Circuit agreed with the joint agency position.⁴⁸

The court grounded its decision in the FDCPA’s definition of “debt,” which refers to an “obligation of a consumer to pay money arising out of a transaction.”⁴⁹ The court explained that this phrase is “a broad reference to many different types of business dealings between parties,” but includes “only those obligations that are created by the contracts the parties used to give legal force to their transaction.”⁵⁰ The court concluded that the payment obligations at issue were debts because they arose out of a contract between the parking lot operator and the consumer, and not out of a tort or a violation of a municipal ordinance. In reaching this conclusion and reversing the district court, the Seventh Circuit rejected the district court’s analogy comparing a consumer’s alleged failure to pay a contractual debt to theft of services, which generally do not give rise to FDCPA-covered debts.

Non-judicial foreclosure: *Ho* case

On August 7, 2015, the Bureau filed an *amicus* brief at the invitation of the Ninth Circuit in *Ho v. ReconTrust Co., NA*, arguing that a trustee who forecloses on a deed of trust in a non-judicial action in California can qualify as a “debt collector” under the general definition of that term in the FDCPA.⁵¹ In a 2-1 decision, the Ninth Circuit concluded that the trustee was not a debt collector because it was not attempting to collect money from the plaintiff, but instead was attempting to retake and resell the consumer’s secured property. The court reasoned that, in selling the property, a trustee collects money from the purchaser of the home and not money owed by the consumer, and

⁴⁷ Brief of Amici Curiae, *Franklin v. Parking Revenue Recovery Servs., Inc.*, No. 14-3774 (7th Cir. Dec. 11, 2015), available at <https://www.consumerfinance.gov/policy-compliance/amicus/briefs/franklin-parking-revenue-recovery-services/>.

⁴⁸ *Franklin v. Parking Revenue Recovery Servs., Inc.*, 832 F.3d 741 (7th Cir. 2016)

⁴⁹ 15 U.S.C. 1692a(5).

⁵⁰ 832 F.3d at 744 (internal quotation marks omitted).

⁵¹ Brief of Amicus Curiae, *Ho v. ReconTrust Company, N.A.*, No. 10-56884 (9th Cir. Aug. 7, 2015) (*Ho* Br.), available at <https://www.consumerfinance.gov/policy-compliance/amicus/briefs/ho-recontrust/>.

therefore such money does not constitute “debt” as defined under the FDCPA. The court acknowledged that its holding creates a conflict with contrary holdings of both the Fourth and Sixth Circuits.

In a dissenting opinion, Judge Korman noted that a trustee institutes a foreclosure proceeding to collect money by forcing a sale of the consumer’s secured property and, therefore, qualifies as a debt collector under the FDCPA. He also reasoned that the FDCPA does not interfere with California law in ways requiring nullification of the Act’s provisions, and that the FDCPA’s preemption provisions allow for operation of California law without the need to exclude an entire category of debt collectors from the Act.

A petition seeking rehearing by the panel or rehearing en banc is currently pending before the court.

“Initial Communication”: *Hernandez case*

In August 2014, the FTC joined the CFPB in filing an *amicus* brief in the Ninth Circuit in *Hernandez v. Williams, Zinman & Parham, P.C.*, urging it to reject an interpretation of the phrase “initial communication” that was both overly narrow and contravened the text of, and legislative intent behind, the FDCPA.⁵² In July 2016, the U.S. Court of Appeals for the Ninth Circuit issued a decision in a case agreeing with that position.⁵³ The FDCPA provision requires that “a debt collector” send a debt-validation notice either “[w]ithin five days after the initial communication with a consumer in connection with the collection of any debt” or in “the initial communication” itself.⁵⁴ This notice triggers a thirty-day period in which consumers may dispute the debt and request information about the original creditor.⁵⁵ The joint *amicus* brief argued that this provision applies to each debt collector that contacts a consumer about a debt, not just the initial debt collector to collect a given debt (as the defendant argued and the district court held). Agreeing

⁵² Brief of Amici Curiae, *Hernandez v. Williams, Zinman & Parham, P.C.*, No. 14-15672 (9th Cir. Aug. 20, 2014), available at <https://www.consumerfinance.gov/policy-compliance/amicus/briefs/hernandez-williams-zinman-parham/>.

⁵³ *Hernandez v. Williams, Zinman & Parham PC*, 829 F.3d 1068 (9th Cir. 2016).

⁵⁴ 15 U.S.C. § 1692g(a).

⁵⁵ *Id.* § 1692g(b).

with that position, the court unanimously held that, although the text is ambiguous when read in isolation, the provision unambiguously applies to all debt collectors when it is read in light of the statutory context and purposes. In particular, the court noted that the Act uses the phrase “a debt collector” throughout the statute to impose obligations and restrictions on all debt collectors throughout the entire debt collection process, and that imposing the validation-notice requirement only on initial debt collectors as the defendant urged would create loopholes that would undermine the statute’s protections.

Enforcement

Enforcement

The Bureau announced ten new law enforcement actions in 2016 related to unlawful collection conduct in violation of the FDCPA, the Consumer Financial Protection Act of 2010 (“CFPA”), or both. Some of these actions are still pending. The Bureau also continues to be in active litigation on one debt collection matter filed in 2013 and two filed in 2015. In addition to the Bureau’s public enforcement actions involving debt collection practices, the Bureau is conducting a number of non-public investigations of companies to determine whether they engaged in collection practices that violate the FDCPA or the CFPA.

In 2016, public actions involving debt collection have resulted in over \$39 million in consumer relief and over \$20 million paid into the civil penalty fund, which is used to provide relief to eligible consumers who would not otherwise get full compensation or, to the extent that is not practicable, to provide consumer education and financial literacy programs designed to help consumers.

CFPB law enforcement actions

In the Matter of Citibank, N.A.

(File No. 2016-CFPB-0003) (consent order entered February 23, 2016)

The Bureau took two separate actions against Citibank for illegal debt sales and debt collection practices, and two actions against Citibank’s law firms for unlawful debt collection litigation practices.

In the first action (File No. 2016-CFPB-0003), the Bureau found that Citibank provided inaccurate and inflated APR information for almost 130,000 credit card accounts it sold to debt buyers. The buyers then used the exaggerated APR in debt collection attempts. Citibank also failed to promptly forward to debt buyers approximately 14,000 customer payments totaling almost \$1 million.

Citibank was ordered to provide \$4.89 million in consumer relief and pay a \$3 million civil penalty. The CFPB's order also requires Citibank to provide certain account documentation when it sells debt, include provisions in its debts sales contracts that prohibit the resale of debt, and upon request make certain information available to consumers about the debt being sold.

In the Matter of Citibank, N.A. et al.

(File No. 2016-CFPB-0004) (consent order entered February 23, 2016)

In the Matter of Solomon & Solomon

(File No. 2016-CFPB-0005) (consent order entered February 23, 2016)

In the Matter of Faloni & Associates⁵⁶

(File No. 2016-CFPB-0006) (consent order entered February 23, 2016)

In the second action (File No. 2016-CFPB-0004), the CFPB found that Citibank and two of its affiliates – Department Stores National Bank and CitiFinancial Servicing, LLC –, filed altered affidavits in numerous New Jersey state court debt collection actions. In 2011, Citibank learned that at least two of its local law firms, Faloni & Associates, LLC, and Solomon & Solomon, P.C., had taken affidavits signed by Citibank employees and altered the dates of affidavits, the amount of the debt allegedly owed, or both, after the affidavits were executed. Citibank later ceased sending new accounts to the law firms and dismissed all pending actions in which the affidavits were used. The CFPB's order requires Citibank to comply with a New Jersey state court order, in which Citibank had to refund \$11 million collected from consumers and stop collection of an additional \$34 million in debts, both of which Citibank has done. Consistent with the Bureau's Responsible Business Conduct bulletin, the CFPB did not impose civil money penalties on Citibank for this violation, in light of its efforts to recompense harmed consumers. Solomon & Solomon, P.C., was ordered to pay a \$65,000 civil penalty. Faloni & Associates, LLC, was ordered to pay a \$15,000 civil penalty. In addition, the CFPB ordered Citibank to enhance its oversight and compliance management systems to ensure that its service providers, including local debt collection counsel, do not alter affidavits or file altered affidavits in court regarding the collection of consumer financial debt.

⁵⁶ <http://www.consumerfinance.gov/about-us/newsroom/cfpb-orders-citibank-to-provide-relief-to-consumers-for-illegal-debt-sales-and-collection-practices/>

In the Matter of Pressler & Pressler, LLP, Sheldon H. Pressler and Gerard J. Felt

(File No. 2016-CFPB- 0009) (consent order entered April 25, 2016)

In the Matter of New Century Financial Services⁵⁷

(File No. 2016-CFPB- 0010) (consent order entered April 25, 2016)

The Bureau took action against the debt collection law firm Pressler & Pressler, LLP, two principal partners, and New Century Financial Services, Inc., a debt buyer. The Bureau found that the companies and individuals made false or empty allegations about consumer debts, filed lawsuits based on unreliable or false information, and harassed consumers with unsubstantiated court filings. The consent orders bar the companies and individuals from illegal practices that can deceive or intimidate consumers, such as filing lawsuits without determining if debts in question are valid. The orders also require the firm and the named partners to pay a \$1 million civil penalty, and New Century to pay a \$1.5 million civil penalty.

In the Matter of TMX Finance LLC⁵⁸

(File No. 2016-CFPB-0022) (consent order entered September 26, 2016)

The Bureau took action against TMX Finance LLC, one of the nation's largest auto title loan lenders, for presenting consumers with misleading loan information and engaging in unfair in-person debt collection tactics that illegally exposed information about debts to borrowers' employers, friends, and family. The Bureau ordered TMX Finance, which operates through a host of state subsidiaries under the names TitleMax, TitleBucks, and InstaLoan, to stop abusive loan-repayment policies and intrusive visits to consumers' homes and workplaces and to pay a \$9 million civil penalty.

⁵⁷ <http://www.consumerfinance.gov/about-us/newsroom/cfpb-takes-action-halt-illegal-debt-collection-practices-lawsuit-mill-and-debt-buyer/>

⁵⁸ <http://www.consumerfinance.gov/about-us/newsroom/cfpb-fines-titlemax-parent-company-9-million-luring-consumers-more-costly-loans/>

In the Matter of Navy Federal Credit Union⁵⁹

(File No. 2016-CFPB-0024) (consent order entered on October 11, 2016)

The Bureau took action against Navy Federal Credit Union for subjecting its members, which include active-duty military, retired servicemembers, and their families, to unlawful debt collection practices. The Bureau found that Navy Federal falsely threatened legal action and wage garnishment, falsely threatened to contact commanding officers to pressure servicemembers to repay, misrepresented the credit consequences of falling behind on a loan, and illegally froze members' access to their accounts. In the consent order, the credit union agreed to correct its debt collection practices, pay approximately \$23 million in redress to victims, and pay a \$5.5 million civil penalty.

CFPB, et al. v. MacKinnon, et al.⁶⁰

(W.D.N.Y. Case 1:16-cv-00880) (complaint filed November 2, 2016)

In partnership with the New York Attorney General, the Bureau filed a lawsuit in a federal district court against the leaders of a massive debt collection scheme based out of Buffalo, N.Y. The lawsuit alleges Douglas MacKinnon and Mark Gray operate a network of companies – Northern Resolution Group LLC, Enhanced Acquisitions LLC, and Delray Capital LLC – that harass, threaten, and deceive millions of consumers across the nation into paying inflated debts or amounts they may not owe. The Bureau is seeking to shut down this illegal operation and to obtain compensation for victims and a civil penalty against the companies and partners. This action is still pending.

In the Matter of: Moneytree, Inc.⁶¹

(File No. 2016-0028) (consent order entered on December 16, 2016)

The Bureau took action against Moneytree, Inc., a financial services company that offers payday loans and check-cashing services, for misleading consumers regarding the cost of tax-refund

⁵⁹ <http://www.consumerfinance.gov/about-us/newsroom/cfpb-orders-navy-federal-credit-union-pay-285-million-improper-debt-collection-actions/>

⁶⁰ <http://www.consumerfinance.gov/about-us/newsroom/cfpb-and-new-york-attorney-general-file-lawsuit-against-illegal-nationwide-debt-collection-scheme/>

⁶¹ <http://www.consumerfinance.gov/about-us/newsroom/cfpb-takes-action-against-moneytree-deceptive-advertising-and-collection-practices/>

check-cashing services, withdrawing money from consumers' bank accounts without required preauthorization, and misrepresenting the company's ability to repossess consumer vehicles when attempting to collect overdue unsecured loans. In the consent order, the company agreed to cease its illegal conduct, provide over \$255,000 in redress to consumers, and pay a \$250,000 civil penalty.

6.2 Continuation of pre-2016 matters

*CFPB v. CashCall, Inc., et al.*⁶²

(C.D.Cal. File CV 15-7522-JFW (RAOx) (complaint filed December 16, 2013 in D. Mass. No. 1:13-cv-13167; order denying defendants' motion for judgment on the pleadings entered on December 30, 2015; order granting plaintiff's motion for partial summary judgment entered on August 31, 2016; order granting defendants' motion for certification of interlocutory appeal and stay entered on January 3, 2017).

In 2013, the Bureau filed a lawsuit against online loan servicer CashCall Inc., its owner, a subsidiary, and an affiliate, for collecting money consumers do not owe, because the underlying loans were void under state lending or licensing laws. In December 2015, the court denied the defendants' motion for judgment on the pleadings, holding that a CFPA UDAAP claim could be predicated on conduct which also constituted a state law violation and that the CFPA prohibition against establishing a usury cap does not prevent the CFPB from enforcing the UDAAP prohibition in connection with the collection of void debts.

In August 2016, the district court granted the Bureau's motion for partial summary judgment and denied the defendants' summary judgment motion. The Court's ruling resolves all issues of liability in the Bureau's favor, and leaves open only the issues of relief, penalty, and injunction. In January 2017, the district court granted defendants' motion for certification of interlocutory appeal and stay. This action is still pending.

⁶² <http://www.consumerfinance.gov/about-us/newsroom/cfpb-sues-cashcall-for-illegal-online-loan-servicing/>

CFPB v. Universal Debt & Payment Solutions, LLC, et al.⁶³

(N.D.GA No. 1:15-CV-0859) (complaint filed March 26, 2015; preliminary injunction issued April 7, 2015).

On April 7, 2015, the Bureau obtained a preliminary injunction that froze the assets and enjoined unlawful conduct related to a phantom debt collection scheme. The Bureau's suit against a group of seven debt collection agencies, six individual debt collectors, four payment processors, and a telephone marketing service provider alleges 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, used threats and harassment to collect debt that is not payable to those attempting to collect it. The complaint alleges that the debt collectors' misconduct was facilitated and substantially assisted by payment processors and a telephone service provider, which were also named as defendants in the lawsuit. This action is still pending.

CFPB v. NDG Financial Corp., et al.⁶⁴

(S.D. N.Y. No.1:15-cv-05211-CM) (complaint filed July 31, 2015; amended complaint filed December 11, 2015; order denying defendants' motion to dismiss entered on December 2, 2016; order denying defendants' motions for reconsideration and certification for interlocutory appeal entered on December 19, 2016).

In December 2015, the Bureau filed an amended complaint against the NDG Financial Corporation, nine of its affiliates, and four individual defendants for engaging in unfair, deceptive, and abusive practices relating to its payday lending enterprise. The amended complaint alleges that the enterprise, which has companies located in Canada and Malta, originated, serviced, and collected payday loans that consumers were not obligated to repay under state licensing and usury rules, represented that U.S. federal and state laws did not apply to the Defendants or the payday loans, and secured repayment using unfair and deceptive collections practices, all in violation of the CFPA. The Bureau also named twelve corporations and individuals affiliated with NDG as

⁶³ <http://www.consumerfinance.gov/about-us/newsroom/cfpb-sues-participants-in-robo-call-phantom-debt-collection-operation/>

⁶⁴ <http://www.consumerfinance.gov/about-us/newsroom/cfpb-sues-offshore-payday-lender/>

relief defendants, alleging that they received funds via the aforementioned practices to which they were not legally entitled. On December 2, 2016, the Court denied all defendants' motions to dismiss based on lack of personal jurisdiction and failure to state a claim. This action is still pending.

6.3 FTC law enforcement actions

From January 1 through December 31, 2016, the FTC brought or resolved 12 debt collection cases. In several of its Section 13(b) cases, the Commission obtained preliminary relief that included *ex parte* temporary restraining orders with asset freezes, immediate access to business premises, and appointment of receivers to take over the debt collection businesses.

The Commission's recent efforts to protect consumers from deceptive and abusive debt collection practices culminated in Operation Collection Protection. This initiative, which the FTC began in 2015, was the first coordinated federal-state-local enforcement initiative targeting illegal debt collection. The nationwide crackdown included over 165 actions by more than 70 federal, state, and local law enforcement and regulatory authorities against collectors who used illegal tactics such as harassing phone calls and false threats of litigation or arrest.⁶⁵ Participants in the initiative continue to work closely together to share information and coordinate actions. The FTC's actions, involving (1) phantom debt collection, (2) collection via unlawful text messages and emails, (3) other FDCPA and FTC Act violations, and (4) Fair Credit Reporting Act violations, are discussed below.

⁶⁵ See, e.g., Press Release, FTC and Federal, State and Local Law Enforcement Partners Announce Nationwide Crackdown Against Abusive Debt Collectors (Nov. 4, 2015), available at <https://www.ftc.gov/news-events/press-releases/2015/11/ftc-federal-state-local-law-enforcement-partners-announce>; Press Release, FTC and State Law Enforcement Partners Announce More Actions and Results in Continuing Crackdown Against Abusive Debt Collectors (Jan. 7, 2016), available at <https://www.ftc.gov/news-events/press-releases/2016/01/ftc-state-law-enforcement-partners-announce-more-actions-results>; Press Release, FTC and Illinois Attorney General Halt Chicago-Area Operation Charged with Collecting and Selling Phantom Payday Loan Debts (Mar. 30, 2016), available at <https://www.ftc.gov/news-events/press-releases/2016/03/ftc-illinois-attorney-general-halt-chicago-area-operation-charged>; Press Release, FTC Actions: Debt Collectors Banned from Debt Collection Business (Sept. 7, 2016), available at <https://www.ftc.gov/news-events/press-releases/2016/09/ftc-actions-debt-collectors-banned-debt-collection-business>; Blog Post, A Debt Collection Round-up (Dec. 27, 2016), available at <https://www.consumer.ftc.gov/blog/debt-collection-round>; Blog Post, Collection Protection reflection (Dec. 30, 2016), available at https://www.ftc.gov/news-events/blogs/business-blog/2016/12/collection-protection-reflection?utm_source=govdelivery.

Phantom Debt Collection

The Commission has continued its efforts to fight “phantom debt collection” this year. Phantom debt collectors engage in unfair, deceptive, or abusive conduct by attempting to collect on debts that either do not exist or are not owed to the phantom debt collector. The Commission initiated or resolved three actions involving phantom debt collection in 2016: *SQ Capital LLC*, *Stark Law LLC*, and *Kelly S. Brace*. *SQ Capital* and *Stark Law* are the first two cases brought by the FTC against operations for allegedly selling fake debt portfolios. This past year, the Commission also returned money to thousands of consumers who were targeted by the phantom debt schemes in *Centro Natural Corp.* and *Broadway Global Master Inc.*

In December, the Commission charged *SQ Capital* with selling portfolios of fake payday loan debts that debt collectors used to get people to pay on debts they did not owe.⁶⁶ According to the complaint, the defendants’ fake portfolios listed social security numbers and bank account numbers of real consumers, but falsely claimed that the purported borrowers had failed to repay debts they never owed, to lenders who did not make these loans.⁶⁷ The complaint also alleges that the defendants did not have the authority to sell debts of the lenders they named. At the FTC’s request, a federal court entered a preliminary injunction halting this operation pending litigation.

In March, the FTC partnered with the Illinois Attorney General to shut down a Chicago-area operation that allegedly threatened and intimidated consumers to collect phantom payday loan debts they did not owe, or did not owe to the defendants.⁶⁸ The *Stark Law* defendants allegedly

⁶⁶ *FTC v. Joel Jerome Tucker*, 2:16-cv-082816 (D. Kan. Dec. 16, 2016) (Complaint); see also Press Release, FTC Charges Defendants with Selling Fake Payday Loan Debt Portfolios (Jan. 9, 2017), available at <https://www.ftc.gov/news-events/press-releases/2017/01/ftc-charges-defendants-selling-fake-payday-loan-debt-portfolios>.

⁶⁷ To add credibility to some of the fake loans in their portfolios, the defendants used the name of a purported lender associated with another Commission law enforcement action, *FTC v. AMG Services*, 2:12-cv-00536 (D. Nev. Sept. 30, 2016) (Order). In September 2016, a federal court ordered the defendants in the *AMG* payday lending scheme to pay a record \$1.3 billion for deceiving and illegally charging consumers undisclosed and inflated fees. *Id.*; see also Press Release, U.S. Court Finds in FTC’s Favor and Imposes Record \$1.3 Billion Judgment Against Defendants Behind AMG Payday Lending Scheme (Oct. 4, 2016), available at <https://www.ftc.gov/news-events/press-releases/2016/10/us-court-finds-ftcs-favor-imposes-record-13-billion-judgment>.

⁶⁸ *FTC v. Stark Law, LLC*, No. 1:16-cv-3463 (N.D. Ill. Mar. 21, 2016) (Complaint); see also Press Release, FTC and Illinois Attorney General Halt Chicago-Area Operation Charged with Collecting and Selling Phantom Payday Loan Debts (Mar. 30, 2016), available at <https://www.ftc.gov/news-events/press-releases/2016/03/ftc-illinois-attorney-general-halt-chicago-area-operation-charged>.

called consumers and demanded immediate payment for supposedly delinquent loans, often armed with consumers' sensitive personal and financial information. Defendants also allegedly threatened consumers with lawsuits or arrest, deceptively held themselves out as a law firm with authority to sue and obtain substantial judgments against delinquent consumers, and disclosed debts to relatives, friends and co-workers. As in *SQ Capital*, the complaint also charged defendants with unlawfully selling portfolios of fake debt to other debt collectors in violation of the FTC Act. The court entered an *ex parte* temporary restraining order (and later a preliminary injunction) with an asset freeze, appointment of a receiver, and injunctive relief prohibiting the defendants from selling fake debt portfolios or from making the misrepresentations at issue in this case. Litigation continues in this matter.

In *Brace*, the FTC and New York Attorney General successfully resolved their litigation against another phantom debt collection scheme. The complaint in this case, filed in October 2015, alleged that the defendants attempted to collect on payday debts they knew were bogus.⁶⁹ According to the complaint, the defendants bought payday loans supposedly owed to a company that repeatedly told them to stop collection efforts because the debts were fabricated, and ignored consumers' evidence that they had never authorized a payday loan. The defendants allegedly employed other deceptive and abusive tactics to get consumers to pay, including false threats of lawsuits and arrest. The Court granted – over the defendants' objections – the plaintiffs' request to enter a temporary restraining order halting their operations, and, shortly thereafter, entered a stipulated preliminary injunction. In the summer of 2016, the FTC and the New York AG secured a stipulated final order banning the defendants from the debt collection business, prohibiting other deceptive claims, and imposing a judgment of more than \$18.4 million, which was partially suspended based on inability to pay.⁷⁰ The plaintiffs also secured an order against a relief defendant imposing a partially-suspended \$418,000 judgment.

In addition to the law enforcement actions above, this past year the Commission also returned funds to consumers who lost money to phantom debt collection operations previously stopped by

⁶⁹ *FTC and State of New York v. Brace*, No. 1:15-cv-00875-RJA (W.D.N.Y. Oct. 5, 2015) (Complaint).

⁷⁰ *FTC and State of New York v. Brace*, No. 1:15-cv-00875-RJA (W.D.N.Y. Aug. 18, 2015) (Stipulated Order), *see also* Press Release, FTC Action: Debt Collector Banned from Collection Business (Aug. 24, 2016), *available at* <https://www.ftc.gov/news-events/press-releases/2016/08/ftc-action-debt-collector-banned-collection-business>.

the FTC. In November 2016, the agency mailed 3,446 checks totaling more than \$830,000 to consumers in the *Centro Natural Corp.* matter.⁷¹ The Commission had secured stipulated orders banning defendants from debt collection or telemarketing, after alleging that they targeted thousands of Spanish-speaking consumers with unlawful tactics to collect on fake debts and to coerce consumers into purchasing goods that they did not want.⁷² In April, the Commission mailed 1,701 checks totaling more than \$596,000 to consumers who lost money to the fraudulent scheme in *Broadway Global Master Inc.*⁷³ The agency had previously secured a stipulated order banning this operation from the debt collection business because of allegations that it harassed consumers into paying phantom debts.⁷⁴

The FTC's *Messaging for Money Sweep*: Debt Collection Via Unlawful Text Messages and Emails

The Commission has also continued its efforts to pursue schemes that use deceptive, threatening or otherwise unlawful text messages or emails to target consumers. In 2015, the Commission launched a law enforcement sweep, called “Messaging for Money,” to stop three operations engaged in such practices. This past year, the FTC won summary judgment in one of those cases (*The Primary Group Inc.*), and successfully resolved the charges against nine of the defendants in the other two matters (*Premier Debt Acquisitions LLC* and *Unified Global Group, LLC*).

⁷¹ Press Release, FTC Returns Money to Victims of Debt Collection Scheme (Nov. 14, 2016), *available at* <https://www.ftc.gov/news-events/press-releases/2016/11/ftc-returns-money-victims-debt-collection-scheme>.

⁷² *FTC v. Centro Natural Corp.*, No. 14-cv-23879 CMA (S.D. Fla. June 30, 2015) (Stipulated Order); *see also* Press Release, FTC Action Puts an End to Fraudulent Debt Collection Scheme that Targeted Spanish-Speaking Consumers (July 8, 2015), *available at* <https://www.ftc.gov/news-events/press-releases/2015/07/ftc-action-puts-end-fraudulent-debt-collection-scheme-targeted>.

⁷³ Press Release, FTC Returns Money to Consumers Harmed by Scam That Collected Millions in Phantom Payday Loan Debts (Apr. 6, 2016), *available at* <https://www.ftc.gov/news-events/press-releases/2016/04/ftc-returns-money-consumers-harmed-scam-collected-millions>.

⁷⁴ *FTC v. Broadway Global Master Inc.*, No. 2:12-cv-0855 JAM GGH (E.D. Cal. Sept. 10, 2015) (Stipulated Order); *see also* Press Release, FTC Action Stops Scammers Who Collected Millions in Phantom Payday Loan Debts (Sept. 16, 2015), *available at* <https://www.ftc.gov/news-events/press-releases/2015/09/ftc-action-stops-scammers-who-collected-millions-phantom-payday>.

In June 2016, the court in *The Primary Group* matter granted the FTC's summary judgment request on all counts against an unlawful debt collection operation.⁷⁵ The court found that, as alleged by the Commission, these defendants deceived consumers using text messages, emails, and phone calls that falsely threatened consumers with arrest or lawsuits if they did not make debt collection payments. The court also found that they unlawfully contacted consumers' friends, family members, and employers; withheld information consumers needed to confirm or dispute debts; and did not identify themselves as debt collectors, as required by law.⁷⁶ The court permanently banned two defendants from debt collection activities and imposed a judgment of \$980,000.

The Commission successfully resolved *Premier Debt Acquisitions* in January 2016 by securing a stipulated order banning the defendants from debt collection activities and imposing a judgment of \$2,229,756, which was partially suspended.⁷⁷ The complaint alleged that defendants impersonated law enforcement and government officials, falsely threatened consumers with a lawsuit or arrest, and falsely threatened to charge some consumers with criminal fraud, garnish their wages, or seize their property.⁷⁸ In text messages, the defendants allegedly claimed they would sue consumers and threatened to seize consumers' possessions unless they paid. In voicemails, the defendants also allegedly falsely claimed that a "uniformed officer" was on the way to consumers' homes. In addition to banning the defendants from the debt collection industry, the order prohibits them from making misrepresentations about other financial products or services.

⁷⁵ *FTC v. The Primary Group*, No. 1:15-cv-1645 (N.D. Ga. May 19, 2016) (Order Granting Summary Judgment); see also Press Release, FTC Action: Debt Collector Banned from Debt Collection Business (June 16, 2016), available at <https://www.ftc.gov/news-events/press-releases/2016/06/ftc-action-debt-collector-banned-debt-collection-business>.

⁷⁶ *FTC v. The Primary Group*, No. 1:15-cv-1645 (N.D. Ga. May 11, 2015) (Complaint); see also Press Release, FTC Halts Three Debt Collection Operations That Allegedly Threatened and Deceived Consumers via Illegal Text Messages (May 21, 2015), available at <https://www.ftc.gov/news-events/press-releases/2015/05/ftc-halts-three-debt-collection-operations-allegedly-threatened>.

⁷⁷ *FTC v. Premier Debt Acquisitions LLC*, No. 1:15-cv-00421-FPG (W.D.N.Y. Jan. 7, 2016) (Order); see also Press Release, FTC and State Law Enforcement Partners Announce More Actions and Results in Continuing Crackdown Against Abusive Debt Collectors (Jan. 7, 2016), available at <https://www.ftc.gov/news-events/press-releases/2016/01/ftc-state-law-enforcement-partners-announce-more-actions-results>.

⁷⁸ *FTC v. Premier Debt Acquisitions LLC*, No. 1:15-cv-00421-FPG (W.D.N.Y. May 11, 2015) (Complaint); see also Press Release, FTC Halts Three Debt Collection Operations That Allegedly Threatened and Deceived Consumers via Illegal Text Messages (May 21, 2015), available at <https://www.ftc.gov/news-events/press-releases/2015/05/ftc-halts-three-debt-collection-operations-allegedly-threatened>.

In *FTC v. Unified Global Group*, the FTC secured an approximately \$27 million judgment and significant injunctive relief in a settlement with four defendants involved in an abusive debt collection operation. The FTC's complaint against *Unified Global Group*⁷⁹ alleged that the defendants sent texts to trick consumers into calling them back. The texts included false statements such as, "YOUR PAYMENT DECLINED WITH CARD ****-****-****-5463 . . . CALL 866.256.2117 IMMEDIATELY," even though consumers had never arranged to make payments to the defendants. The defendants also allegedly used deceptive emails and calls that threatened arrest and civil lawsuits, and unlawfully contacted consumers' friends, families, and co-workers about the supposed debts. In August 2016, the court entered a stipulated order banning the settling defendants from all debt collection activities and imposing a judgment of approximately \$27 million, which was partially suspended because of their inability to pay.⁸⁰ Litigation continues against the sole remaining defendant.

Other Actions to Halt FDCPA and FTC Act Violations

In addition to the cases described above, the FTC successfully resolved five other actions in 2016 to protect consumers from unlawful collection practices: (1) *Federal Check Processing*; (2) *Commercial Recovery Systems*; (3) *Warrant Enforcement Division*; (4) *AFS Legal Services*; and (5) *BAM Financial*. In the first two cases, the FTC secured summary judgment wins against the defendants. The FTC also continued litigating *Vantage Point Services*, filing a motion for summary judgment and securing additional preliminary relief against a defendant.

In *FTC v. Federal Check Processing Inc.*, the court granted the Commission's request for summary judgment against a Buffalo, New York-based debt collection scheme.⁸¹ The district court adopted

⁷⁹ *FTC v. Unified Global Group, LLC*, 15-cv-422-W (W.D.N.Y. May 11, 2015) (Complaint); see also Press Release, FTC Halts Three Debt Collection Operations That Allegedly Threatened and Deceived Consumers via Illegal Text Messages (May 21, 2015), available at <https://www.ftc.gov/news-events/press-releases/2015/05/ftc-halts-three-debt-collection-operations-allegedly-threatened>.

⁸⁰ *FTC v. Unified Global Group, LLC*, 15-cv-422-W (W.D.N.Y. Aug. 26, 2016) (Order); see also Press Release, FTC Actions: Debt Collectors Banned from Debt Collection Business (Sept. 7, 2016) available at <https://www.ftc.gov/news-events/press-releases/2016/09/ftc-actions-debt-collectors-banned-debt-collection-business>.

⁸¹ *FTC v. Federal Check Processing, Inc.*, No. 1:14-cv-00122 (W.D.N.Y. Oct. 13, 2016) (Judgment and Permanent Injunction); see also Press Release, FTC Wins Summary Judgment Against Buffalo, NY-based Abusive Debt Collectors;

the magistrate judge's recommendation and report that found that defendants had violated the FTC Act and the FDCPA by falsely claiming to be government officials, falsely threatening consumers with litigation or arrest, and systematically disclosing consumers' debts to their friends, family, and co-workers to coerce payment.⁸² The court had previously entered an *ex parte* temporary restraining order, followed by a stipulated preliminary injunction, to halt this abusive debt collection operation. The final order bans the defendants from the debt collection industry and requires them to pay a nearly \$11 million judgment.

In *United States v. Commercial Recovery Systems, Inc.*, a case that the FTC referred to the Department of Justice for prosecution, the court entered summary judgment against two defendants in an unlawful debt collection operation. The court found that the debt collectors had "repeatedly and routinely violated the FDCPA . . . in multiple ways, by making blatantly false representations for the purpose of intimidating consumers into paying debts."⁸³ Among other things, the court found that their routine threats to sue consumers were "patently false," and further that they falsely impersonated attorneys and threatened to seize or garnish consumers' property or wages. The court banned the two defendants from debt collection, and will determine the civil penalty amount to impose on one of them, the president of the company.⁸⁴ Additionally, the government secured a stipulated final order against the remaining individual defendant subjecting him to the same ban and imposing a \$496,000 civil penalty judgment (partially suspended due to an inability to pay).⁸⁵

In January 2016, the Commission also successfully resolved its action in *Warrant Enforcement Division*. The FTC's complaint in this matter alleged that the defendants, while under contract to

Defendants Banned from Collection Business (Oct. 31, 2016), available at <https://www.ftc.gov/news-events/press-releases/2016/10/ftc-wins-summary-judgment-against-buffalo-ny-based-abusive-debt>.

⁸² *FTC v. Federal Check Processing, Inc.*, No. 1:14-cv-00122 (W.D.N.Y. Mar. 25, 2014) (Complaint), see also Press Release, At FTC's Request, Court Halts Debt Collector's Allegedly Deceptive and Abusive Practices, Freezes Assets (Sept. 23, 2014), available at <http://www.ftc.gov/news-events/press-releases/2014/03/ftcs-request-court-halts-debt-collectors-allegedly-deceptive>.

⁸³ *United States v. Commercial Recovery Sys., Inc.*, No. 4:15-cv-36 (E.D. Tex. Apr. 7, 2016) (Memorandum Opinion and Order).

⁸⁴ *United States v. Commercial Recovery Sys., Inc.*, No. 4:15-cv-36 (E.D. Tex. Apr. 18, 2016) (Order); see also Press Release, FTC Action: Debt Collector Banned from Collection Business (Sept. 22, 2016), available at <https://www.ftc.gov/news-events/press-releases/2016/09/ftc-action-debt-collector-banned-collection-business>.

⁸⁵ *United States v. Commercial Recovery Sys., Inc.*, No. 4:15-cv-36 (E.D. Tex. Sept. 21, 2016) (Order)

collect overdue utility bills, traffic tickets, court fines, and other debts for local governments in Texas and Oklahoma, sent consumers letters and postcards containing false or unsubstantiated threats of arrest that appeared to come from a municipal court.⁸⁶ The FTC charged that the false and unsubstantiated threats made to collect municipal court debts violated the FTC Act, and those made to collect utility debts violated both the FTC Act and the FDCPA. Under a stipulated order for permanent injunction, the defendants are prohibited from misrepresenting any material fact in collecting debts, including that failure to pay a debt will result in the consumer being arrested or jailed, having their vehicle impounded, or being unable to renew their driver's license.⁸⁷ The order also imposed a \$194,888 judgment that was suspended based on the defendants' inability to pay.

Similarly, the Commission secured a final order in its suit against *AFS Legal Services*, resolving charges that the defendants impersonated investigators and law enforcement, and threatened to arrest, jail, and sue consumers if they did not pay debts.⁸⁸ According to the FTC's complaint, filed in October 2015, the defendants often had consumers' personal information – such as social security and bank account numbers – that caused consumers to believe that the calls and associated threats were legitimate.⁸⁹ The collectors also allegedly made harassing calls and contacted relatives, friends, and co-workers about consumers' debts. The stipulated final order, entered in August 2016, bans the defendants from debt collection activities and imposes a judgment of more than \$4.4 million, the amount consumers lost to this scheme.

⁸⁶ *FTC v. Municipal Recovery Servs. Corp.*, No. 15-CV-04064-N (N.D. Tex. Dec. 24, 2015) (Complaint).

⁸⁷ *FTC v. Municipal Recovery Servs. Corp.*, No. 15-CV-04064-N (N.D. Tex. Jan. 29, 2016) (Order); *see also*, Press Release, FTC and State Law Enforcement Partners Announce More Actions and Results in Continuing Crackdown Against Abusive Debt Collectors (Jan. 7, 2016), *available at* <https://www.ftc.gov/news-events/press-releases/2016/01/ftc-state-law-enforcement-partners-announce-more-actions-results>.

⁸⁸ *FTC v. Nat'l Payment Processing LLC*, No. 1:15-cv-3811-AT (N.D. Ga. Aug. 29, 2016) (Order); *see also* Press Release, FTC Actions: Debt Collectors Banned from Debt Collection Business (Sept. 7, 2016), *available at* <https://www.ftc.gov/news-events/press-releases/2016/09/ftc-actions-debt-collectors-banned-debt-collection-business>.

⁸⁹ *FTC v. Nat'l Payment Processing LLC*, No. 1:15-cv-3811-AT (N.D. Ga. Oct. 30, 2015) (Complaint).

In July 2016, the FTC also successfully resolved its suit against *BAM Financial*, banning the defendants from the debt collecting business and securing other important relief.⁹⁰ The FTC's complaint, filed in October 2015, alleged that the defendants bought consumer debts and collected payment by deceptively threatening consumers with lawsuits, wage garnishment, and arrest, and by impersonating attorneys or process servers.⁹¹ According to the complaint, the defendants also unlawfully disclosed debts to, or harassed, third parties; failed to identify themselves as debt collectors; and failed to notify consumers of their right to receive verification of the purported debts. At the FTC's request, the court entered a temporary restraining order that prohibited the defendants from violating the FDCPA and the FTC Act, froze the defendants' assets, and appointed a receiver. The stipulated final order bans them from debt collection activities and imposes a \$4,802,646 judgment, to be partially suspended upon the surrender of certain assets based on defendants' inability to pay.

The FTC continues to work with the New York Attorney General in a joint action against *Vantage Point*, a Buffalo, New York-based debt collection scheme. According to the complaint filed in 2015, defendants' collectors posed as a law firm, process servers, or even government agents – misrepresenting to consumers that they had committed a crime and would be arrested and jailed.⁹² The complaint further alleges that the defendants made similar claims about consumers to their co-workers, friends, and family members. At the request of the FTC and the New York AG, the court entered a preliminary injunction to halt the unlawful practices. In 2016, the plaintiffs requested that the court enter summary judgment against the defendants, and that motion is currently pending. The plaintiffs also sought and obtained a second *ex parte* temporary restraining

⁹⁰ *FTC v. BAM Fin'l, LLC*, No. 8:15-cv-01672-JVS-DFM (C.D. Cal. July 11, 2016) (Order); see also Press Release, FTC Action: Abusive Debt Collectors Banned from Collection Business (July 14, 2016), available at <https://www.ftc.gov/news-events/press-releases/2016/07/ftc-action-abusive-debt-collectors-banned-collection-business>.

⁹¹ *FTC v. BAM Fin'l, LLC*, No. 8:15-cv-01672-JVS-DFM (C.D. Cal. Oct. 19, 2015) (Complaint); see also Press Release, FTC and Federal, State and Local Law Enforcement Partners Announce Nationwide Crackdown Against Abusive Debt Collectors (Nov. 4, 2015), available at <https://www.ftc.gov/news-events/press-releases/2015/11/ftc-federal-state-local-law-enforcement-partners-announce>.

⁹² *FTC and State of New York v. Vantage Point Services, LLC*, No. 1:15-cv-00006-WMS (W.D.N.Y. Jan. 5, 2015) (Complaint); see also Press Release, FTC, New York Attorney General Crack Down on Abusive Debt Collectors (Feb. 26, 2015), available at <https://www.ftc.gov/news-events/press-releases/2015/02/ftc-new-york-attorney-general-crack-down-abusive-debt-collectors>.

order and preliminary injunction against one of the individual defendants for operating another debt collection scheme in violation of the first preliminary injunction.

Action to Halt Fair Credit Reporting Act Violations by a Debt Collector

In May 2016, in the *Credit Protection Association* matter – referred to the Department of Justice for prosecution – the court entered a stipulated final order against a debt collector for alleged violations of the Fair Credit Reporting Act’s (FCRA) Furnisher Rule.⁹³ Specifically, the complaint alleged that the defendant debt collector lacked adequate policies and procedures to handle consumer disputes regarding information the company provided to credit reporting agencies.⁹⁴ The complaint also alleged that the company did not have a policy requiring notice to consumers of the outcomes of investigations about disputed information and that, in numerous instances, consumers were not informed whether information they disputed had been corrected. The stipulated final order requires the defendant to pay \$72,000 in civil penalties and put in place policies and procedures that comply with the requirements of the FCRA and the Furnisher Rule. The company will also be required to follow the Rule’s requirements related to conducting dispute investigations and informing consumers of their outcome.

⁹³ 15 U.S.C. §§ 1681-1681x (FCRA); Duties of Furnishers of Information to Consumer Reporting Agencies (Furnisher Rule), 16 C.F.R. § 660, *recodified as* Duties of Furnishers of Information, 12 C.F.R. § 1022, subpart E.

⁹⁴ *U.S. v. Credit Protection Association*, 3:16-cv-01255-D (N.D. Tex. May 9, 2016) (Complaint and Order); *see also* Press Release, Debt Collector Settles FTC Charges It Violated Fair Credit Reporting Act (May 9, 2016), *available at* <https://www.ftc.gov/news-events/press-releases/2016/05/debt-collector-settles-ftc-charges-it-violated-fair-credit>.

Education and outreach initiatives

The Bureau empowers consumers to make sound financial decisions for themselves and their families through wide-ranging consumer education efforts. These efforts include outreach to targeted consumer populations, including students, older Americans, servicemembers, veterans, and low-income and economically-vulnerable consumers, as well as to the general population and to financial educators. The CFPB's financial education is focused on encouraging consumers to ask questions, make plans, and take action in their financial lives to reach their own life goals.

Similarly, the FTC's FDCPA program also involves extensive education and public outreach efforts. The FTC's consumer education initiative informs consumers of their rights under the FDCPA and what the statute requires of debt collectors, while its business education initiative informs debt collectors what they must do to comply with the law.⁹⁵

Bureau education and outreach initiatives

The Bureau seeks to provide consumers with information about specific financial decisions, including those relating to debt collection. One of the Bureau's initiatives is Ask CFPB, an interactive online tool that helps consumers find short, clear, unbiased, authoritative answers to a wide variety of their financial questions.

Ask CFPB for debt collections was initiated in October 2012. As of January 2017, debt collection was one of the two most-viewed categories in Ask CFPB. The Ask CFPB questions and answers on

⁹⁵ Available at <https://www.consumer.ftc.gov/articles/0149-debt-collection>; <https://www.ftc.gov/tips-advice/business-center/credit-and-finance>.

debt collection address a wide range of issues under the FDCPA, including the meaning of specific terms, consumers’ rights, and debt collectors’ obligations. Ask CFPB provides practical tips to consumers regarding steps they can take to exercise their rights under the FDCPA as well as to manage their debts.⁹⁶

In July 2013, the Bureau added five sample letters to Ask CFPB that consumers may use when they interact with debt collectors. These letters can help consumers get valuable information and protect them from inappropriate or unwanted collection activities. The five letters address the following situations: (1) consumers who need more information about a debt; (2) consumers who want to dispute their debt; (3) consumers who want to restrict how and when a collector can contact them; (4) consumers who want to stop all communication from debt collectors; and (5) consumers who have hired an attorney with respect to the debt matter.⁹⁷ These letters are available in English and Spanish.

Since tracking began in June 2014, the letters have been downloaded over 389,800 times as of the end of 2016. Of the letters, “I need more information about this debt” and “I do not owe this debt” are the most popular, accounting together for over two thirds of total downloads:

TABLE 4: DOWNLOADS OF CFPB’S COLLECTION-RELATED LETTERS

Letter	% total downloads
“I need more information about this debt”	42%
“I do not owe this debt”	34%
“I want to specify how the debt collector can contact me”	10.5%
“I want the debt collector to stop contacting me”	9.8%
“I want the debt collector to only contact me through my lawyer”	3.7%

⁹⁶ This material is at: <http://www.consumerfinance.gov/consumer-tools/debt-collection/>

⁹⁷ Copies of these letters are available on the Bureau’s website at <http://www.consumerfinance.gov/askcfpb/1695/ive-been-contacted-debt-collector-and-need-help-responding-how-do-i-reply.html>.

In addition to online resources for consumers, the Bureau has developed numerous print publications and brochures on financial topics including debt collection, which consumers and organizations can download or order in bulk free of charge. In 2015, the Bureau added the brochure “Know Your Rights When a Debt Collector Calls,” in both English and Spanish, as well as a version tailored specifically to servicemembers, informing them of their unique rights. The Bureau distributed 120,705 of the English version and 41,558 of the Spanish version throughout FY 2016.

Debt collection is a significant issue facing consumers, especially low-income and economically-vulnerable consumers. The Bureau, through its Office of Financial Empowerment, developed a financial empowerment training and toolkit – *Your Money, Your Goals* – for use by social services workers and other front-line staff and volunteers working with economically vulnerable consumers. The modularized toolkit covers a variety of financial topics, including debt management and consumer financial protection. The module on dealing with debt provides an overview of the FDCPA, resources, and tools to help consumers better manage their debts. As of the end of 2016, more than 13,500 staff and volunteers in social services, legal aid, worker, and community organizations were trained on *Your Money, Your Goals*, reaching an estimated 600,000 consumers. The toolkit and training, in both English and Spanish, can be accessed at www.consumerfinance.gov/your-money-your-goals. The Bureau is developing stand-alone “action handbooks” on specific financial topics contained in the toolkit. These resources focus on actionable content, and they are shorter and easier for staff in human service organizations to use with the people they serve. The first in the series, “Behind on Bills,” contains tools and tips to help consumers better align their income and expenses, steps to consider if they experience a shortfall, and information on options for responding to debt collectors.

Empowering consumers to manage their student loan debts has been and will continue to be a significant focus for the Bureau. The Bureau developed and continues to maintain web tools designed to help students and families make more informed decisions about paying for college and repaying their student loans. Our Repay Student Debt⁹⁸ tool can provide help for borrowers who have fallen behind on their student loan payments. The tool has helped borrowers understand their options, communicate effectively with their loan servicer or debt collector, and work to

⁹⁸ Available at <http://www.consumerfinance.gov/paying-for-college/repay-student-debt/>.

bring their student loans out of default or delinquency. Improving borrower's performance in paying student loan debts helps them to rebuild their credit, go back to school, or buy a home.⁹⁹

In 2016, the Bureau partnered with the Department of Education to launch a new initiative to develop a student loan *Payback Playbook* – a set of streamlined, personalized disclosures that provide a plain-language explanation of repayment options available to borrowers with federal student loans.¹⁰⁰ The Bureau provided the Education Department with a revised set of disclosures, informed by user testing and public feedback from more than 3,400 consumers, servicers, advocates and other stakeholders.¹⁰¹ The Education Department plans to make the *Payback Playbook* disclosures available as part of its ongoing work to enhance consumer protections for student loan borrowers.¹⁰² Increased knowledge of repayment options may help some consumers pay on time and thus stay out of debt collection.

Debt collection is also a significant issue facing the servicemember population. In April 2016, the Office for Servicemember Affairs released its semiannual complaint snapshot that provides an overview of complaints submitted by servicemembers, veterans, and their family members during 2015.¹⁰³ The report highlighted the most common problems these consumers are reporting. Debt collection complaints continue to be the largest category of complaints from the military community, and as of December 2016, they remain the largest complaint category, comprising 45 percent of total complaints from military consumers.

⁹⁹ For borrowers with private student loans, options to cure a student loan in default may be limited. In May 2013, the Bureau published *Student Loan Affordability*, a report analyzing 28,000 comments from policy experts, market participants, and consumers offering potential options for policymakers seeking to help borrowers manage their student debt. Available at <http://www.consumerfinance.gov/reports/student-loan-affordability/>. *Student Loan Affordability* featured a discussion of possible options for borrowers in distress, including increased access to loan modifications for borrowers seeking to avoid default and a mechanism through which private student loan borrowers in default can successfully repair their credit.

¹⁰⁰ Available at <http://www.consumerfinance.gov/payback-playbook/>

¹⁰¹ <http://www.consumerfinance.gov/about-us/blog/your-feedback-helped-us-update-our-payback-playbook-prototype/>

¹⁰² <https://blog.ed.gov/2016/04/a-new-vision-for-serving-student-loan-borrowers/>

¹⁰³ Available at <http://www.consumerfinance.gov/reports/complaints-received-from-servicemembers-veterans-and-their-families-2011-2014/>; http://files.consumerfinance.gov/f/201511_cfpb_snapshot-of-servicemember-complaints.pdf.

In September 2016, the Office of Servicemember Affairs hosted a web forum on the various resources and tips military personnel can use to help them better communicate with debt collectors if they should find themselves having trouble managing their debts. The forum describes how servicemembers can use the Bureau’s sample debt collection letters.

7.2 FTC education and public outreach

Education and public outreach also are important parts of the Commission’s debt collection program. The FTC uses multiple formats and channels to inform consumers about their rights under the FDCPA, as well as what the statute requires of debt collectors; and to inform debt collectors about what they must do to comply with the law. The FTC also uses education and public outreach to enhance legal services providers’ understanding of debt collection issues.

The Commission reaches tens of millions of consumers through English and Spanish print and online materials, blog posts, and speeches and presentations. To maximize its outreach efforts, FTC staff works with an informal network of about 16,000 community-based organizations and national groups that order and distribute FTC information to their members, clients, and constituents. In 2016, the FTC distributed 15.5 million print publications to libraries, police departments, schools, non-profit organizations, banks, credit unions, other businesses, and government agencies. In 2016, the FTC logged more than 43 million views of its business and consumer education website pages. The FTC’s channel at [YouTube.com/FTCvideos](https://www.youtube.com/FTCvideos) houses 144 videos, which were viewed more than 603,306 times in 2016. A new video — [Fraud Affects Every Community: Debt Collection](#) — tells the first-person story of a veteran who was contacted by a debt collector. The consumer blogs in [English](#)¹⁰⁴ and [Spanish](#)¹⁰⁵ reached 159,825 (English) and 44,835 (Spanish) email subscribers, and regularly serve as source material for local and national news stories.

As part its work to raise awareness about scams targeting the Latino community, the FTC has developed a series of fotonovelas in Spanish. The graphic novels tell stories based on complaints

¹⁰⁴ <http://www.consumer.ftc.gov/blog>.

¹⁰⁵ <http://www.consumidor.ftc.gov/blog>.

Spanish speakers make to the FTC and offer practical tips to help detect and stop common scams. People ordered more than 45,125 copies of the *Cobradores De Deuda* (Debt Collectors) fotonovela in 2016.

The Commission also educates industry members by developing and distributing business education materials, delivering speeches, blogging, participating in panel discussions at industry conferences, and providing interviews to general media and trade publications. The FTC's business education resources can be found in its online [Business Center](#).¹⁰⁶ The Business Center logged more than 3.4 million page views in 2016, and there are more than 58,000 email subscribers to the [Business Blog](#).¹⁰⁷ A complete list of the FTC's consumer and business education materials relating to debt collection and information on the extent of their distribution is set forth in Appendix A to this letter.

FTC staff also regularly meets with legal service providers, consumer advocates, and people who work in immigrant, Native American, Latino, Asian, and African American communities to discuss consumer protection issues, including the FTC's work in the debt collection arena. As discussed further below, the Commission hosted several public workshops examining such issues this past year. The FTC also hosted five Ethnic Media Roundtables around the country in 2016, bringing together law enforcement, community organizations, consumer advocates and members of the ethnic media to discuss how consumer protection issues — including debt collection — affect their communities.

¹⁰⁶ <http://business.ftc.gov/>.

¹⁰⁷ <http://business.ftc.gov/blog>.

8. Rulemaking, research, and policy initiatives

The Bureau and FTC are working together to better understand the debt collection marketplace and to inform policymaking initiatives designed to best protect consumers. Dialogue and collaboration between the Bureau and FTC are instrumental in enabling the Bureau to understand some of the most important issues to consider as it makes progress in developing the first comprehensive federal rules covering debt collection. In addition, the Bureau's ongoing outreach, review of comments in response to its November 2013 ANPR, and own research provide opportunities for the Bureau to learn more about what is occurring in the market, to interact with those industry and consumer groups who can provide feedback about this market, and to develop its own understanding of consumer experiences with debt and debt collection.

8.1 Bureau rulemaking and research

8.1.1 Bureau research projects

The Bureau is engaged in several research projects to better understand the debt collection market and its impact on consumers, which will help inform the development of rules. These research projects include:

- i. a consumer survey to obtain quantitative data about consumers' experiences with debt and debt collection;
- ii. consumer testing to learn about the effectiveness of debt collection disclosures;
- iii. a qualitative survey of debt collectors to understand the operational costs of collecting debt and how these vary across debt collection firms; and
- iv. a report on online debt sales markets.

The Bureau released findings from its Survey of Consumer Views on Debt in January 2017.¹⁰⁸ The survey results substantially expand the understanding of debt collection in the United States by providing the first comprehensive and nationally representative data on consumers' experiences and preferences related to debt collection. The survey asked consumers about their experiences, if any, with debt collectors over the past year. Some key findings of the survey are discussed below in a separate section of this chapter (8.1.4).

The Bureau is also conducting consumer testing to assess, among other things, the effectiveness of certain disclosures to be provided by debt collectors, including: (1) information about the debt and its owner; (2) that a communication is from a debt collector and that the information the debt collector receives from consumers will be used to collect the debt; (3) a consumer's legal rights in responding to debt collectors, including a consumer's ability to dispute a debt; and (4) information about how a debt's age affects a collector's ability to sue the consumer. The FDCPA currently requires that collectors provide some of this information to consumers during or within five days of the initial communication as part of a "validation notice". Consumer testing provides insight into consumers' understanding of debt collection disclosures. The Bureau can use this knowledge to assess whether consumers' understanding would be increased by improving the information the disclosure conveys or the way this information is provided.

To better understand debt collector costs, the Bureau conducted a qualitative survey of debt collection firms, and the Bureau released a report on this survey in July 2016.¹⁰⁹ The study included a written questionnaire completed by 60 debt collection firms and phone interviews with more than 30 debt collection firms and vendors to the collections industry. The study provides the Bureau with a baseline understanding of the operational costs of debt collection firms, which the Bureau can use to anticipate and gauge the likely effects of any potential regulations on the debt collection industry.

¹⁰⁸ <http://www.consumerfinance.gov/data-research/research-reports/consumer-experiences-debt-collection-findings-cfpbs-survey-consumer-views-debt/> The Bureau released some preliminary findings from this survey in July 2016. See Appendix B of CFPB, "Small Business Review Panel for Debt Collector and Debt Buyer Rulemaking" (July 28, 2016), available at http://files.consumerfinance.gov/f/documents/20160727_cfpb_Outline_of_proposals.pdf.

¹⁰⁹ http://files.consumerfinance.gov/f/documents/Third_Party_Debt_Collection_Operations_Study_embargoed.pdf.

The Bureau published a report¹¹⁰ in January 2017 that described findings from a review of 298 portfolios of charged-off debt that were offered for sale on three online marketplaces between January of 2015 and August of 2015. Together, these portfolios were advertised as containing the information of more than 1.2 million consumer accounts. The Bureau reviewed debt listings, including advertised asking price, number of accounts, face value, age, and number of prior placements. The report described the characteristics of portfolios available for purchase on these marketplaces and noted that online debt sales, if combined with questionable practices that have been highlighted at some other websites by the FTC, may permit private personal information to be acquired cheaply and easily by anyone online.

8.1.2 FDCPA Rulemaking

The CFPB issued an ANPR in November 2013 to explore the idea of developing debt collection rules. On February 28, 2014, the comment period for the ANPR ended, and by that date, the Bureau had received more than 23,000 comments.

During 2014, the Bureau began carefully evaluating the responses to the ANPR. On July 28, 2016, the Bureau published an Outline of Proposals Under Consideration (the “Outline”) in preparation for a Small Business Regulatory Enforcement Fairness Act (SBREFA) panel. The Outline addressed proposals under consideration for those who are defined as “debt collectors” under the FDCPA.¹¹¹

On August 25, 2016, the Bureau convened a panel pursuant to the SBREFA composed of the CFPB, Small Business Administration (SBA), and the Office of Management and Budget (OMB) to obtain input from small businesses in the debt collection industry on the possible effect of debt collection rulemaking on their businesses. The Bureau is considering the feedback it received through the SBREFA panel and from other stakeholders subsequent to publication of the Outline. Additionally, the Bureau, among other things, is actively engaged in research, as described above in Section 8.1.1.

¹¹⁰ Consumer Financial Protection Bureau. “Market Snapshot: Online Debt Sales.” January 2017. <https://www.consumerfinance.gov/data-research/research-reports/market-snapshot-online-debt-sales/>

¹¹¹ The outline can be found at <https://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-considers-proposal-overhaul-debt-collection-market/>

8.1.3 Market monitoring and outreach

The Bureau continues to monitor the debt collection industry and engages key debt collection stakeholders to improve its understanding of the market and to develop informed policies that will protect consumers without imposing unnecessary costs.

During 2016, CFPB staff spoke at both regional and national events on the topic of debt collection. The CFPB also held meetings with many consumer groups, industry groups, vendors, and government officials to better understand consumers' experiences with debt collection, as well as how the market and industry function.

In addition, the Bureau has held a number of meetings with market participants to inform the Bureau as a part of the rulemaking process. The results of this outreach have provided Bureau staff with detailed information related to the costs of operating a debt collection business and potential impacts of the proposals under consideration.

8.1.4 Survey of Consumer Views on Debt

This section presents select findings of the Survey of Consumer Views on Debt ("survey")¹¹² which was conducted by the Consumer Financial Protection Bureau between December 2014 and March 2015. The survey results substantially expand the understanding of debt collection in the United States by providing the first comprehensive and nationally representative data on consumers' experiences and preferences related to debt collection.

The sample for the Survey of Consumer Views on Debt was selected from credit records maintained by one of the top three nationwide credit repositories, and the survey data were adjusted for differences in response rates for different types of consumers. As a result, estimates from the survey are representative of U.S. consumers with a credit report. The survey asked consumers about their experiences, if any, with debt collectors over the past year. For consumers

¹¹² Available at http://files.consumerfinance.gov/f/documents/201701_cfpb_Debt-Collection-Survey-Report.pdf

who had such an experience, the survey captured detail on the debt for which they were most recently contacted.¹¹³

The prevalence of collections-related contact disputes and lawsuits by consumers varies by consumer characteristics. About one-in-three consumers with a credit record (32 percent) indicated that they had been contacted by at least one creditor or collector trying to collect one or more debts during the year prior to the survey. Most consumers who were contacted about a debt in collection (72 percent) reported that they had been contacted about two or more debts.

Consumers with relatively low incomes were more likely to report having experienced debt collection efforts in the prior year. About half of consumers (52 percent) with (self-reported) annual household income less than \$20,000 reported that they had been contacted about repaying a debt in collection; this share falls to just 16 percent for those with income of \$70,000 or more (Table 5).

TABLE 5: DISTRIBUTION OF THE NUMBER OF DEBTS CONSUMERS WERE CONTACTED ABOUT, BY ANNUAL HOUSEHOLD INCOME (PERCENT)

Annual household income	None	One debt	Two or more
Less than \$20,000	48	14	38
\$20,000-\$39,999	58	8	33
\$40,000-\$69,999	70	10	20
\$70,000 or more	84	5	11

In contrast to the differences in the share of consumers contacted about a debt in collection, the shares of consumers who reported having been contacted about multiple debts are generally similar by income. Among consumers who said they had been contacted about a debt in collection, the fraction of consumers contacted about multiple debts ranged between 67 percent and 80 percent across the four groups. Consumers between the ages of 35 and 49 were most likely to say they were contacted about a debt in collection (Table 6). By comparison, it was less common for consumers age 62 or older to report having been contacted about a debt collection; although even within this age segment 19 percent reported having been contacted about a debt in collection. The

¹¹³ Specifically, the survey asked about consumers' experiences with debt collection in the period since January 2014, roughly one year before the survey was conducted

pattern by age may reflect, in part, the fact that debt holdings similarly peak among households with a head in their mid-30s to mid-40s.¹¹⁴

TABLE 6: DISTRIBUTION OF THE NUMBER OF DEBTS CONSUMERS WERE CONTACTED ABOUT BY AGE (PERCENT)

Age	None	One debt	Two or more
Less than 35	66	8	26
35–49	58	9	33
50–61	65	11	24
62 or older	81	7	12

Table 7 reports findings by consumers’ self-reported race and ethnicity. Consumers are categorized as either white or non-white for race and, separately, are categorized as Hispanic or non-Hispanic for ethnicity.¹¹⁵

More than 40 percent of non-white consumers reported having been contacted about a debt in collection, compared with 29 percent of white consumers. Hispanic consumers were more likely than non-Hispanic consumers to report having been contacted about a collection (39 percent and 31 percent, respectively). These and other differences across groups may stem from factors that are correlated with demographic characteristics, and disentangling these potential factors is beyond the scope of this report.¹¹⁶

¹¹⁴According to the 2013 Survey of Consumer Finances, the share of families with any debt is greatest for families with a head between the ages of 35 and 44, and these families have the second-highest median amount of debt (conditional on having any). See http://www.federalreserve.gov/econresdata/scf/files/scf2013_tables_internal_real.xls.

¹¹⁵ The non-white category includes individuals who self-identified alone or in combination as: Black or African American; American Indian or Alaska Native; Asian; or Native Hawaiian or other Pacific Islander. The white category comprises those who self-identified as white alone.

¹¹⁶ For example, the estimated difference for whites compared with non-whites narrows by roughly one-quarter when comparing consumers with similar incomes in a regression framework.

TABLE 7: DISTRIBUTION OF THE NUMBER OF DEBTS CONSUMERS WERE CONTACTED ABOUT BY RACE AND ETHNICITY (PERCENT)

Consumer characteristic	None	One debt	Two or more
Race			
White	71	7	21
Non-white	56	13	31
Ethnicity			
Hispanic	61	9	30
Non-Hispanic	69	9	23

Past-due medical bills, credit cards, past-due telecommunications bills, and student loans were among the most frequently cited debts consumers were contacted about. The prevalence of contacts about credit cards, student loans, and past-due telecommunications bills in collection differed across demographic and credit-score groups. In contrast, the shares of consumers who were contacted about past-due medical bills were more comparable across income levels, credit scores, and ages.

According to the survey, consumers were also contacted about debts they believed were in error. More than half of consumers (53 percent) who were contacted about a debt in collection in the past year indicated that the debt was not theirs, was owed by a family member, or was for the wrong amount. Roughly one-quarter (27 percent) of consumers who were contacted about a debt in collection reported having disputed a debt with their creditor or collector in the past year.

8.2 FTC’s research and policy development activities

In the past year, the FTC has continued to monitor and evaluate the debt collection industry and its practices – both through public workshops and the FTC’s input to the CFPB on debt collection rulemaking and guidance initiatives.

In 2016, the FTC organized four Common Ground conferences at which law enforcement, consumer advocates, and community members discussed consumer protection issues, including debt collection, and encouraged consumers to report problems to the FTC. In December 2016, the

Commission also held a workshop, “The Changing Consumer Demographics,” which brought together law enforcement, consumer groups and researcher participants to discuss how to combat unlawful practices – including illegal debt collection activities – that impact specific consumer populations as the country’s demographics change.

Additionally, the FTC also continues to work closely with the CFPB to coordinate efforts to protect consumers from unfair, deceptive, and abusive debt collection practices.¹¹⁷ As part of this coordination, FTC and CFPB staff regularly meet to discuss ongoing and upcoming law enforcement, rulemaking, and other activities; share debt collection complaints; cooperate on consumer education efforts in the debt collection arena; and consult on debt collection rulemaking and guidance initiatives.

¹¹⁷ The Dodd-Frank Act directs the FTC and the CFPB to coordinate their law enforcement activities and promote consistent regulatory treatment of consumer financial products and services, including debt collection. *See* Dodd-Frank Act, Pub. L. 111-203, 124 Stat. 1376 § 1024(c)(3) (July 21, 2010). In January 2012, the FTC and CFPB entered into a memorandum of understanding (“MOU”) that supplements the requirements of the Dodd-Frank Act and creates a strong and comprehensive framework for coordination and cooperation. Memorandum of Understanding Between the Consumer Financial Protection Bureau and the Federal Trade Commission, January 2012, *available at* <http://www.ftc.gov/sites/default/files/attachments/press-releases/federal-trade-commission-consumer-financial-protection-bureau-pledge-work-together-protect-consumers/120123ftc-cfpb-mou.pdf>. The agencies reauthorized the MOU in May 2015 for a three-year term. *See* <https://www.ftc.gov/news-events/press-releases/2015/03/ftc-cfpb-reauthorize-memorandum-understanding>.

APPENDIX: LETTER FROM THE FTC



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

February 13, 2017

The Honorable Richard Cordray
Director
Consumer Financial Protection Bureau
1801 L Street, NW
Washington, DC 20036

Dear Director Cordray:

Thank you for your letter of January 5, 2017. As the letter mentions, the Consumer Financial Protection Bureau (CFPB) is responsible for providing annual reports to Congress concerning the federal government's efforts to implement the Fair Debt Collection Practices Act (FDCPA).¹¹⁸ This letter and its appendix describe the efforts the Federal Trade Commission (Commission or FTC) has taken during the past year in the debt collection arena. In the FTC's debt collection work, the CFPB has been a valuable partner. We hope that the information in this letter will assist the CFPB in preparing this year's report.

In 2016, the Commission continued its aggressive law enforcement activities against abusive, unfair, and deceptive debt collection practices. Among other things, the FTC:

¹¹⁸ The Dodd-Frank Act directed the CFPB to report to Congress on the federal government's implementation and administration of the FDCPA. Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), Pub. L. 11-203, § 1089, 124 Stat. 1376, 2092-93 (2010) (amending the Fair Debt Collection Practices Act, 15 U.S.C. §§ 1692-1692p). Before the enactment of the Dodd-Frank Act, Section 815(a) of the FDCPA, 15 U.S.C. § 1692m, required the FTC to report directly to Congress on these topics. The Commission submitted such annual reports from 1977 to 2011.

- filed or resolved 12 cases against 61 defendants, and obtained nearly \$70 million in judgments;¹¹⁹
- banned 44 companies and individuals that engaged in serious and repeated violations of law from ever working in debt collection again¹²⁰; and
- secured successful summary judgment decisions in three litigated matters, resulting in orders banning defendants from the debt collection industry.¹²¹

The FTC's debt collection program is a three-pronged effort: (1) vigorous law enforcement; (2) education and public outreach; and (3) research and policy initiatives. Over the past year, the FTC has employed all three prongs in its effort to curb unlawful debt collection practices and protect consumers.

I. LAW ENFORCEMENT ACTIVITIES

The Commission is primarily a law enforcement agency, and law enforcement investigations and litigation are at the heart of the FTC's recent debt collection work. Both the FDCPA and the FTC Act¹²² authorize the Commission to investigate and take law enforcement action against debt collectors that violate those statutes.¹²³ If an FTC investigation reveals that a debt collector violated the law, the Commission may file a federal court action seeking injunctive and equitable monetary relief under Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), or refer the matter to the Department of Justice for civil penalties and injunctive relief under Section 5(m) of the FTC Act, 15 U.S.C. § 45(m). Where a collector's violations are so egregious that a court order is necessary to halt the conduct immediately, or where consumer redress and disgorgement are more appropriate forms of monetary relief than civil penalties, the FTC generally files the action

¹¹⁹ These figures include cases filed and resolved in 2016, as well as cases filed in previous years but resolved in 2016.

¹²⁰ As a complement to all of the debt collection law enforcement cases that the FTC has brought over the years, in 2015 the FTC began publishing a list of every individual and company that the agency has sued that has been banned from the debt collection industry. This list, located at <https://www.ftc.gov/enforcement/cases-proceedings/banned-debt-collectors>, is a valuable resource to help law-abiding collection industry professionals avoid doing business with these defendants, as well as to help state debt collection licensing officials and law enforcers better protect consumers. Currently, the list includes over 135 banned individuals and companies.

¹²¹ This past year's work built upon and expanded the FTC's ongoing crackdown on unlawful debt collection practices. Since January 1, 2010, the FTC has sued over 250 companies and individuals who engaged in unlawful collection practices, banning 139 from the industry, and securing over \$419 million in judgments.

¹²² FDCPA, 15 U.S.C. § 1692-1692p; FTC Act, 15 U.S.C. §§ 41-58.

¹²³ The FDCPA authorizes the Commission to investigate and take law enforcement action against debt collectors that engage in unfair, deceptive, abusive, or other practices that violate the statute. FDCPA § 814, 15 U.S.C. § 1692f. Under the FTC Act, the FTC may investigate and take law enforcement action against entities that, in connection with collecting on debts, engage in unfair or deceptive acts and practices. FTC Act § 5, 15 U.S.C. § 45.

itself under Section 13(b) of the FTC Act. In other circumstances, the FTC may refer the case to the Department of Justice.

In addition to filing and referring law enforcement actions, the FTC files amicus briefs and undertakes other law enforcement-related activities.

I. Legal Actions

From January 1 through December 31, 2016, the FTC brought or resolved 12 debt collection cases. In several of its Section 13(b) cases, the Commission obtained preliminary relief that included *ex parte* temporary restraining orders with asset freezes, immediate access to business premises, and appointment of receivers to take over the debt collection businesses.

The Commission's recent efforts to protect consumers from deceptive and abusive debt collection practices culminated in Operation Collection Protection. This initiative, which the FTC began in 2015, was the first coordinated federal-state-local enforcement initiative targeting illegal debt collection. The nationwide crackdown included over 165 actions by more than 70 federal, state, and local law enforcement and regulatory authorities against collectors who used illegal tactics such as harassing phone calls and false threats of litigation or arrest.¹²⁴ Participants in the initiative continue to work closely together to share information and coordinate actions. The FTC's actions, involving (1) phantom debt collection, (2) collection via unlawful text messages and emails, (3) other FDCPA and FTC Act violations, and (4) Fair Credit Reporting Act violations, are discussed below.

1. Phantom Debt Collection

The Commission has continued its efforts to fight “phantom debt collection” this year. Phantom debt collectors engage in unfair, deceptive, or abusive conduct by attempting to collect on debts that either do not exist or are not owed to the phantom debt collector. The Commission

¹²⁴ See, e.g., Press Release, FTC and Federal, State and Local Law Enforcement Partners Announce Nationwide Crackdown Against Abusive Debt Collectors (Nov. 4, 2015), available at <https://www.ftc.gov/news-events/press-releases/2015/11/ftc-federal-state-local-law-enforcement-partners-announce>; Press Release, FTC and State Law Enforcement Partners Announce More Actions and Results in Continuing Crackdown Against Abusive Debt Collectors (Jan. 7, 2016), available at <https://www.ftc.gov/news-events/press-releases/2016/01/ftc-state-law-enforcement-partners-announce-more-actions-results>; Press Release, FTC and Illinois Attorney General Halt Chicago-Area Operation Charged with Collecting and Selling Phantom Payday Loan Debts (Mar. 30, 2016), available at <https://www.ftc.gov/news-events/press-releases/2016/03/ftc-illinois-attorney-general-halt-chicago-area-operation-charged>; Press Release, FTC Actions: Debt Collectors Banned from Debt Collection Business (Sept. 7, 2016), available at <https://www.ftc.gov/news-events/press-releases/2016/09/ftc-actions-debt-collectors-banned-debt-collection-business>; Blog Post, A Debt Collection Round-up (Dec. 27, 2016), available at <https://www.consumer.ftc.gov/blog/debt-collection-round>; Blog Post, Collection Protection reflection (Dec. 30, 2016), available at https://www.ftc.gov/news-events/blogs/business-blog/2016/12/collection-protection-reflection?utm_source=govdelivery.

initiated or resolved three actions involving phantom debt collection in 2016: *SQ Capital LLC*, *Stark Law LLC*, and *Kelly S. Brace*. *SQ Capital* and *Stark Law* are the first two cases brought by the FTC against operations for allegedly selling fake debt portfolios. This past year, the Commission also returned money to thousands of consumers who were targeted by the phantom debt schemes in *Centro Natural Corp.* and *Broadway Global Master Inc.*

In December, the Commission charged *SQ Capital* with selling portfolios of fake payday loan debts that debt collectors used to get people to pay on debts they did not owe.¹²⁵ According to the complaint, the defendants' fake portfolios listed social security numbers and bank account numbers of real consumers, but falsely claimed that the purported borrowers had failed to repay debts they never owed, to lenders who did not make these loans.¹²⁶ The complaint also alleges that the defendants did not have the authority to sell debts of the lenders they named. At the FTC's request, a federal court entered a preliminary injunction halting this operation pending litigation.

In March, the FTC partnered with the Illinois Attorney General to shut down a Chicago-area operation that allegedly threatened and intimidated consumers to collect phantom payday loan debts they did not owe, or did not owe to the defendants.¹²⁷ The *Stark Law* defendants allegedly called consumers and demanded immediate payment for supposedly delinquent loans, often armed with consumers' sensitive personal and financial information. Defendants also allegedly threatened consumers with lawsuits or arrest, deceptively held themselves out as a law firm with authority to sue and obtain substantial judgments against delinquent consumers, and disclosed debts to relatives, friends and co-workers. As in *SQ Capital*, the complaint also charged defendants with unlawfully selling portfolios of fake debt to other debt collectors in violation of the FTC Act. The court entered an *ex parte* temporary restraining order (and later a preliminary injunction) with an asset freeze, appointment of a receiver, and injunctive relief prohibiting the defendants from selling fake debt portfolios or from making the misrepresentations at issue in this case. Litigation continues in this matter.

¹²⁵ *FTC v. Joel Jerome Tucker*, 2:16-cv-082816 (D. Kan. Dec. 16, 2016) (Complaint); see also Press Release, FTC Charges Defendants with Selling Fake Payday Loan Debt Portfolios (Jan. 9, 2017), available at <https://www.ftc.gov/news-events/press-releases/2017/01/ftc-charges-defendants-selling-fake-payday-loan-debt-portfolios>.

¹²⁶ To add credibility to some of the fake loans in their portfolios, the defendants used the name of a purported lender associated with another Commission law enforcement action, *FTC v. AMG Services*, 2:12-cv-00536 (D. Nev. Sept. 30, 2016) (Order). In September 2016, a federal court ordered the defendants in the *AMG* payday lending scheme to pay a record \$1.3 billion for deceiving and illegally charging consumers undisclosed and inflated fees. *Id.*; see also Press Release, U.S. Court Finds in FTC's Favor and Imposes Record \$1.3 Billion Judgment Against Defendants Behind AMG Payday Lending Scheme (Oct. 4, 2016), available at <https://www.ftc.gov/news-events/press-releases/2016/10/us-court-finds-ftcs-favor-imposes-record-13-billion-judgment>.

¹²⁷ *FTC v. Stark Law, LLC*, No. 1:16-cv-3463 (N.D. Ill. Mar. 21, 2016) (Complaint); see also Press Release, FTC and Illinois Attorney General Halt Chicago-Area Operation Charged with Collecting and Selling Phantom Payday Loan Debts (Mar. 30, 2016), available at <https://www.ftc.gov/news-events/press-releases/2016/03/ftc-illinois-attorney-general-halt-chicago-area-operation-charged>.

In *Brace*, the FTC and New York Attorney General successfully resolved their litigation against another phantom debt collection scheme. The complaint in this case, filed in October 2015, alleged that the defendants attempted to collect on payday debts they knew were bogus.¹²⁸ According to the complaint, the defendants bought payday loans supposedly owed to a company that repeatedly told them to stop collection efforts because the debts were fabricated, and ignored consumers' evidence that they had never authorized a payday loan. The defendants allegedly employed other deceptive and abusive tactics to get consumers to pay, including false threats of lawsuits and arrest. The Court granted – over the defendants' objections – the plaintiffs' request to enter a temporary restraining order halting their operations, and, shortly thereafter, entered a stipulated preliminary injunction. In the summer of 2016, the FTC and the New York AG secured a stipulated final order banning the defendants from the debt collection business, prohibiting other deceptive claims, and imposing a judgment of more than \$18.4 million, which was partially suspended based on inability to pay.¹²⁹ The plaintiffs also secured an order against a relief defendant imposing a partially-suspended \$418,000 judgment.

In addition to the law enforcement actions above, this past year the Commission also returned funds to consumers who lost money to phantom debt collection operations previously stopped by the FTC. In November 2016, the agency mailed 3,446 checks totaling more than \$830,000 to consumers in the *Centro Natural Corp.* matter.¹³⁰ The Commission had secured stipulated orders banning defendants from debt collection or telemarketing, after alleging that they targeted thousands of Spanish-speaking consumers with unlawful tactics to collect on fake debts and to coerce consumers into purchasing goods that they did not want.¹³¹ In April, the Commission mailed 1,701 checks totaling more than \$596,000 to consumers who lost money to the fraudulent scheme in *Broadway Global Master Inc.*¹³² The agency had previously secured a

¹²⁸ *FTC and State of New York v. Brace*, No. 1:15-cv-00875-RJA (W.D.N.Y. Oct. 5, 2015) (Complaint).

¹²⁹ *FTC and State of New York v. Brace*, No. 1:15-cv-00875-RJA (W.D.N.Y. Aug. 18, 2015) (Stipulated Order), *see also* Press Release, FTC Action: Debt Collector Banned from Collection Business (Aug. 24, 2016), *available at* <https://www.ftc.gov/news-events/press-releases/2016/08/ftc-action-debt-collector-banned-collection-business>.

¹³⁰ Press Release, FTC Returns Money to Victims of Debt Collection Scheme (Nov. 14, 2016), *available at* <https://www.ftc.gov/news-events/press-releases/2016/11/ftc-returns-money-victims-debt-collection-scheme>.

¹³¹ *FTC v. Centro Natural Corp.*, No. 14-cv-23879 CMA (S.D. Fla. June 30, 2015) (Stipulated Order); *see also* Press Release, FTC Action Puts an End to Fraudulent Debt Collection Scheme that Targeted Spanish-Speaking Consumers (July 8, 2015), *available at* <https://www.ftc.gov/news-events/press-releases/2015/07/ftc-action-puts-end-fraudulent-debt-collection-scheme-targeted>.

¹³² Press Release, FTC Returns Money to Consumers Harmed by Scam That Collected Millions in Phantom Payday Loan Debts (Apr. 6, 2016), *available at* <https://www.ftc.gov/news-events/press-releases/2016/04/ftc-returns-money-consumers-harmed-scam-collected-millions>.

stipulated order banning this operation from the debt collection business because of allegations that it harassed consumers into paying phantom debts.¹³³

2. The FTC's *Messaging For Money Sweep*: Debt Collection Via Unlawful Text Messages And Emails

The Commission has also continued its efforts to pursue schemes that use deceptive, threatening or otherwise unlawful text messages or emails to target consumers. In 2015, the Commission launched a law enforcement sweep, called "Messaging for Money," to stop three operations engaged in such practices. This past year, the FTC won summary judgment in one of those cases (*The Primary Group Inc.*), and successfully resolved the charges against nine of the defendants in the other two matters (*Premier Debt Acquisitions LLC* and *Unified Global Group, LLC*).

In June 2016, the court in *The Primary Group* matter granted the FTC's summary judgment request on all counts against an unlawful debt collection operation.¹³⁴ The court found that, as alleged by the Commission, these defendants deceived consumers using text messages, emails, and phone calls that falsely threatened consumers with arrest or lawsuits if they did not make debt collection payments. The court also found that they unlawfully contacted consumers' friends, family members, and employers; withheld information consumers needed to confirm or dispute debts; and did not identify themselves as debt collectors, as required by law.¹³⁵ The court permanently banned two defendants from debt collection activities and imposed a judgment of \$980,000.

The Commission successfully resolved *Premier Debt Acquisitions* in January 2016 by securing a stipulated order banning the defendants from debt collection activities and imposing a judgment of \$2,229,756, which was partially suspended.¹³⁶ The complaint alleged that defendants

¹³³ *FTC v. Broadway Global Master Inc.*, No. 2:12-cv-0855 JAM GGH (E.D. Cal. Sept. 10, 2015) (Stipulated Order); see also Press Release, FTC Action Stops Scammers Who Collected Millions in Phantom Payday Loan Debts (Sept. 16, 2015), available at <https://www.ftc.gov/news-events/press-releases/2015/09/ftc-action-stops-scammers-who-collected-millions-phantom-payday>.

¹³⁴ *FTC v. The Primary Group*, No. 1:15-cv-1645 (N.D. Ga. May 19, 2016) (Order Granting Summary Judgment); see also Press Release, FTC Action: Debt Collector Banned from Debt Collection Business (June 16, 2016), available at <https://www.ftc.gov/news-events/press-releases/2016/06/ftc-action-debt-collector-banned-debt-collection-business>.

¹³⁵ *FTC v. The Primary Group*, No. 1:15-cv-1645 (N.D. Ga. May 11, 2015) (Complaint); see also Press Release, FTC Halts Three Debt Collection Operations That Allegedly Threatened and Deceived Consumers via Illegal Text Messages (May 21, 2015), available at <https://www.ftc.gov/news-events/press-releases/2015/05/ftc-halts-three-debt-collection-operations-allegedly-threatened>.

¹³⁶ *FTC v. Premier Debt Acquisitions LLC*, No. 1:15-cv-00421-FPG (W.D.N.Y. Jan. 7, 2016) (Order); see also Press Release, FTC and State Law Enforcement Partners Announce More Actions and Results in Continuing Crackdown

impersonated law enforcement and government officials, falsely threatened consumers with a lawsuit or arrest, and falsely threatened to charge some consumers with criminal fraud, garnish their wages, or seize their property.¹³⁷ In text messages, the defendants allegedly claimed they would sue consumers and threatened to seize consumers' possessions unless they paid. In voicemails, the defendants also allegedly falsely claimed that a "uniformed officer" was on the way to consumers' homes. In addition to banning the defendants from the debt collection industry, the order prohibits them from making misrepresentations about other financial products or services.

In *FTC v. Unified Global Group*, the FTC secured an approximately \$27 million judgment and significant injunctive relief in a settlement with four defendants involved in an abusive debt collection operation. The FTC's complaint against *Unified Global Group*¹³⁸ alleged that the defendants sent texts to trick consumers into calling them back. The texts included false statements such as, "YOUR PAYMENT DECLINED WITH CARD ****_****_****_5463 . . . CALL 866.256.2117 IMMEDIATELY," even though consumers had never arranged to make payments to the defendants. The defendants also allegedly used deceptive emails and calls that threatened arrest and civil lawsuits, and unlawfully contacted consumers' friends, families, and co-workers about the supposed debts. In August 2016, the court entered a stipulated order banning the settling defendants from all debt collection activities and imposing a judgment of approximately \$27 million, which was partially suspended because of their inability to pay.¹³⁹ Litigation continues against the sole remaining defendant.

3. Other Actions To Halt FDCPA And FTC Act Violations

In addition to the cases described above, the FTC successfully resolved five other actions in 2016 to protect consumers from unlawful collection practices: (1) *Federal Check Processing*; (2) *Commercial Recovery Systems*; (3) *Warrant Enforcement Division*; (4) *AFS Legal Services*; and (5) *BAM Financial*. In the first two cases, the FTC secured summary judgment wins against the defendants. The FTC also continued litigating *Vantage Point Services*, filing a motion for summary judgment and securing additional preliminary relief against a defendant.

Against Abusive Debt Collectors (Jan. 7, 2016), available at <https://www.ftc.gov/news-events/press-releases/2016/01/ftc-state-law-enforcement-partners-announce-more-actions-results>.

¹³⁷ *FTC v. Premier Debt Acquisitions LLC*, No. 1:15-cv-00421-FPG (W.D.N.Y. May 11, 2015) (Complaint); see also Press Release, FTC Halts Three Debt Collection Operations That Allegedly Threatened and Deceived Consumers via Illegal Text Messages (May 21, 2015), available at <https://www.ftc.gov/news-events/press-releases/2015/05/ftc-halts-three-debt-collection-operations-allegedly-threatened>.

¹³⁸ *FTC v. Unified Global Group, LLC*, 15-cv-422-W (W.D.N.Y. May 11, 2015) (Complaint); see also Press Release, FTC Halts Three Debt Collection Operations That Allegedly Threatened and Deceived Consumers via Illegal Text Messages (May 21, 2015), available at <https://www.ftc.gov/news-events/press-releases/2015/05/ftc-halts-three-debt-collection-operations-allegedly-threatened>.

¹³⁹ *FTC v. Unified Global Group, LLC*, 15-cv-422-W (W.D.N.Y. Aug. 26, 2016) (Order); see also Press Release, FTC Actions: Debt Collectors Banned from Debt Collection Business (Sept. 7, 2016) available at <https://www.ftc.gov/news-events/press-releases/2016/09/ftc-actions-debt-collectors-banned-debt-collection-business>.

In *FTC v. Federal Check Processing Inc.*, the court granted the Commission’s request for summary judgment against a Buffalo, New York-based debt collection scheme.¹⁴⁰ The district court adopted the magistrate judge’s recommendation and report that found that defendants had violated the FTC Act and the FDCPA by falsely claiming to be government officials, falsely threatening consumers with litigation or arrest, and systematically disclosing consumers’ debts to their friends, family, and co-workers to coerce payment.¹⁴¹ The court had previously entered an *ex parte* temporary restraining order, followed by a stipulated preliminary injunction, to halt this abusive debt collection operation. The final order bans the defendants from the debt collection industry and requires them to pay a nearly \$11 million judgment.

In *United States v. Commercial Recovery Systems, Inc.*, a case that the FTC referred to the Department of Justice for prosecution, the court entered summary judgment against two defendants in an unlawful debt collection operation. The court found that the debt collectors had “repeatedly and routinely violated the FDCPA . . . in multiple ways, by making blatantly false representations for the purpose of intimidating consumers into paying debts.”¹⁴² Among other things, the court found that their routine threats to sue consumers were “patently false,” and further that they falsely impersonated attorneys and threatened to seize or garnish consumers’ property or wages. The court banned the two defendants from debt collection, and will determine the civil penalty amount to impose on one of them, the president of the company.¹⁴³ Additionally, the government secured a stipulated final order against the remaining individual defendant subjecting him to the same ban and imposing a \$496,000 civil penalty judgment (partially suspended due to an inability to pay).¹⁴⁴

In January 2016, the Commission also successfully resolved its action in *Warrant Enforcement Division*. The FTC’s complaint in this matter alleged that the defendants, while under

¹⁴⁰ *FTC v. Federal Check Processing, Inc.*, No. 1:14-cv-00122 (W.D.N.Y Oct. 13, 2016) (Judgment and Permanent Injunction); see also Press Release, FTC Wins Summary Judgment Against Buffalo, NY-based Abusive Debt Collectors; Defendants Banned from Collection Business (Oct. 31, 2016), available at <https://www.ftc.gov/news-events/press-releases/2016/10/ftc-wins-summary-judgment-against-buffalo-ny-based-abusive-debt>.

¹⁴¹ *FTC v. Federal Check Processing, Inc.*, No. 1:14-cv-00122 (W.D.N.Y Mar. 25, 2014) (Complaint), see also Press Release, At FTC’s Request, Court Halts Debt Collector’s Allegedly Deceptive and Abusive Practices, Freezes Assets (Sept. 23, 2014), available at <http://www.ftc.gov/news-events/press-releases/2014/03/ftcs-request-court-halts-debt-collectors-allegedly-deceptive>.

¹⁴² *United States v. Commercial Recovery Sys., Inc.*, No. 4:15-cv-36 (E.D. Tex. Apr. 7, 2016) (Memorandum Opinion and Order).

¹⁴³ *United States v. Commercial Recovery Sys., Inc.*, No. 4:15-cv-36 (E.D. Tex. Apr. 18, 2016) (Order); see also Press Release, FTC Action: Debt Collector Banned from Collection Business (Sept. 22, 2016), available at <https://www.ftc.gov/news-events/press-releases/2016/09/ftc-action-debt-collector-banned-collection-business>.

¹⁴⁴ *United States v. Commercial Recovery Sys., Inc.*, No. 4:15-cv-36 (E.D. Tex. Sept. 21, 2016) (Order)

contract to collect overdue utility bills, traffic tickets, court fines, and other debts for local governments in Texas and Oklahoma, sent consumers letters and postcards containing false or unsubstantiated threats of arrest that appeared to come from a municipal court.¹⁴⁵ The FTC charged that the false and unsubstantiated threats made to collect municipal court debts violated the FTC Act, and those made to collect utility debts violated both the FTC Act and the FDCPA. Under a stipulated order for permanent injunction, the defendants are prohibited from misrepresenting any material fact in collecting debts, including that failure to pay a debt will result in the consumer being arrested or jailed, having their vehicle impounded, or being unable to renew their driver's license.¹⁴⁶ The order also imposed a \$194,888 judgment that was suspended based on the defendants' inability to pay.

Similarly, the Commission secured a final order in its suit against *AFS Legal Services*, resolving charges that the defendants impersonated investigators and law enforcement, and threatened to arrest, jail, and sue consumers if they did not pay debts.¹⁴⁷ According to the FTC's complaint, filed in October 2015, the defendants often had consumers' personal information – such as social security and bank account numbers – that caused consumers to believe that the calls and associated threats were legitimate.¹⁴⁸ The collectors also allegedly made harassing calls and contacted relatives, friends, and co-workers about consumers' debts. The stipulated final order, entered in August 2016, bans the defendants from debt collection activities and imposes a judgment of more than \$4.4 million, the amount consumers lost to this scheme.

In July 2016, the FTC also successfully resolved its suit against *BAM Financial*, banning the defendants from the debt collecting business and securing other important relief.¹⁴⁹ The FTC's complaint, filed in October 2015, alleged that the defendants bought consumer debts and collected payment by deceptively threatening consumers with lawsuits, wage garnishment, and arrest, and by

¹⁴⁵ *FTC v. Municipal Recovery Servs. Corp.*, No. 15-CV-04064-N (N.D. Tex. Dec. 24, 2015) (Complaint).

¹⁴⁶ *FTC v. Municipal Recovery Servs. Corp.*, No. 15-CV-04064-N (N.D. Tex. Jan. 29, 2016) (Order); see also, Press Release, FTC and State Law Enforcement Partners Announce More Actions and Results in Continuing Crackdown Against Abusive Debt Collectors (Jan. 7, 2016), available at <https://www.ftc.gov/news-events/press-releases/2016/01/ftc-state-law-enforcement-partners-announce-more-actions-results>.

¹⁴⁷ *FTC v. Nat'l Payment Processing LLC*, No. 1:15-cv-3811-AT (N.D. Ga. Aug. 29, 2016) (Order); see also Press Release, FTC Actions: Debt Collectors Banned from Debt Collection Business (Sept. 7, 2016), available at <https://www.ftc.gov/news-events/press-releases/2016/09/ftc-actions-debt-collectors-banned-debt-collection-business>.

¹⁴⁸ *FTC v. Nat'l Payment Processing LLC*, No. 1:15-cv-3811-AT (N.D. Ga. Oct. 30, 2015) (Complaint).

¹⁴⁹ *FTC v. BAM Fin'l, LLC*, No. 8:15-cv-01672-JVS-DFM (C.D. Cal. July 11, 2016) (Order); see also Press Release, FTC Action: Abusive Debt Collectors Banned from Collection Business (July 14, 2016), available at <https://www.ftc.gov/news-events/press-releases/2016/07/ftc-action-abusive-debt-collectors-banned-collection-business>.

impersonating attorneys or process servers.¹⁵⁰ According to the complaint, the defendants also unlawfully disclosed debts to, or harassed, third parties; failed to identify themselves as debt collectors; and failed to notify consumers of their right to receive verification of the purported debts. At the FTC's request, the court entered a temporary restraining order that prohibited the defendants from violating the FDCPA and the FTC Act, froze the defendants' assets, and appointed a receiver. The stipulated final order bans them from debt collection activities and imposes a \$4,802,646 judgment, to be partially suspended upon the surrender of certain assets based on defendants' inability to pay.

¹⁵⁰ *FTC v. BAM Fin'l, LLC*, No. 8:15-cv-01672-JVS-DFM (C.D. Cal. Oct. 19, 2015) (Complaint); *see also* Press Release, FTC and Federal, State and Local Law Enforcement Partners Announce Nationwide Crackdown Against Abusive Debt Collectors (Nov. 4, 2015), available at <https://www.ftc.gov/news-events/press-releases/2015/11/ftc-federal-state-local-law-enforcement-partners-announce>.

The FTC continues to work with the New York Attorney General in a joint action against *Vantage Point*, a Buffalo, New York-based debt collection scheme. According to the complaint filed in 2015, defendants' collectors posed as a law firm, process servers, or even government agents – misrepresenting to consumers that they had committed a crime and would be arrested and jailed.¹⁵¹ The complaint further alleges that the defendants made similar claims about consumers to their co-workers, friends, and family members. At the request of the FTC and the New York AG, the court entered a preliminary injunction to halt the unlawful practices. In 2016, the plaintiffs requested that the court enter summary judgment against the defendants, and that motion is currently pending. The plaintiffs also sought and obtained a second *ex parte* temporary restraining order and preliminary injunction against one of the individual defendants for operating another debt collection scheme in violation of the first preliminary injunction.

4. Action To Halt Fair Credit Reporting Act Violations By A Debt Collector

In May 2016, in the *Credit Protection Association* matter – referred to the Department of Justice for prosecution – the court entered a stipulated final order against a debt collector for alleged violations of the Fair Credit Reporting Act's (FCRA) Furnisher Rule.¹⁵² Specifically, the complaint alleged that the defendant debt collector lacked adequate policies and procedures to handle consumer disputes regarding information the company provided to credit reporting agencies.¹⁵³ The complaint also alleged that the company did not have a policy requiring notice to consumers of the outcomes of investigations about disputed information and that, in numerous instances, consumers were not informed whether information they disputed had been corrected. The stipulated final order requires the defendant to pay \$72,000 in civil penalties and put in place policies and procedures that comply with the requirements of the FCRA and the Furnisher Rule. The company will also be required to follow the Rule's requirements related to conducting dispute investigations and informing consumers of their outcome.

II. Other Law Enforcement Activities: Amicus Curiae Briefs

The FTC also periodically submits briefs as *amicus curiae* in federal court cases around the country on important debt collection issues. Even when the FTC is not a plaintiff or a defendant in

¹⁵¹ *FTC and State of New York v. Vantage Point Services, LLC*, No. 1:15-cv-00006-WMS (W.D.N.Y. Jan. 5, 2015) (Complaint); see also Press Release, FTC, New York Attorney General Crack Down on Abusive Debt Collectors (Feb. 26, 2015), available at <https://www.ftc.gov/news-events/press-releases/2015/02/ftc-new-york-attorney-general-crack-down-abusive-debt-collectors>.

¹⁵² 15 U.S.C. §§ 1681-1681x (FCRA); Duties of Furnishers of Information to Consumer Reporting Agencies (Furnisher Rule), 16 C.F.R. § 660, *recodified as* Duties of Furnishers of Information, 12 C.F.R. § 1022, subpart E.

¹⁵³ *U.S. v. Credit Protection Association*, 3:16-cv-01255-D (N.D. Tex. May 9, 2016) (Complaint and Order); see also Press Release, Debt Collector Settles FTC Charges It Violated Fair Credit Reporting Act (May 9, 2016), available at <https://www.ftc.gov/news-events/press-releases/2016/05/debt-collector-settles-ftc-charges-it-violated-fair-credit>.

private FDCPA cases, courts often seek and rely on the Commission’s expertise in debt collection issues. This is yet another way for the FTC to protect consumers from unlawful practices and ensure consistency and logic in the development of federal debt collection law and policy.

Since Congress passed the Dodd-Frank Act, the FTC has often partnered with the CFPB on these *amicus* briefs. This past year, the Ninth Circuit and the Seventh Circuit adopted favorable interpretations of the FDCPA in two cases in which the FTC and CFPB had filed joint *amicus* briefs: *Hernandez v. Williams, Zinman & Parham* and *Franklin v. Parking Revenue Recovery Servs. Inc.* In both cases, the courts reaffirmed the Act’s broad applicability and significant protections for consumers.

1. “Initial Communication”: *Hernandez Amicus Brief*

In 2014, the FTC joined the CFPB in filing an *amicus* brief in the Ninth Circuit *Hernandez* matter regarding the meaning of the phrase “initial communication” in the FDCPA.¹⁵⁴ Section 1692g of the FDCPA requires “a debt collector” to send the consumer a “validation notice” containing certain information about the consumer’s alleged debts and the consumer’s rights “[w]ithin five days after the initial communication with a consumer in connection with the collection of any debt.”¹⁵⁵ In December 2011, the defendant sent the plaintiff in the underlying case a letter seeking to collect a debt that the plaintiff had allegedly incurred. That letter failed to include all of the information required by 15 U.S.C. § 1692g.

The parties filed cross-motions for summary judgment. In its motion, the defendant argued that it had no obligation to comply with § 1692g because its letter was not the “initial communication” that the plaintiff had received about the debt. Instead, it argued that the “initial communication” had come from another collector that had previously sought to collect on the same debt. The defendant contended that because that prior collector had sent the plaintiff a letter that complied with the FDCPA, and because it was a “subsequent collector,” it was under no obligation to send any further notice. Finding that the statute’s plain text only contemplated one initial communication with a debtor on a given debt, the district court agreed and granted the defendant’s motion. In doing so, the district court joined one side of a split among several district courts.

In our joint brief, the FTC and CFPB urged the Ninth Circuit to reject the district court’s interpretation. As we noted, the use of the general articles in the phrases “*the* initial communication” from “*a* debt collector” are most naturally read to refer to *each* subsequent debt collector’s initial communication with a consumer.¹⁵⁶ We also noted in our brief that the district

¹⁵⁴ Brief of Amici Curiae, *Hernandez v. Williams, Zinman & Parham, P.C.*, No. 14-15672 (9th Cir. Aug. 20, 2014), available at http://www.ftc.gov/system/files/documents/amicus_briefs/hernandez-v.williams-zinman-parham-p.c./140821briefhernandez1.pdf.

¹⁵⁵ See 15 U.S.C. § 1692g(a) (duty to send the notice); 15 U.S.C. § 1692g(b) (required contents of notice).

¹⁵⁶ Our brief observed that interpreting the statute as applying only to the initial communication by the initial collector leads to a logical inconsistency because, typically, that initial communication with a consumer regarding a debt comes

court's interpretation contravened Congress's legislative intent. Congress enacted § 1692g to eliminate the problem of debt collectors attempting to collect the wrong amounts from the wrong consumers. To that end, Congress requires debt collectors, upon initially contacting a consumer, to provide the consumer with a validation notice containing key information about the debt and the consumer's rights, including the amount of the debt, the identity of the original creditor, and the consumer's rights to obtain verification of the debt or dispute it. Because debts frequently change hands, these protections are just as important when a new debt collector acquires a debt as they are when the first collector began collecting.

In July 2016, the Ninth Circuit reversed the decision of the district court, becoming the first Court of Appeals to issue a published opinion on this portion of § 1692g. It held that, “[a]pplying well-established tools of statutory interpretation and construing the language in § 1692g(a) in light of the context and purpose of the FDCPA, . . . the phrase ‘the initial communication’ refers to the first communication sent by any debt collector, including collectors that contact the debtor after another collector already did.”¹⁵⁷ The court found that this interpretation is clear when read in the context of the FDCPA as a whole.¹⁵⁸ The court also agreed that this interpretation is supported by the FDCPA's declared purpose to protect consumers from abusive collection practices – in this case, by ensuring that consumers get updated information about debts and opportunities to verify them when their debts change hands.¹⁵⁹

2. Unpaid Parking Charges As “Debts”: *Franklin Amicus* Brief

In 2015, responding to an invitation from the Seventh Circuit, the FTC and CFPB submitted a joint *amicus* brief urging the court to reverse a district court ruling that unpaid parking fees are not “debts,” as that term is defined in the FDCPA.¹⁶⁰ The case arose out of a class action complaint alleging that a collection company hired by a private parking lot operator to collect unpaid parking fees and nonpayment penalties sent dunning letters to consumers that violated the FDCPA. The defendants moved for summary judgment, which the district court granted. The court found that the charges were a “fine” and not the byproduct of a “transaction.” Thus, the court reasoned, the sum the defendants were attempting to collect was not a “debt,” as that term is defined in the FDCPA, so the prohibitions of the Act did not apply to the defendants' dunning letters.

Our joint brief explained that the district court erred. The agencies noted that, in enacting the FDCPA, Congress broadly defined “debt” to mean “any obligation . . . to pay money arising out of

from a creditor, an entity not subject to the FDCPA. If “initial communication” was read to mean this very first communication, and only this communication, then the FDCPA would not apply at all.

¹⁵⁷ *Hernandez v. Williams, Zinman & Parham PC*, 829 F.3d 1068, 1070 (9th Cir. July 20, 2016).

¹⁵⁸ *Id.* at 1072.

¹⁵⁹ *Id.* at 1078.

¹⁶⁰ Brief of *Amici Curiae, Franklin v. Parking Revenue Recovery Servs. Inc.*, No. 14-3774 (7th Cir. Dec. 11, 2015), available at https://www.ftc.gov/system/files/documents/amicus_briefs/franklin-et-al-v.parking-revenue-recovery-services-inc./p082105_parking_revenue_amicus_brief_7th_cir_14-3774.pdf.

a [consumer] transaction.” 15 U.S.C. § 1692a(5). The brief argued that the critical term “transaction,” which Congress left undefined, is a broad reference to many different types of consensual business dealings. It further argued that parking in a lot that was open to the public for a stated fee constituted a “transaction,” similar to many other commercial dealings in which consumers engage daily. Because the fees that the debt collector sought “ar[ose] out of” that transaction, the charges were “debts” and the collection of those debts was governed by the FDCPA.

In August 2016, the Seventh Circuit issued a decision reversing the district court, holding that the unpaid parking fees and nonpayment penalties at issue in this matter constitute “debts” within the meaning of the FDCPA.¹⁶¹ Thanking the FTC and CFPB for their assistance, the Seventh Circuit adopted the agencies’ analysis that these fees and penalties are, in fact, obligations arising out of consumer “transactions” under the FDCPA.

II. EDUCATION AND PUBLIC OUTREACH

Education and public outreach also are important parts of the Commission’s debt collection program. The FTC uses multiple formats and channels to inform consumers about their rights under the FDCPA, as well as what the statute requires of debt collectors; and to inform debt collectors about what they must do to comply with the law. The FTC also uses education and public outreach to enhance legal services providers’ understanding of debt collection issues.

The Commission reaches tens of millions of consumers through English and Spanish print and online materials, blog posts, and speeches and presentations. To maximize its outreach efforts, FTC staff works with an informal network of about 16,000 community-based organizations and national groups that order and distribute FTC information to their members, clients, and constituents. In 2016, the FTC distributed 15.5 million print publications to libraries, police departments, schools, non-profit organizations, banks, credit unions, other businesses, and government agencies. In 2016, the FTC logged more than 43 million views of its business and consumer education website pages. The FTC’s channel at [YouTube.com/FTCvideos](https://www.youtube.com/FTCvideos) houses 144 videos, which were viewed more than 603,306 times in 2016. A new video — [Fraud Affects Every Community: Debt Collection](#) — tells the first-person story of a veteran who was contacted by a debt collector. The consumer blogs in [English](#)¹⁶² and [Spanish](#)¹⁶³ reached 159,825 (English) and 44,835 (Spanish) email subscribers, and regularly serve as source material for local and national news stories.

As part its work to raise awareness about scams targeting the Latino community, the FTC has developed a series of fotonovelas in Spanish. The graphic novels tell stories based on

¹⁶¹ *Franklin v. Parking Revenue Recovery Servs. Inc.*, 832 F.3d 741 (7th Cir. Aug. 10, 2016).

¹⁶² <http://www.consumer.ftc.gov/blog>.

¹⁶³ <http://www.consumidor.ftc.gov/blog>.

complaints Spanish speakers make to the FTC and offer practical tips to help detect and stop common scams. People ordered more than 45,125 copies of the *Cobradores De Deuda* (Debt Collectors) fotonovela in 2016.

The Commission also educates industry members by developing and distributing business education materials, delivering speeches, blogging, participating in panel discussions at industry conferences, and providing interviews to general media and trade publications. The FTC's business education resources can be found in its online [Business Center](#).¹⁶⁴ The Business Center logged more than 3.4 million page views in 2016, and there are more than 58,000 email subscribers to the [Business Blog](#).¹⁶⁵ A complete list of the FTC's consumer and business education materials relating to debt collection and information on the extent of their distribution is set forth in Appendix A to this letter.

FTC staff also regularly meets with legal service providers, consumer advocates, and people who work in immigrant, Native American, Latino, Asian, and African American communities to discuss consumer protection issues, including the FTC's work in the debt collection arena. As discussed further below, the Commission hosted several public workshops examining such issues this past year. The FTC also hosted five Ethnic Media Roundtables around the country in 2016, bringing together law enforcement, community organizations, consumer advocates and members of the ethnic media to discuss how consumer protection issues — including debt collection — affect their communities.

III. RESEARCH AND POLICY DEVELOPMENT ACTIVITIES

The third prong of the Commission's debt collection program is research and policy initiatives. In the past year, the FTC has continued to monitor and evaluate the debt collection industry and its practices — both through public workshops and the FTC's input to the CFPB on debt collection rulemaking and guidance initiatives.

In 2016, the FTC organized four Common Ground conferences at which law enforcement, consumer advocates, and community members discussed consumer protection issues, including debt collection, and encouraged consumers to report problems to the FTC. In December 2016, the Commission also held a workshop, "The Changing Consumer Demographics," which brought together law enforcement, consumer groups and researcher participants to discuss how to combat unlawful practices — including illegal debt collection activities — that impact specific consumer populations as the country's demographics change.

¹⁶⁴ <http://business.ftc.gov/>.

¹⁶⁵ <http://business.ftc.gov/blog>.

Additionally, the FTC also continues to work closely with the CFPB to coordinate efforts to protect consumers from unfair, deceptive, and abusive debt collection practices.¹⁶⁶ As part of this coordination, FTC and CFPB staff regularly meet to discuss ongoing and upcoming law enforcement, rulemaking, and other activities; share debt collection complaints; cooperate on consumer education efforts in the debt collection arena; and consult on debt collection rulemaking and guidance initiatives.

¹⁶⁶ The Dodd-Frank Act directs the FTC and the CFPB to coordinate their law enforcement activities and promote consistent regulatory treatment of consumer financial products and services, including debt collection. *See* Dodd-Frank Act, Pub. L. 111-203, 124 Stat. 1376 § 1024(c)(3) (July 21, 2010). In January 2012, the FTC and CFPB entered into a memorandum of understanding (“MOU”) that supplements the requirements of the Dodd-Frank Act and creates a strong and comprehensive framework for coordination and cooperation. Memorandum of Understanding Between the Consumer Financial Protection Bureau and the Federal Trade Commission, January 2012, *available at* <http://www.ftc.gov/sites/default/files/attachments/press-releases/federal-trade-commission-consumer-financial-protection-bureau-pledge-work-together-protect-consumers/120123ftc-cfpb-mou.pdf>. The agencies reauthorized the MOU in May 2015 for a three-year term. *See* <https://www.ftc.gov/news-events/press-releases/2015/03/ftc-cfpb-reauthorize-memorandum-understanding>.

IV. CONCLUSION

The Commission hopes that the information contained in this letter will assist the CFPB in its annual report to Congress about its administration of the FDCPA. The FTC looks forward to continuing to cooperate and coordinate with the CFPB on consumer protection issues relating to debt collection. If any other information would be useful or if you wish to request additional assistance, please contact Malini Mithal, Acting Associate Director, Division of Financial Practices, at (202) 326-2972.

By direction of the Commission.

Donald S. Clark
Secretary

Appendix A

Debt Collection Information 2016

Title	Page Views ^{167]}		Print distribution	
	English	Spanish	English	Spanish
Consumer Information				
Coping with Debt	116,850	14,949	86,825	14,275
Debt Collection	358,796	41,809	124,825	
Debt Collection Arbitration	12,706	660	22,125	
Debt Collectors (Spanish)				45,125
Debts and Deceased Relatives	65,746	29,546		
Fake Debt Collectors	55,542	1,855		
Garnishing Federal Benefits	25,986	1,745		
Settling Credit Card Debt	102,404	4,679		
Managing Debt: What to Do	4,717	1,017	72,950	11,850
Identity Theft Letter to a Debt Collector	2,047	55		
Time-Barred Debts	94,764	32,712		
Video				
Dealing with Debt Collectors	5,370	519		
Helping Victims of Identity Theft	1,163			
Fraud Affects Every Community: Debt Collection	12,977			

Title	Page Views		Print Distribution	
	English	Spanish	English	Spanish
Business Information				
The Fair Debt Collection Practices Act	34,077		11,580	
Video				
Debt Collection	431	76		

¹⁶⁷ Page view numbers include pages viewed on FTC websites, but not pages viewed when non-FTC sites download and re-post FTC content.

Consumer Blog Posts

[Fraud affects every community: debt collection](#)

[A year in debt collection](#)

[How to stop calls from debt collectors](#)

[The FTC's Debt Collection Hall of Shame has some new inductees](#)

[Bogus debts, bogus collections](#)

[A debt collection round-up](#)

[Closing time for fake debt collector](#)

[Avoid a debt relief scam](#)

Video

[Fraud Affects Every Community: Debt Collection](#)

Business Blog Posts

[Collection Protection reflection](#)

[BAM banned from debt collection](#)

[Debt collectors: You may "like" social media and texts, but are you complying with the law?](#)

[Disguise the limit: FTC sues debt collectors who claimed official affiliation](#)

###



March 20, 2017

The Honorable Michael Crapo
Chairman
Committee on Banking, Housing, and Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Crapo:

Enclosed please find the Consumer Financial Protection Bureau's sixth annual report to Congress pursuant to Section 1692m of the Fair Debt Collection Practices Act.

Should you have any questions about the enclosed report, please contact me at (202) 435-9711.

Sincerely,

A handwritten signature in black ink, appearing to read "C. Galicia". The signature is stylized and cursive.

Catherine Galicia
Assistant Director for Legislative Affairs



March 20, 2017

The Honorable Jeb Hensarling
Chairman
Committee on Financial Services
U.S. House of Representatives
2129 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Hensarling:

Enclosed please find the Consumer Financial Protection Bureau's sixth annual report to Congress pursuant to Section 1692m of the Fair Debt Collection Practices Act.

Should you have any questions about the enclosed report, please contact me at (202) 435-9711.

Sincerely,

A handwritten signature in black ink, appearing to read "C. Galicia", is written over a light grey circular stamp.

Catherine Galicia
Assistant Director for Legislative Affairs



March 20, 2017

The Honorable Michael R. Pence
The Vice President of the United States
The President of the Senate
S-212, The Capitol
Washington, DC 20510

Dear Vice President Pence:

Enclosed please find the Consumer Financial Protection Bureau's sixth annual report to Congress pursuant to Section 1692m of the Fair Debt Collection Practices Act.

Should you have any questions about the enclosed report, please contact me at (202) 435-9711.

Sincerely,

A handwritten signature in black ink, appearing to read "C. Galicia". The signature is fluid and cursive, written over a light blue horizontal line.

Catherine Galicia
Assistant Director for Legislative Affairs



March 20, 2017

The Honorable Paul Ryan
Speaker
U.S. House of Representatives
H-209, The Capitol
Washington, DC 20515

Dear Speaker Ryan:

Enclosed please find the Consumer Financial Protection Bureau's sixth annual report to Congress pursuant to Section 1692m of the Fair Debt Collection Practices Act.

Should you have any questions about the enclosed report, please contact me at (202) 435-9711.

Sincerely,

Catherine Galicia
Assistant Director for Legislative Affairs



Consumer
Financial Protection
Bureau

March 20, 2017

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
U.S. House of Representatives
4340 Thomas P. O'Neill, Jr. House Office Building
Washington, DC 20515

Dear Ranking Member Waters:

Enclosed please find the Consumer Financial Protection Bureau's sixth annual report to Congress pursuant to Section 1692m of the Fair Debt Collection Practices Act.

Should you have any questions about the enclosed report, please contact me at (202) 435-9711.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Galicia', written over a light blue horizontal line.

Catherine Galicia
Assistant Director for Legislative Affairs

United States House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

March 20, 2017

The Honorable Richard Cordray
Director
Bureau of Consumer Financial Protection
1700 G Street, NW
Washington, DC 20552

Dear Director Cordray:

Please answer two questions in writing by March 22, 2017:

1. Absent action taken by the Administration, will you serve your full five-year statutory term as CFPB Director?
2. If you will not serve your full term, on what date will you resign as Director?

Answering these questions yourself, rather than through a spokesperson, will provide the public with much-needed clarity regarding your tenure at CFPB.

Yours Respectfully,


JEB HENSARLING
Chairman

cc: The Honorable Maxine Waters, Ranking Member

March 21, 2017

The Honorable Richard Cordray
Director
Bureau of Consumer Financial Protection
1700 G Street, NW
Washington, DC 20552

Dear Director Cordray:

The Committee on Financial Services will hold a hearing titled “The 2016 Semi-Annual Reports of the Bureau of Consumer Financial Protection” at 10:00 a.m. on Wednesday, April 5, 2017, in room 2128 of the Rayburn House Office Building. I am writing to confirm your participation as a witness.

As you know, the Director of the Bureau of Consumer Financial Protection (Bureau) is required by Section 1016 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (P.L. 111-203) to appear on a semi-annual basis before the Committee on Financial Services to deliver a report on the Bureau. When you last appeared before the Committee on March 16, 2016, you testified on the Bureau’s activities covering the period of April 1, 2015 – September 30, 2015. Therefore, your testimony should cover the reporting period for October 1, 2015 – March 31, 2016 as well as the most recent period for April 1, 2016 – September 30, 2016. Your testimony should provide details on the following items: (1) significant problems faced by consumers in shopping for or obtaining consumer financial services; (2) the Bureau’s budget request of the previous year; (3) significant rules and orders adopted by the Bureau, as well as other significant initiatives conducted by the Bureau; (4) an analysis of complaints about consumer products and services that the Bureau has received or collected; (5) a list, with a summary of the subject matter, of the public supervisory and enforcement actions to which the Bureau was a party during the preceding year; (6) the actions taken regarding rules, orders, and supervisory actions with respect to non-depository institutions; (7) an assessment of significant actions by state attorneys general or state regulators relating to federal consumer financial law; (8) an analysis of the Bureau’s efforts to fulfill its fair lending mission; and (9) an analysis of the Bureau’s efforts to increase workforce and contracting diversity consistent with the procedures established by the Office of Minority and Women Inclusion.

Please read the following material carefully. It is intended as a guide to your rights and obligations as a witness under the rules of the Committee on Financial Services.

The Form of your Testimony. Under the Rules of the Committee on Financial Services, each witness who is to testify before the Committee or its subcommittees must file with the Clerk

of the Committee a written statement of proposed testimony of any reasonable length. Please also include with the testimony a current resume summarizing education, experience and affiliations pertinent to the subject matter of the hearing. This must be filed at least two business days before your appearance. Please note that changes to the written statement will not be permitted after the hearing begins. Failure to comply with this requirement may result in the exclusion of your written testimony from the record. Your oral testimony should not exceed five minutes and should summarize your written remarks. The Chair reserves the right to exclude from the printed record any supplemental materials submitted with a written statement due to space limitations or printing expense.

Submission of your Testimony. Please submit at least 100 copies of your proposed written statement to the Clerk of the Committee not less than two business days in advance of your appearance. These copies should be delivered to: The Committee on Financial Services, Attn: Committee Clerk, 2129 Rayburn House Office Building, Washington, and D.C. 20515.

Due to heightened security restrictions, many common forms of delivery experience significant delays in delivery to the Committee. This includes packages sent via the U.S. Postal Service, Federal Express, UPS, and other similar carries, which typically arrive 3 to 5 days later than normal. The United States Capitol Police have specifically requested that the Committee refuse deliveries by courier. The best method of delivery of your testimony is to have an employee from your organization deliver your testimony in an unsealed package to the address above. If you are unable to comply with this procedure, please contact the Committee to discuss alternative methods for delivery of your testimony.

The rules of the Committee require, to the extent practicable, that you also submit your written testimony in electronic form. The preferred method of submission of testimony in electronic form is to send it via electronic mail to fsctestimony@mail.house.gov. The electronic copy of your testimony may be in any major file format, including WordPerfect, Microsoft Word, or ASCII text for either Windows or Macintosh. Your electronic mail message should specify in the subject line the date and the Committee or subcommittee before which you are scheduled to testify. You may also submit testimony in electronic form on a disk or CD-ROM at the time of delivery of the copies of your written testimony. Submission of testimony in electronic form facilitates the production of the printed hearing record and posting of your testimony on the Committee's Internet site.

Your Rights as a Witness. Under the Rules of the House, witnesses may be accompanied by their own counsel to advise them concerning their constitutional rights. I reserve the right to place any witness under oath; regardless of whether an oath is administered, it is a violation of federal criminal law to give false testimony to a congressional tribunal. A witness may obtain a transcript copy of his/her testimony given in open, public session, or in a closed session only when authorized by the Committee or subcommittee. However, by appearing before the Committee or its subcommittees, you authorize the Committee to make technical, grammatical, and typographical corrections to the transcript in accordance with the rules of the Committee and the House.

The Honorable Richard Cordray

March 21, 2017

Page 3

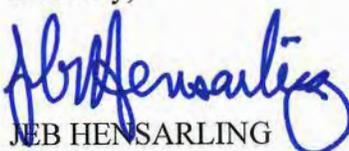
The Rules of the Committee on Financial Services, and the applicable rules of the House, are available on the Committee's website at <http://financialservices.house.gov>. Copies can also be sent to you upon request.

The Committee on Financial Services endeavors to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, or have any questions regarding special accommodations generally, please contact the Committee in advance of the scheduled event (4 business days' notice is requested) at (202) 225-7502; TTY: 202-226-1591; or write to the Committee at the address above.

Please note that space in the Committee's hearing room is extremely limited. Therefore, the Committee will only reserve one seat for staff accompanying you during your appearance (a total of two seats). In order to maintain our obligation under the Rules of the House to ensure that Committee hearings are open to the public, we cannot deviate from this policy.

Should you or your staff have any questions or need additional information, please contact Brian Johnson, Jon Blum, Hallee Morgan, or Brian Anderson at (202) 225-7502.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jeb Hensarling", is written over a light blue rectangular background.

JEB HENSARLING
Chairman

JH/bj

cc: The Honorable Maxine Waters, Ranking Member



Consumer
Financial Protection Bureau

1700 G Street, N.W., Washington, D.C. 20553

March 22, 2017

The Honorable Jack Reed
United States Senate
728 Hart Senate Office Building
Washington, DC 20510

Dear Senator Reed:

Thank you for your letter of recommendation on behalf of your constituent (b)(6) (b)(6) an applicant to become a member of the Consumer Financial Protection Bureau's (Bureau) Community Bank Advisory Council. The Bureau has received (b)(6) application. Bureau staff is in the process of reviewing applications.

The Bureau's selection process for new advisory group members includes a thorough review of the applications of all candidates to evaluate their experience, background, and expertise. A strong interest is placed in ensuring that the diversity of our country is represented on our advisory groups and that the experience and expertise of potential candidates is commensurate with the needs of the Bureau.

Thank you for recommending your constituent to be a member of the Community Bank Advisory Council. Please rest assured that we will give his application full consideration. Should you have any additional questions about this process, please do not hesitate to contact me, or have your staff contact Matt Pippin in the Bureau's Office of Legislative Affairs. Mr. Pippin can be reached at 202-435-7552.

Sincerely,

Catherine Galicia
Assistant Director for Legislative Affairs



(b)(6)

1700 G Street, N.W., Washington, D.C. 20552

March 22, 2017

The Honorable Jon Tester
United States Senate
311 Hart Senate Office Building
Washington, DC 20510-2604

Dear Senator Tester:

Thank you for your letter of recommendation on behalf of (b)(6) an applicant to become a member of the Consumer Financial Protection Bureau's (Bureau) Consumer Advisory Board. The Bureau has received (b)(6) application. Bureau staff is in the process of reviewing applications.

The Bureau's selection process for new advisory group members includes a thorough review of the applications of all candidates to evaluate their experience, background, and expertise. A strong interest is placed in ensuring that the diversity of our country is represented on our advisory groups and that the experience and expertise of potential candidates is commensurate with the needs of the Bureau.

Thank you for recommending your constituent to be a member of the Consumer Advisory Board. Please rest assured that we will give his application full consideration. Should you have any additional questions about this process, please do not hesitate to contact me, or have your staff contact Matt Pippin in the Bureau's Office of Legislative Affairs. Mr. Pippin can be reached at 202-435-7552.

Sincerely,

A handwritten signature in blue ink, appearing to read "C. Galicia".

Catherine Galicia
Assistant Director for Legislative Affairs



Consumer Financial
Protection Bureau

1700 G Street, N.W. Washington, DC 20002

March 22, 2017

The Honorable Jason Chaffetz
Chairman
Committee on Oversight and Government
Reform
United States House of Representatives
2157 Rayburn House Office Building
Washington, DC 20515

The Honorable Elijah Cummings
Ranking Member
Committee on Oversight and Government
Reform
United States House of Representatives
2157 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Chaffetz and Ranking Member Cummings:

Thank you for your letter of March 8, 2017, regarding the Consumer Financial Protection Bureau's compliance with federal records preservation requirements. The Bureau is committed to maintaining an effective and efficient records management program that governs the creation, retention, appraisal, and disposal of records in a systematic and orderly way and in accordance with federal records preservation requirements.

The Bureau's Policy for Records and Email Management governs the management of all federal records generated by the Bureau. It applies to all federal records created or received on both physical and electronic platforms, including electronic communications such as emails, text messages and other messaging platforms. In order to comply with federal records management obligations, employees are required to (1) create records to document decisions, actions taken, and official activities; (2) file paper and electronic records regularly, efficiently, and safely in accordance with agency policy; and (3) follow records disposition instructions as prescribed in Bureau records schedules. A detailed description of employee recordkeeping obligations is contained in the enclosed policies, procedures, and guidance. The Bureau also has in place several policies specifically addressing the management and retention of emails, including the Email Management for Senior Officials and Email Management/Transfer Procedures. In addition, Bureau officials periodically remind all employees of their recordkeeping obligations with respect to the use of non-official email. An example of one such notice is included with the enclosed production.

The Bureau has worked diligently to comply with the Office of Management and Budget's Managing Government Records Directive. The Bureau's Records Management Officer has created 1,826 archive mailboxes and transferred 1,569 GB of data into archive storage under the newly implemented "Capstone" approach to email management. In November 2013, the Bureau designated a Senior Agency Official (SAO) for Records Management. Pursuant to the Directive, the Bureau's Records Management Officer has obtained a National Archives and Records Administration (NARA) certificate of Federal Records Management training. The SAO has also identified that the Bureau has no Permanent Records 30 years or older, and has ensured that all existing paper and other non-electronic records are scheduled. The Bureau has also developed and

started implementation of plans to achieve the transition to agency-wide management of permanent electronic records.

The Bureau established agency-wide records management training in August 2014, and has recently updated its annual web-based training to meet the requirements outlined in NARA bulletin 2017-01. Bureau employees receive training to ensure awareness, comprehension, and compliance with all recordkeeping obligations. These trainings occur during an employee's initial orientation to the Bureau and subsequent annual divisional training, with training modules tailored to suit the unique records management needs of each Bureau division. Records Liaison Officers throughout the Bureau participate in additional quarterly records management trainings. Employees, contractors and senior agency officials are also required to complete web-based records management training through the Treasury Learning Management System. Training modules and additional records management materials distributed to employees are enclosed herein.

The Bureau's process for responding to Freedom of Information Act requests is described in the attached policy document, "Policies and Procedures for Compliance with the Freedom of Information Act," CFPB-COO-50. Upon the receipt of a perfected FOIA request, the FOIA Office will task the appropriate divisions, offices, or employees to initiate a reasonable search for responsive records. This initial step typically involves the completion of a questionnaire, which provides details about the FOIA request and identifies the FOIA Analyst along with their contact information; asks a few core questions that help the FOIA Office determine if responsive records exist; documents that a reasonable search for responsive records was conducted; and is used for accountability purposes in the event that the search for responsive records is challenged in an appeal or litigation. These searches are designed to locate and retrieve all responsive records, regardless of their format or location within the Bureau system of storage.

Your letter requests information regarding any senior agency officials who have used an alias account to conduct government business. The only Bureau senior official granted contemporaneous access rights to more than one government-issued email account is the Director. Given the large volume of communications attendant to that role, I have been issued two Bureau email accounts, both linked to my name and both for official use only. One account contains public and Bureau-wide communications; the other contains communications to and from those officials with whom I consult on a more frequent basis.

Should you have any questions about this response, please contact me or have your staff contact Patrick O'Brien of the Bureau's Office of Legislative Affairs and Anne Tindall of the Bureau's Legal Division. Mr. O'Brien can be reached at (202) 435-7148 and Ms. Tindall can be reached at (202) 435-9591.

Sincerely,



Richard Cordray
Director



Consumer Financial
Protection Bureau

March 27, 2017

The Honorable Sherrod Brown
Ranking Minority Member
Committee on Banking, Housing, and Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Ranking Member Brown,

Enclosed please find copies of the Consumer Financial Protection Bureau's charters for the Consumer Advisory Board, Community Bank Advisory Council, Credit Union Advisory Council, and the Academic Research Council, being re-established for the purposes of complying with the requirements of the Federal Advisory Committee Act, as amended, 5 U.S.C. App.

Notice of this charter filing will be published in the Federal Register, and copies will be filed with the United States Senate Committee on Banking, Housing, and Urban Affairs, and the United States House of Representatives Committee on Financial Services.

Should you have any questions, please do not hesitate to contact me at (202) 435-9711.

Sincerely,

A handwritten signature in black ink, appearing to read 'Catherine Galicia', is written over a light blue horizontal line.

Catherine Galicia
Assistant Director for Legislative Affairs

**Consumer Financial Protection Bureau
Charter of the CFPB's Credit Union Advisory Council**

1. Committee's Official Designation.

Credit Union Advisory Council ("the Advisory Council" or the "CUAC").

2. Authority.

Pursuant to the executive and administrative powers conferred on the Consumer Financial Protection Bureau ("CFPB" or "Bureau") by Section 1012 of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"), the Director of the Consumer Financial Protection Bureau ("Director") establishes the discretionary Credit Union Advisory Council under agency authority in accordance with the provisions of the Federal Advisory Committee Act, as amended, 5 U.S.C., App.

3. Objectives and Scope of Activities.

The purpose of the Advisory Council is to advise the Bureau in the exercise of its functions under the federal consumer financial laws as they pertain to credit unions with total assets of \$10 billion or less. The Bureau's supervisory process provides an opportunity for learning and insight into the operations of financial institutions; having no correlate for small depository financial institutions, the Bureau created this Advisory Council to facilitate a similar opportunity for credit unions to share insights regarding operational and technical considerations, credit union business practices, and the unique needs of their customers and community. This group also provides timely and pertinent information about how Bureau policies impact the credit union industry.

The Advisory Council shall advise generally on the Bureau's regulation of consumer financial products or services provided by credit unions and other related topics. To carry out the Advisory Council's purpose, the scope of its activities shall include providing information and analysis in support of recommendations to the Bureau. The output of Advisory Council meetings should serve to better inform the CFPB's policy development, rulemaking, and engagement functions as they relate to credit unions.

4. Description of Duties.

The duties of the Advisory Council are solely advisory and shall extend only to the submission of advice and recommendations to the Bureau relating to the activities and operations of credit unions, which shall be non-binding on the Bureau. To ensure understanding of compliance and regulatory challenges faced by credit unions, inclusion on the Advisory Council will be limited to credit union employees. No determination of fact or policy will be made by the Advisory Council, and the Advisory Council will have no formal decision-making role and no access to confidential supervisory or other confidential information.

5. Agency or Official to Whom the Committee Reports.

The Advisory Council reports to the Director.

6. Support.

The Bureau's Advisory Board and Councils office will support the Advisory Council's activities to the extent permitted by law and subject to the availability of resources and shall ensure compliance with requirements laid out in the Federal Advisory Committee Act, as amended.

7. Estimated Annual Operating Costs and Staff Years.

The estimated annual operating cost is about \$300,000 per year, including staff time. It is estimated that CFPB annual staff support is 2 person years.

8. Designated Federal Officer.

The Designated Federal Officer ("DFO") is the Advisory Board and Councils office Staff Director ("Staff Director"), who is a full-time or permanent part-time employee. The DFO shall ensure that the Advisory Council operates in accordance with the requirements under the Federal Advisory Committee Act and the terms of the charter. The DFO (or alternate DFO) will approve or call all of the Advisory Council and Advisory Council subcommittee meetings, if any, prepare and approve all meeting agendas, attend all Advisory Council and subcommittee meetings, adjourn any meeting when determined to be in the public interest, and chair meetings when directed by the Bureau Director.

9. Estimated Number and Frequency of Meetings.

The Advisory Council shall meet in person from time to time at the call of the DFO, but at a minimum, shall meet at least two times in each year.

10. Duration.

The Advisory Council will be needed on a continuing basis.

11. Termination.

This Advisory Council will terminate two years after the date that this Charter is filed unless renewed prior to that date by appropriate action.

12. Membership and Designation.

The Director shall appoint the members of the Advisory Council. In appointing members to the Advisory Council, the Director shall seek to assemble members with diverse points of view, institution asset sizes, and geographical backgrounds. Only credit union employees (CEOs, compliance officers, government relations officials, etc.) will be considered for membership. Membership is limited to employees of credit unions with total assets of \$10 billion or less that are not affiliates of depository institutions or credit unions with total assets of more than \$10 billion.

The Advisory Council will consist of approximately 15 to 20 members. All members

shall serve at the pleasure of the Director. All members appointed by the Director shall serve at the pleasure of the Director. The Advisory Council will be composed exclusively of representatives of the credit union industry as described above. No Special Government Employees and no Regular Government Employees are expected to serve on the Advisory Council.

13. Subcommittees.

The Bureau may establish and dissolve subcommittees, in consultation with the Advisory Council. Any subcommittees shall report back to the Advisory Council. Subcommittees may include individuals who are members of the Advisory Council. Committees may, from time to time, with the approval of the DFO, call on individuals who are not members of the Advisory Council (including Bureau staff), for the sole purpose of providing specific domain expertise and knowledge to the subcommittee. These are not temporary members of the subcommittee. Subcommittees, if any, may not provide advice or work products directly to the Bureau.

14. Recordkeeping.

The records of the Advisory Council and any subcommittees thereof will be handled in accordance with General Records Schedule 6.2 and applicable agency records disposition schedule. The records will be available for public inspection and copying, subject to the Freedom of Information Act, 5 U.S.C. 552.

15. Filing Date.

This Council is authorized to meet and take action as of the date of the filing of this charter on 3-27, 2017. This charter has been filed with the Director of the CFPB, the U.S. Senate Committee on Banking, Housing, and Urban Affairs, the U.S. House of Representatives Committee on Financial Services, and the Committee Management Secretariat of the General Services Administration, and furnished to the Library of Congress.

Signed:



Date: 2/22/17

Richard Cordray
Director
Consumer Financial Protection Bureau

Consumer Financial Protection Bureau Charter of the CFPB's Consumer Advisory Board

1. Committee's Official Designation.

Consumer Advisory Board ("the Board").

2. Authority.

This statutory committee is established by the Consumer Financial Protection Bureau ("the Bureau") pursuant to Section 1014(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"), and in accordance with the Federal Advisory Committee Act (FACA) as amended, 5 U.S.C., App. 2.

3. Objectives and Scope of Activities.

The purpose of the Board is outlined in Section 1014(a) of the Dodd-Frank Act, which states that the Board shall "advise and consult with the Bureau in the exercise of its functions under the Federal consumer financial laws" and "provide information on emerging practices in the consumer financial products or services industry, including regional trends, concerns, and other relevant information."

To carry out the Board's purpose, the scope of its activities shall include providing information, analysis, and recommendations to the Bureau. The Board will generally serve as a vehicle for market intelligence and expertise for the Bureau. Its objectives will include identifying and assessing the impact on consumers and other market participants of new, emerging, and changing products, practices, or services.

4. Description of Duties.

The duties of the Board are solely advisory and shall extend only to the submission of advice and recommendations to the Bureau. The Board members will advise and consult with the Director and the Bureau on matters related to the Bureau's functions under the Dodd-Frank Act through committee and subcommittee meeting attendance and participation, fact and information exchange, submission of individual advice, and other preparatory and administrative work. The Board will have no formal decision-making role and no access to confidential supervisory or other confidential information.

5. Agency or Official to Whom the Committee Reports.

The Board reports to the Director of the Consumer Financial Protection Bureau.

6. Support.

The Bureau's Advisory Board and Councils office will support the Board, as deemed necessary for the Board's performance, and shall ensure compliance with requirements laid out in the Dodd-Frank Act and the Federal Advisory Committee Act. In addition, the Bureau will provide additional support required for the Board's activities to the extent permitted by law and subject to availability of resources.

7. Estimated Annual Operating Cost and Staff Years.

The estimated annual operating cost is about \$500,000 including staff time. Staff support is approximately 3 person-year(s).

8. Designated Federal Officer.

The Designated Federal Officer ("DFO") is the Advisory Board and Councils office Staff Director ("Staff Director"), who is a full-time or permanent part-time employee. The DFO shall ensure that the Board operates in accordance with the statutory requirements under the Dodd-Frank Act, the Federal Advisory Committee Act, and the terms of the charter. The DFO, or alternate DFO, will approve or call all of the Board and subcommittee meetings, if any, prepare and approve all meeting agendas, attend all Board and subcommittee meetings, adjourn any meeting when determined to be in the public interest, and chair meetings when directed by the Bureau Director.

9. Estimated Number and Frequency of Meetings.

The Board shall meet in person from time to time at the call of the DFO, but at a minimum, shall meet at least two times in each year.

10. Duration.

This is a continuing advisory board as stated under section 1014 of the Dodd-Frank Act. The Board will operate in accordance with this charter, the term of which expires pursuant to section 11.

11. Termination.

This Charter will expire two years after the date that this Charter is filed unless renewed by appropriate action.

12. Membership and Designation.

The Director shall appoint the members of the Board. Section 1014(b) of the Dodd-Frank Act provides: "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."

The Board shall consist of no fewer than approximately 16 members including at least the six members appointed upon the recommendation of the regional Federal Reserve Bank Presidents on a rotating basis. All members appointed by the Director shall serve at the pleasure of the Director. The Board may be composed of a mixture of representatives and Special Government Employees (SGEs).

13. Subcommittees.

The Bureau may establish and dissolve subcommittees, in consultation with the Board. Any subcommittees shall report back to the Board. Subcommittee membership may include individuals who are members of the Board. Subcommittees may, from time to time, with the approval of the DFO, call on individuals who are not members of the Board (including Bureau staff), for the sole purpose of providing specific domain expertise and knowledge to the subcommittee. These are not temporary members of the subcommittee. The subcommittees, if any, may not provide advice or work products directly to the Bureau.

14. Recordkeeping.

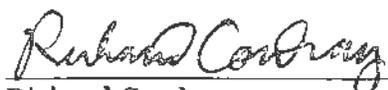
The records of the Board and any subcommittees will be handled in accordance with General

Records Schedule 6.2 and applicable agency records disposition schedule. The records will be available for public inspection and copying, subject to the Freedom of Information Act, 5 U.S.C. 552.

15. Filing Date.

This Council is authorized to meet and take action as of the date of the filing of this charter on 3.27, 2017. This charter has been filed with the Director of the CFPB, the U.S. Senate Committee on Banking, Housing, and Urban Affairs, the U.S. House of Representatives Committee on Financial Services, and the Committee Management Secretariat of the General Services Administration, and furnished to the Library of Congress.

Signed:



Richard Cordray
Director
Consumer Financial Protection Bureau

Date: 2/22/17

Consumer Financial Protection Bureau Charter of the CFPB's Academic Research Council

1. Committee's Official Designation (Title).

Academic Research Council ("the Council" or the "ARC").

2. Authority.

Pursuant to the executive and administrative powers conferred on the Consumer Financial Protection Bureau ("CFPB" or "Bureau") by Section 1012 of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"), the Director of the Consumer Financial Protection Bureau ("Director") establishes the discretionary Academic Research Council under agency authority in accordance with the provisions of the Federal Advisory Committee Act, as amended, 5 U.S.C., App.

3. Objective and Scope of Activities.

The Council will provide the Bureau's Office of Research technical advice and feedback on research methodologies, data collection strategies, and methods of analysis.

Additionally, the Council will provide both backward- and forward-looking feedback on the Office of Research's research work and will offer input into its research strategic planning process and research agenda.

4. Description of Duties.

The duties of the Council are solely advisory and shall extend only to the submission of advice and recommendations to the Bureau. No determination of fact or policy will be made by the Council, and the Council will have no formal decision-making role.

5. Agency or Official to Whom the Committee Reports.

The Council shall report to the Bureau's Assistant Director of the Office of Research.

6. Support.

The Bureau's Advisory Board and Councils Office and the Office of Research will support the Council's activities to the extent permitted by law and subject to the availability of resources and shall ensure compliance with requirements laid out in the Federal Advisory Committee Act, as amended.

7. Estimated Annual Operating Cost and Staff Years.

The estimated annual operating cost is approximately \$60,000 per year. It is estimated that CFPB annual staff support is 0.5 person years.

8. Designated Federal Officer.

The Designated Federal Officer ("DFO") is the Assistant Director of the Office of Research, who is a full-time or permanent part time employee. The DFO shall serve as

the Council's Chair. The DFO shall ensure that the Council operates in accordance with the requirements under the Federal Advisory Committee Act and the terms of the charter. The DFO (or alternate DFO) will approve or call all of the Council and Council subcommittee meetings, if any, prepare and approve all meeting agendas, attend all Council and subcommittee meetings, adjourn any meeting when determined to be in the public interest, and chair meetings when directed by the Bureau Director.

9. Estimated Number and Frequency of Meetings.

The Council will convene in person from time to time at the call of the DFO, but at a minimum shall meet annually. Council members may also make additional visits to the Bureau or participate in additional meetings for educational or other research-related purposes.

10. Duration.

The Council will be needed on a continuing basis.

11. Termination.

This Council will terminate two years after the date that this Charter is filed unless renewed prior to that date by appropriate action.

12. Memberships and Designation.

The Council will be composed of approximately nine members. Council members will be designated as special government employees (SGEs) and will serve four-year terms. Membership can be renewed for additional terms at the option of the Assistant Director of the Office of Research.

All members are appointed by the Director and shall serve at the pleasure of the Assistant Director of the Office of Research.

13. Subcommittees.

The Office of Research may form subcommittees of the Council for any purpose consistent with this charter. Any subcommittees shall report back to the Council. Subcommittee membership may include individuals who are members of the Council. Committees may, from time to time, with the approval of the DFO, call on individuals who are not members of the Council (including staff of the Bureau) for the sole purpose of providing specific domain expertise and knowledge to the subcommittee. These are not temporary members of the subcommittee. The subcommittees, if any, may not provide advice or work products directly to the Bureau.

14. Recordkeeping.

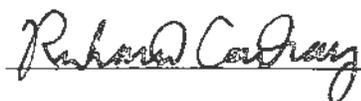
The records of the Council and any subcommittees thereof will be handled in accordance with General Records Schedule 6.2 and applicable agency records disposition schedule.

The records will be available for public inspection and copying, subject to the Freedom of Information Act, 5 U.S.C. 552.

15. Filing Date.

This Council is authorized to meet and take action as of the date of the filing of this charter on 3-27-17, 2017. This charter has been filed with the Director of the CFPB, the U.S. Senate Committee on Banking, Housing, and Urban Affairs, the U.S. House of Representatives Committee on Financial Services, and the Committee Management Secretariat of the General Services Administration, and furnished to the Library of Congress.

Signed:

 _____

Richard Cordray
Director
Consumer Financial Protection Bureau

Date: 2/22/17

**Consumer Financial Protection Bureau
Charter of the CFPB's Community Bank Advisory Council**

1. Committee's Official Designation.

Community Bank Advisory Council ("the Advisory Council" or the "CBAC").

2. Authority.

Pursuant to the executive and administrative powers conferred on the Consumer Financial Protection Bureau ("CFPB" or "Bureau") by Section 1012 of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"), the Director of the Consumer Financial Protection Bureau ("Director") establishes the discretionary Community Bank Advisory Council under agency authority in accordance with the provisions of the Federal Advisory Committee Act, as amended, 5 U.S.C., App. 2.

3. Objectives and Scope of Activities.

The purpose of the Advisory Council is to advise the Bureau in the exercise of its functions under the federal consumer financial laws as they pertain to community banks with total assets of \$10 billion or less. The Bureau's supervisory process provides an opportunity for learning and insight into the operations of financial institutions; having no correlate for small depository financial institutions, the Bureau created this Advisory Council to facilitate a similar opportunity for community banks to share insights regarding operational and technical considerations, community banking industry business practices, and the unique needs of their customers and communities. This group also provides timely and pertinent information on how Bureau policies impact community banks.

The Advisory Council shall advise generally on the Bureau's regulation of consumer financial products or services provided by community banks and other topics assigned to it by the Director, as they relate to community banks. To carry out the Advisory Council's purpose, the scope of its activities shall include providing information and analysis in support of recommendations to the Bureau. The output of Advisory Council meetings should serve to better inform the CFPB's policy development, rulemaking, and engagement functions as they relate to community banks.

4. Description of Duties.

The duties of the Advisory Council are solely advisory and shall extend only to the submission of advice and recommendations to the Bureau relating to the activities and operations of community banks, which shall be non-binding on the Bureau. To ensure understanding of compliance and regulatory challenges faced by community banks, inclusion on the Advisory Council will be limited to community bank employees. No determination of fact or policy will be made by the Advisory Council, and the Advisory

Council will have no formal decision-making role and no access to confidential supervisory or other confidential information.

5. Agency or Official to Whom the Committee Reports.

The Advisory Council reports to the Director.

6. Support.

The Bureau's Advisory Board and Councils office will support the Advisory Council's activities to the extent permitted by law and subject to the availability of resources and shall ensure compliance with requirements laid out in the Federal Advisory Committee Act, as amended.

7. Estimated Annual Operating Costs and Staff Years.

The estimated annual operating cost is about \$300,000 per year, including staff time. It is estimated that CFPB annual staff support is 2 person-years.

8. Designated Federal Officer.

The Designated Federal Officer ("DFO") is the Advisory Board and Councils office Staff Director ("Staff Director"), who is a full-time or permanent part-time employee. The DFO shall ensure that the Advisory Council operates in accordance with the requirements under the Federal Advisory Committee Act and the terms of the charter. The DFO (or alternate DFO) or will approve or call all of the Advisory Council committee and Advisory Council subcommittee meetings, if any, prepare and approve all meeting agendas, attend all Advisory Council and subcommittee meetings, adjourn any meeting when determined to be in the public interest, and chair meetings when directed by the Bureau Director.

9. Estimated Number and Frequency of Meetings.

The Advisory Council shall meet in person from time to time at the call of the DFO, but at a minimum, shall meet at least two times in each year.

10. Duration.

The Advisory Council will be needed on a continuing basis.

11. Termination.

This Advisory Council will terminate two years after the date that this Charter is filed unless renewed prior to that date by appropriate action.

12. Membership and Designation.

The Director shall appoint the members of the Advisory Council. In appointing members to the Advisory Council, the Director shall seek to assemble members with diverse points of view, institution asset sizes, and geographical backgrounds. Only

bank or thrift employees (CEOs, compliance officers, government relations officials, etc.) will be considered for membership. Membership is limited to employees of banks and thrifts with total assets of \$10 billion or less that are not affiliates of depository institutions or credit unions with total assets of more than \$10 billion.

The Advisory Council will consist of approximately 15 to 20 members. All members shall serve at the pleasure of the Director. All members appointed by the Director shall serve at the pleasure of the Director. The Advisory Council will be composed exclusively of representatives of the community banking industry as described above. No Special Government Employees and no Regular Government Employees are expected to serve on the Advisory Council.

13. Subcommittees.

The Bureau may establish and dissolve subcommittees, in consultation with the Advisory Committee. Any subcommittees shall report back to the Advisory Council. Subcommittees may include individuals who are members of the Advisory Council. Committees may, from time to time, with the approval of the DFO, call on individuals who are not members of the Advisory Council (including Bureau staff), for the sole purpose of providing specific domain expertise and knowledge to the subcommittee. These are not temporary members of the subcommittee. The subcommittees, if any, may not provide advice or work products directly to the Bureau.

14. Recordkeeping.

The records of the Advisory Council and any subcommittees thereof will be handled in accordance with General Records Schedule 6.2 and applicable agency records schedules. The records will be available for public inspection and copying, subject to the Freedom of Information Act, 5 U.S.C. 552.

15. Filing Date.

This Council is authorized to meet and take action as of the date of the filing of this charter on March 27, 2017. This charter has been filed with the Director of the CFPB, the U.S. Senate Committee on Banking, Housing, and Urban Affairs, the U.S. House of Representatives Committee on Financial Services, and the Committee Management Secretariat of the General Services Administration, and furnished to the Library of Congress.

Signed:



Date: 2/22/17

Richard Cordray
Director
Consumer Financial Protection Bureau



Consumer Financial
Protection Bureau

March 27, 2017

The Honorable Mike Crapo
Chairman
Committee on Banking, Housing, and Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Crapo,

Enclosed please find copies of the Consumer Financial Protection Bureau's charters for the Consumer Advisory Board, Community Bank Advisory Council, Credit Union Advisory Council, and the Academic Research Council, being re-established for the purposes of complying with the requirements of the Federal Advisory Committee Act, as amended, 5 U.S.C. App.

Notice of this charter filing will be published in the Federal Register, and copies will be filed with the United States Senate Committee on Banking, Housing, and Urban Affairs, and the United States House of Representatives Committee on Financial Services.

Should you have any questions, please do not hesitate to contact me at (202) 435-9711.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Galicia'. The signature is fluid and cursive, with a large initial 'C' and a long horizontal stroke at the end.

Catherine Galicia
Assistant Director for Legislative Affairs



March 27, 2017

The Honorable Jeb Hensarling
Chairman
Committee on Financial Services
United States House of Representatives
2129 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Hensarling,

Enclosed please find copies of the Consumer Financial Protection Bureau's charters for the Consumer Advisory Board, Community Bank Advisory Council, Credit Union Advisory Council, and the Academic Research Council, being re-established for the purposes of complying with the requirements of the Federal Advisory Committee Act, as amended, 5 U.S.C. App.

Notice of this charter filing will be published in the Federal Register, and copies will be filed with the United States Senate Committee on Banking, Housing, and Urban Affairs, and the United States House of Representatives Committee on Financial Services.

Should you have any questions, please do not hesitate to contact me at (202) 435-9711.

Sincerely,

A handwritten signature in black ink, appearing to read "C. Galicia", written in a cursive style.

Catherine Galicia
Assistant Director for Legislative Affairs



March 27, 2017

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
United States House of Representatives
4340 Thomas P. O'Neill, Jr. House Office Building
Washington, D.C. 20515

Dear Ranking Member Waters,

Enclosed please find copies of the Consumer Financial Protection Bureau's charters for the Consumer Advisory Board, Community Bank Advisory Council, Credit Union Advisory Council, and the Academic Research Council, being re-established for the purposes of complying with the requirements of the Federal Advisory Committee Act, as amended, 5 U.S.C. App.

Notice of this charter filing will be published in the Federal Register, and copies will be filed with the United States Senate Committee on Banking, Housing, and Urban Affairs, and the United States House of Representatives Committee on Financial Services.

Should you have any questions, please do not hesitate to contact me at (202) 435-9711.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Galicia', written in a cursive style.

Catherine Galicia
Assistant Director for Legislative Affairs

Enclosures



Consumer Financial
Protection Bureau

1700 G Street, N.W., Washington, D.C. 20552

March 27, 2017

The Honorable Ann Wagner
Chairman
Subcommittee on Oversight and Investigations
Committee on Financial Services
U.S. House of Representatives
2129 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Wagner:

Thank you for your March 10, 2017 letter about the Consumer Financial Protection Bureau's proposal to revise its rule regarding the treatment of its confidential information.¹ As you know, the Bureau first published its rule as an interim final rule in July 2011, followed by a final rule in February 2013. In August 2016, the Bureau issued a notice of proposed rulemaking that proposed to amend the rule to clarify, correct, and amend certain provisions. The comment period closed in October 2016, and the Bureau is still in the process of reviewing the comments received by stakeholders as it finalizes the rule.

The Bureau's proposal is based on our experience over the last several years and our interest in being transparent about how the Bureau protects confidential information. In addition to addressing the treatment of confidential information obtained from persons in connection with the exercise of the Bureau's authorities under Federal consumer financial law, the Bureau has also proposed amendments to the procedures used by the public to obtain information from the Bureau under the Freedom of Information Act, the Privacy Act of 1974, and in legal proceedings.

Your letter raises what we agree are serious concerns about certain aspects of the Bureau's proposed interpretation and implementation of 12 U.S.C. § 5512(c)(6),² and with our proposal to expand 12 C.F.R. 1070.42 to address our enforcement activities in addition to our supervisory activities.³ These and similar concerns were also expressed in numerous comments and other feedback received by the Bureau (including from your colleagues), and we have taken them under active consideration as we move forward with our ongoing work on the rule. We intend to address these concerns specifically in our response to the comments in the final rule, in accordance with our obligations under the Administrative Procedure Act.

¹ Amendments Relating to Disclosure of Records and Information. 81 Fed. Reg. 58,310 (Aug. 24, 2016).

² See *id.* at 58,317.

³ See *id.* at 58,316.

Your letter requests legal analysis and other information related to the proposal under consideration in the Bureau's ongoing rulemaking. We anticipate that your concerns will be addressed when the Bureau issues its final rule. If your concerns are not fully addressed at that time, we will be happy to work with you and your staff to provide you with additional information.

Thank you again for bringing your perspective on these matters to my attention. Should you have any additional questions, please do not hesitate to contact me or have your staff contact Patrick O'Brien in the Bureau's Office of Legislative Affairs or Anne Tindall in the Bureau's Legal Division. Mr. O'Brien can be reached at (202) 435-7180 and Ms. Tindall can be reached at (202) 435-9591.

Sincerely,



Richard Cordray
Director

cc: The Honorable Al Green, Ranking Member
Subcommittee on Oversight and Investigations
Committee on Financial Services



March 29, 2017

The Honorable Sherrod Brown
Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, DC 20510

Dear Ranking Member Brown:

Enclosed please find the Consumer Financial Protection Bureau's Notification and Federal Employee Antidiscrimination and Retaliation Act (No FEAR Act) Annual Report, as required under Section 203 of the No FEAR Act.

Should you have any questions concerning the report, please feel free to contact me at (202) 435-9711.

Sincerely,

A handwritten signature in black ink, appearing to read "C. Galicia", is written over a light blue rectangular background.

Catherine Galicia
Assistant Director for Legislative Affairs

March 2017

No FEAR Act Annual Report for fiscal year 2016

Pursuant to Notification and Federal Employee Antidiscrimination
and Retaliation Act of 2002

Message from Richard Cordray



Director of the CFPB

On behalf of the Consumer Financial Protection Bureau (CFPB or Bureau), I am pleased to present our Notification and Federal Employee Antidiscrimination and Retaliation Act of 2002 (No FEAR Act) Annual Report for FY 2016. This report summarizes accomplishments in the Bureau's Equal Employment Opportunity (EEO) program. The report also underscores our commitment to abide by all civil rights laws and merit systems principles, and to promote accountability for compliance with both the letter and the spirit of these obligations.

In September 2016, the Bureau issued the annual EEO and Anti-Harassment Policy Statement, along with the annual No FEAR Act and Whistleblower Protection Notice. (You can find these documents at Appendix B at the end of this Report.) At that time, I asked every Bureau employee to read these statements with care, as they contain important information about our EEO and anti-harassment policies and practices and related procedures. As I explained, each one of us must continuously reaffirm our personal commitment to do our part to uphold EEO principles and comply with the law. I conveyed my expectation that all Bureau employees would:

- Stand up to and stop acts of discrimination, harassment, and retaliation by contacting the Bureau's Office of Civil Rights (OCR) (our EEO office) or the Office of Human Capital (OHC), consistent with the Bureau's *Procedures Related to Harassment and Inappropriate Conduct* and our *EEO and NonDiscrimination Policy*.
- Cooperate promptly and fully in all anti-harassment and EEO investigations, because responding swiftly to requests for information from OCR or OHC is an important part of everyone's job here, regardless of where in the Bureau we may work.

- Prioritize diversity and inclusion and EEO training, including the annual mandatory No FEAR Act and anti-harassment trainings, as every Bureau employee is responsible for learning about these issues and putting what you learn into practice every day.

As independent auditors have indicated, the policies and processes we have implemented to ensure compliance with EEO laws here at the Bureau are robust and working. The data in this annual No FEAR Act report shows that the numbers of informal and formal EEO complaints filed with OCR continue their two-year downward trajectory. Meanwhile, we will remain vigilant against any form of discrimination, harassment, or retaliation at the Bureau. And we will continue our many and varied efforts to foster the inclusive, discrimination-free culture the law demands and our employees deserve.

Sincerely,



Richard Cordray

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1. Purpose of report

Congress passed the Notification and Federal Employee Antidiscrimination and Retaliation Act of 2002 – the “No FEAR Act” – to hold federal agencies more accountable for violations of antidiscrimination and whistleblower protection laws.¹ Congress found that “requiring annual reports to Congress on the number and severity of discrimination and whistleblower cases brought against each Federal agency should enable Congress to improve its oversight over compliance by agencies with the law.”²

Therefore, the No FEAR Act requires each agency, no later than 180 days after the end of each fiscal year, to submit a report to the Speaker of the House of Representatives, the President pro tempore of the Senate, the Committee on Governmental Affairs of the Senate, the Committee on Government Reform of the House of Representatives, each committee of Congress with jurisdiction relating to the agency, the Equal Employment Opportunity Commission (EEOC), and the Attorney General of the United States.³ Regulations from the Office of Personnel Management (OPM) implementing the No FEAR Act, 5 Code of Federal Regulations (C.F.R.) Part 724, Subpart C, also require the submission of this annual report to the Director of OPM.⁴

The annual report must provide the following information:

¹ See Pub. L. No. 107-174, 116 Stat. 566 (2002).

² Pub. L. No. 107-174, Section 101(7).

³ Pub. L. No. 107-174, Section 203(a).

⁴ 5 C.F.R. § 724.302(c)(8).

- The number of federal court cases, pending or resolved, arising under the No FEAR Act laws and the status and disposition of the cases;
- Judgment Fund reimbursements and adjustments to agency budgets to meet reimbursement requirements;
- The number and type of disciplinary actions related to discrimination, retaliation, or harassment and the Bureau's policy relating to appropriate disciplinary action;
- Year-end summary data related to federal sector EEO complaint activity;
- An analysis of trends, causation, and practical knowledge gained through experience, and actions planned or taken to improve complaint or civil rights programs; and
- The agency's plan for No FEAR Act-related training.⁵

The Bureau has prepared and submits this report to comply with these statutory and regulatory requirements.

⁵ See Pub. L. No. 107-174, Section 203(a)(1); see also 5 C.F.R. § 724.302(a). Appendix A to this report sets forth these requirements in full.

2. Background

CFPB Mission

CFPB is the nation's first federal agency focused solely on consumer financial protection. The Dodd-Frank Wall Street Reform and Consumer Protection Act⁶ created CFPB to protect consumers and to encourage fair and competitive consumer financial markets. CFPB officially began operations on July 21, 2011. At the end of FY 2016, the Bureau consisted of 1,645 employees (permanent and temporary).

CFPB's mission is to make markets for consumer financial products and services work for people in America – whether they are applying for a mortgage, choosing among credit cards, or using any number of other consumer financial products. CFPB helps 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 lives. When CFPB achieves its mission, it will have facilitated the development of a consumer finance marketplace where consumers can see prices and risks and can easily make product comparisons. The envisioned consumer finance marketplace will work for consumers in America, responsible providers, and the economy.

CFPB is achieving its mission and vision through data-driven analysis, innovative use of technology, and valuing great teamwork and top talent. CFPB is using data purposefully to support informed decision-making in all internal and external functions. CFPB strives to be an innovative, 21st century agency in its approach to technology. Finally, CFPB invests in world-

⁶ See Pub. L. No. 111-203, 124 Stat. 1376 (July 21, 2010).

class training, development, and support to create an environment that encourages employees at all levels to tackle complex challenges.

To accomplish these goals, CFPB is divided into six Divisions:

- Consumer Education & Engagement (CEE)
- Supervision, Enforcement, & Fair Lending (SEFL)
- Research, Markets, & Regulations (RMR)
- External Affairs (EA)
- Legal (LD)
- Operations (OPS)

These Divisions work together to:

- Write rules, supervise regulated entities, and enforce federal consumer financial protection laws;
- Restrict unfair, deceptive, or abusive acts or practices;
- Take consumer complaints;
- Promote financial education;
- Research consumer behavior;
- Monitor financial markets for new risks to consumers; and
- Enforce laws that prohibit discrimination and other unfair treatment in consumer finance.

CFPB EEO Structure

The Bureau has an Office of Equal Opportunity & Fairness (OEOF), which is housed directly in the Office of the Director of CFPB. OEOF is comprised of the Office of Civil Rights (OCR) and

the Office of Minority and Women Inclusion (OMWI). The Director of OEOF reports directly to the Director of CFPB.

OCR, the Bureau's Equal Employment Opportunity (EEO) office, has operated since February 2013. It works to ensure that CFPB complies with all federal EEO laws and related civil rights protections. OCR provides a neutral forum for the discussion, investigation, and resolution of certain EEO matters and manages the Bureau's EEO complaint process pursuant to 29 C.F.R. Part 1614. OCR also strives to integrate EEO into CFPB's everyday work. Through its daily activities, OCR preserves and enhances the six elements identified by the Equal Employment Opportunity Commission as essential for a Model EEO Program – demonstrated commitment from Agency leadership; integration of EEO into the Agency's strategic mission; management and program accountability; proactive prevention of unlawful discrimination; efficiency; and responsiveness and legal compliance.⁷

OCR works to empower individuals to participate constructively to their fullest potential in support of CFPB's mission. OCR endeavors to ensure that CFPB reflects the rich diversity of the nation and provides a full and fair opportunity for all employees and applicants, and that CFPB employees have the working environment that will support them in their efforts to protect consumers. To facilitate these objectives, OCR provides policy and technical advice on EEO and civil rights to the CFPB Director and senior leadership.

The Director of OCR (like the Director of OEOF) reports directly to the Director of CFPB. OCR emphasizes and maintains its neutrality and impartiality, which is critical to having an efficient and fair EEO complaint resolution process. This ensures that employees and managers know that the pre-complaint and investigation stages of the Part 1614 process are not adversarial, that OCR will provide a neutral and impartial factual record, and that, when requested, OCR will issue a final decision assessing the facts and law to determine whether or not one or more of the applicable employment discrimination laws have been violated.

⁷ See EEOC Management Directive 715 (Oct. 2003) (MD-715), Model Agency Title VII and Rehabilitation Act Programs, at Section II, available at <https://www.eeoc.gov/federal/directives/md715.cfm>.

The OCR Director exercises full authority to carry out the Part 1614 functions of OCR without Legal Division (i.e., General Counsel) involvement, thus ensuring impartiality and removing any possible conflict of interest. Legal resources within OCR make this possible. OCR staff, sometimes with the assistance of contractors, conducts legal sufficiency reviews of EEO matters, which includes issuing accept/dismiss decisions addressing jurisdiction over, and scope of, claims set forth in formal complaints, Reports of Investigations (ROIs), and Final Agency Decisions (FADs). The Legal Division, which defends the Bureau in these matters, is firewalled from all activities within OCR and only participates during adversarial portions of the EEO process (hearings and appeals), and during settlement negotiations, or to provide appropriate legal advice or assistance when a manager or supervisor requests it during the course of an EEO investigation. All other Bureau offices are similarly firewalled and kept separate as necessary and appropriate to avoid conflicting or competing interests.

At the same time, while OCR maintains primary responsibility for the Agency's overall EEO program, it collaborates extensively with both OMWI and the Bureau's Office of Human Capital (OHC) to ensure fairness and equality under the law for all employees and applicants for employment. Pursuant to Section 342 of the Dodd-Frank Act, OMWI develops standards for equal employment opportunity and diversity, which OHC incorporates into CFPB Human Capital Management. OCR, OMWI, and OHC monitor the impacts and results of these standards, cultivate successful policies and practices to reinforce them, and develop enhancement strategies to strengthen all EEO and diversity and inclusion programs Bureau-wide. OCR cooperates with OHC, in particular, related to the disability reasonable accommodation and harassment prevention programs OHC administers. OCR maximizes appropriate partnerships with Bureau leadership, management, diversity committees (such as the Agency's Executive Advisory Council (EAC) and Diversity and Inclusion Council of Employees (DICE)), Employee Resource Groups, other employees, and with the National Treasury Employees Union (NTEU) to achieve OCR's and the Bureau's mission and vision.

3. Data and Analysis

The information in this section meets the reporting requirements of the No FEAR Act and its implementing regulations. The information presented includes:

- Subsection 3.1 - EEO Complaint Activity in Federal Court and Status/Disposition
- Subsection 3.2 - Judgment Fund Reimbursements and Budget Adjustments
- Subsection 3.3 - Number of Employees Disciplined and Applicable Discipline Policy
- Subsection 3.4 - Summary of Complaint Data
- Subsection 3.5 - Analysis of Data Provided

3.1 EEO complaint activity in federal court and status/disposition

The laws covered by the No FEAR Act include:

- Title VII of the Civil Rights Act of 1964, *as amended*, 42 U.S.C. § 2000e-16 (race, color, religion, sex (including pregnancy, gender identity, and sexual orientation), national origin, and reprisal);
- The Age Discrimination in Employment Act of 1967, *as amended*, 29 U.S.C. §§ 631, 633a (age (40 and over) and reprisal);
- The Equal Pay Act of 1963, *as amended*, 29 U.S.C. § 206(d) (sex-based wage differentials and reprisal);

- Section 501 of the Rehabilitation Act of 1973, *as amended*, 29 U.S.C. § 791 (physical and mental disabilities and reprisal);
- The Genetic Information Nondiscrimination Act of 2008, 42 U.S.C. § 2000ff *et seq.* (genetic information about an individual or individual’s family members and reprisal);⁸ and
- The Civil Service Reform Act of 1978, 5 U.S.C. §§ 2302(b)(1), (b)(8), (b)(9) (race, color, religion, sex, national origin, age, disability, marital status, political affiliation, and whistleblowing and related reprisal).

In FY 2016, the Bureau had two civil actions pending or resolved in United State district court related to one or more of these No FEAR Act laws. One case, involving allegations under the Equal Pay Act Of 1963, remained pending as of the end of FY 2016. The other case, which involved allegations under Title VII of the Civil Rights Act of 1964, was dismissed by the district court at the end of FY 2016 and is no longer pending.

3.2 Judgment fund reimbursements and budget adjustments

The Judgment Fund is a permanent, indefinite appropriation available to pay final money judgments and awards against the United States. The Judgment Fund Branch in the Bureau of the Fiscal Service of the U.S. Department of the Treasury administers the Judgment Fund.⁹

⁸ Neither the No FEAR Act (enacted in 2002) nor implementing regulations (finalized and published in the Federal Register in 2006) have been amended to include reference to the Genetic Information Nondiscrimination Act of 2008 (GINA). Nonetheless, in the interests of completeness, CFPB will include relevant data here on any federal court cases or EEO complaints alleging violations of GINA. No such cases or complaints have been filed to date.

⁹ See <https://www.fiscal.treasury.gov/fsservices/gov/pmt/jdgFund/questions.htm>.

The No FEAR Act requires federal agencies to reimburse the Judgment Fund for payments to an employee, former employee, or applicant for Federal employment, in accordance with 28 U.S.C. §§ 2414, 2517, 2672, 2677, or with 31 U.S.C. § 1304, that involves alleged discriminatory or retaliatory conduct described in 5 U.S.C. §§ 2302(b)(1) and (b)(8) or (b)(9) as applied to conduct described in 5 U.S.C. §§ 2302(b)(1) and/or (b)(8), or conduct described in 29 U.S.C. § 206(d), 29 U.S.C. §§ 631 and 633a, 29 U.S.C. § 791, and 42 U.S.C. § 2000e-16.¹⁰

In FY 2016, the Bureau neither made reimbursements to the Judgment Fund nor needed to adjust its budget to comply with No FEAR Act reimbursement requirements. CFPB will not be accessing the Judgment Fund; other sources of funds are available for these purposes.¹¹

3.3 Number of employees disciplined and discipline policy

CFPB has put in place various personnel-related policies and procedures that aid in the proactive prevention of discrimination and increase management and program accountability. Having clear and concise policies and procedures minimizes subjectivity, prevents misunderstandings about what CFPB expects from its employees and management officials, clarifies the roles and responsibilities of the various offices within the Bureau, and creates an environment and expectation of consistency in personnel decision-making Bureau-wide. Management officials follow the policies and procedures listed in Table 1 below.

¹⁰ See Pub. L. No. 107-174, Section 201(b); see also 5 C.F.R. §§ 724.102, 103.

¹¹ See Pub. L. No. 111-203, Section 1017.

TABLE 1: BUREAU POLICIES GOVERNING MAJOR PERSONNEL ISSUES AND PROGRAMS

Bureau Policies Governing Major Personnel Issues and Programs	
Disciplinary and Adverse Action Policy	
Procedures Related to Harassment and Inappropriate Conduct	
Hiring, Promotion, and Internal Personnel Movements Policy	
Attorney Hiring and Promotion Policy	
Performance Management Program Policy	
Alternative Dispute Resolution Policy	
Administrative Grievance Policy	

CFPB has a detailed policy for taking disciplinary action against Federal employees for conduct that is inconsistent with Federal antidiscrimination laws and whistleblower protection laws or for conduct that constitutes another prohibited personnel practice revealed in connection with agency investigations of alleged violations of laws. The Bureau's *Disciplinary and Adverse Action Policy* outlines CFPB's commitment to:

- Foster positive and effective supervisor-employee relations through frequent, constructive communication, including a clear statement of organizational and office work rules and expectations;
- Equitably employ discipline, and, whenever appropriate, utilize progressive discipline to discourage employee misconduct;
- Identify problems early and constructively counsel employees to effect a positive change in behavior;
- Ensure that the corrective action is commensurate with the seriousness of the misconduct and that similar offenses under like circumstances are treated uniformly; and

- Take or not take actions without regard to race, color, religion, national origin, disability, protected genetic information, marital status, age, sex (including pregnancy, gender identity, and gender nonconformity), sexual orientation, reprisal, parental status, political affiliation, or any other non-merit factor prohibited by 5 U.S.C. § 2302, except as required by law.

This policy also explains that:

To ensure that all employees are working in a safe and productive environment and that the CFPB is able to operate at optimum efficiency, CFPB has established certain expectations for the personal conduct of its employees. These expectations are uniform throughout the CFPB. Employees are expected to be professional, courteous and respectful at all times while on duty. CFPB also may consider an employee's off-duty conduct to constitute misconduct if there is a nexus between the off-duty conduct and the efficiency of the service. While it is anticipated that most problems will be resolved informally through the cooperation of employees with their supervisors, misconduct may result in disciplinary or adverse action. Appropriate action may include a reprimand, suspension, demotion, or other actions, up to and including removal from CFPB, depending on the offense and circumstances. CFPB is committed to complying with all federal laws governing the discipline of its employees, including applicable due process and appeal rights.

The Bureau's policy provides a list of actions deemed unacceptable, which may result in disciplinary or adverse action, up to and including removal from CFPB. The list includes "Engaging in discrimination, harassment, or other inappropriate conduct."

The Bureau's *Procedures Related to Harassment and Inappropriate Conduct* similarly prohibit discriminatory harassment. According to these procedures:

It is CFPB's policy to ensure that every employee enjoys a work environment free from discriminatory harassment. Discriminatory harassment is a violation of the Federal civil rights laws and will not be tolerated at CFPB. Even inappropriate conduct that is not of sufficient severity to constitute harassment as a matter of law is considered misconduct. CFPB will address complaints about such inappropriate conduct when first reported and will discipline employees where necessary for the protection and

benefit of all employees.

The procedures also “forbid[] retaliation against any employee who reports harassment or who cooperates with an investigation of a harassment complaint.” Under these anti-harassment procedures, any such retaliation “will result in appropriate disciplinary action” The Bureau trains all CFPB managers and supervisors on these policies. The Bureau also trains *all* employees on EEO laws, the Part 1614 complaint process, and related avenues for seeking redress for policy and statutory violations (including Alternative Dispute Resolution).

Bureau policy also requires all employees to follow CFPB Ethics Regulations. Those ethics regulations in turn require all Bureau employees to abide by the Standards of Ethical Conduct for Employees of the Executive Branch.¹² The General Principles of Ethical Conduct require that employees adhere to all laws and regulations that provide equal opportunity for all regardless of race, color, religion, sex, national origin, age, or disability.¹³ Employees are notified of this ethical requirement in mandatory ethics training, posters, and through the Bureau’s intranet.

During FY 2016 two employees were disciplined (as defined in 5 C.F.R. § 724.102) for violating Bureau policies related to conduct that is inconsistent with Federal antidiscrimination and whistleblower protection laws.¹⁴ (These matters involved violations of Bureau policy, but not findings that antidiscrimination statutes had been violated.) In one case, CFPB ordered a three-day suspension for Conduct Unbecoming of a Federal Supervisor. In another case, the Bureau issued a Letter of Reprimand for Inappropriate Conduct. CFPB’s response in these matters demonstrates its ongoing commitment to comply with the letter and spirit of civil rights laws and Bureau policies, and to providing equal employment opportunity and a professional, inclusive work environment.

¹² See 5 C.F.R. § 9401.101(b).

¹³ See 5 C.F.R. § 2635.101(b)(13).

¹⁴ See 5. C.F.R. §§ 724.302(a)(5), (a)(6).

3.4 Summary data

Appendix C contains a summary of the Bureau's Part 1614 EEO complaint activity for FY 2016 and prior fiscal years.

3.5 Analysis of complaints

Under the No FEAR Act, agencies in their annual reports must analyze certain complaint-related data, including (1) an examination of trends; (2) causal analysis; (3) practical knowledge gained through experience; and (4) any actions planned or taken to improve complaint or civil rights programs of the agency.¹⁵ This analysis, along with an overview of CFPB's workforce data (for context), is provided below.

Workforce Demographics

As of the end of FY 2016, the total CFPB workforce was 1,645 employees, including 1,494 permanent employees and 151 temporary employees (including staff on temporary appointments and interns). The total workforce grew by 112 employees during FY 2016, representing a rate of change of 7.31 percent.

During FY 2016, all EEO group populations¹⁶ experienced net growth with the exception of males and females of two or more races and American Indian/Alaska Native males and females.

¹⁵ See Pub. L. No. 107-174, Section 203(a)(7); see also 5 C.F.R. § 724.302(a)(7).

¹⁶ Federal agencies generally must report statistical information on the racial and ethnic categories of employees and applicants as prescribed by the Office of Management and Budget (OMB) in Statistical Policy Directive No. 15, Race and Ethnic Standards for Federal Statistics and Administrative Reporting (OMB Directive 15). See https://obamawhitehouse.archives.gov/omb/fedreg_race-ethnicity. Under these standards, employees self-identify as belonging to one or more of the following racial groups: American Indian or Alaska Native, Asian, Black or African American, Native Hawaiian and Other Pacific Islander, and/or White. Regardless of race(s) selected, employees may identify as Hispanic or Latino as well.

Compared to the U.S. Census Civilian National Labor Force (CLF),¹⁷ overall CFPB demographics have not changed significantly since FY 2015. White men, followed by White women, comprise the largest racial groups in CFPB, followed by Black women and Black men, respectively.

Males totaled 767 or 51.34% of the permanent workforce – a decrease from 52.56% in FY 2015 and slightly lower when compared to the CLF availability of 51.86%. Females totaled 727 or 48.66% of the permanent workforce, an increase from 47.44% in FY 2015, and slightly higher as compared to the CLF availability of 48.14%.

There was a growth of 11 new employees with reportable disabilities from the beginning to the close of FY 2016, representing a net change of 8.27 percent, which exceeds the rate of change for the total workforce.

TABLE 2: TOTAL WORKFORCE – FY 2015

Workforce Type	ALL ¹⁸	Hispanic	White	Black	Asian	NH/OPI	AI/AN	Two or More
ALL	1,533	95	983	289	141	2	12	11
%		6.20%	64.12%	18.85%	9.20%	0.13%	0.78%	0.72%
CLF		9.96%	72.36%	12.02%	3.90%	0.14%	1.08%	0.54%
Male	805	50	560	110	72	0	8	5
Female	728	45	423	179	69	2	4	6

¹⁷ The CLF is derived from the 2006-2010 American Community Survey (ACS) Equal Employment Opportunity Tabulation (EEO Tabulation). The EEO Tabulation was originally released by the U.S. Census Bureau on November 29, 2012. It provides external benchmarks to assist federal agencies in monitoring employment practices and enforcing workforce civil rights laws. See https://www1.eeoc.gov/federal/directives/tech_assistance_06-10_EEO_tabulation.cfm.

¹⁸ This includes permanent and temporary employees (including staff on temporary appointments and interns).

TABLE 3: TOTAL WORKFORCE – FY 2016

Workforce Type	ALL	Hispanic	White	Black	Asian	NH/OPI	AI/AN	Two or More
ALL	1,645	99	1,038	328	156	3	10	11
%		6.02%	63.10%	19.94%	9.48%	0.18%	0.61%	0.67%
CLF		9.96%	72.36%	12.02%	3.90%	0.14%	1.08%	0.54%
Male	844	54	577	121	80	1	7	4
Female	801	45	461	207	76	2	3	7

TABLE 4: TOTAL WORKFORCE – FY 2015 COMPARED TO FY 2016

	ALL	Hispanic	White	Black	Asian	NH/OPI	AI/AN	Two or More
Difference	+112	+4	+55	+39	+15	+1	-2	0
Male	+39	+4	+17	+11	+8	+1	-1	-1
Female	+73	0	+38	+28	+7	+0	-1	+1
Ratio Change								
Male	-1.20%	0.02%	-1.45%	0.18%	0.17%	0.06%	-0.10%	-0.08%
Female	1.20%	-0.20%	0.43%	0.91%	0.12%	-0.01%	-0.08%	0.03%
Net Change								
Male	7.31%							
Female	4.84%	8.00%	3.04%	10.00%	11.11%	100.00%	-12.50%	-20.00%
Female	10.03%	0.00%	8.98%	15.64%	10.14%	0.00%	-25.00%	16.67%

Trends and causal analysis

Because the CFPB officially opened on July 21, 2011, and began reporting information related to FY 2012, FY 2016 is the first year in which CFPB can provide a complete five-year perspective of EEO data on complaint-filing trends.

Pending Complaints

In FY 2016, the Bureau saw a decrease in the number of formal complaints pending at the end of the fiscal year compared with previous fiscal years (21 pending at the end of FY 2016 compared to 32 at the end of FY 2015), and in the corresponding number of complainants (17, compared to 25 in FY 2015).

As of the end of FY 2016, there were zero formal complaints filed in previous fiscal years remaining in the investigation or ROI-issued/election phases. By contrast, at the end of FY 2015, eight formal complaints filed in previous years remained pending in the investigation phase, and two filed in previous years remained pending in the ROI-issued/election phase. As of the end of FY 2016, only two formal complaints remained pending in the Final Agency Action phase, down from six in FY 2015. Complaints pending at the hearing phase (18, compared to 12 in FY 2015) and appeal phase (six, compared to four in FY 2015) increased from FY 2015.¹⁹

Figure 1 and Figure 2 present this data and related data for other previous fiscal years.

¹⁹ Hearings and appeal stages of the Part 1614 EEO complaint process are managed by the EEOC. If a complainant requests an EEOC hearing the matter becomes adversarial and the Bureau's Legal Division (not OCR) represents CFPB as a party in the proceeding, including on any administrative appeal filed with EEOC's Office of Federal Operations.

FIGURE 1: PENDING COMPLAINTS AND COMPLAINANTS FY 2012 – FY 2016

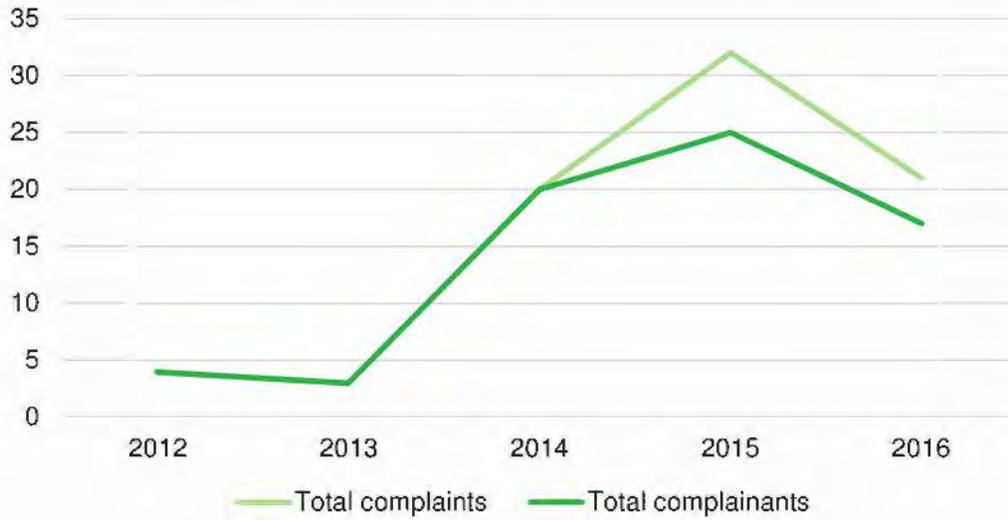
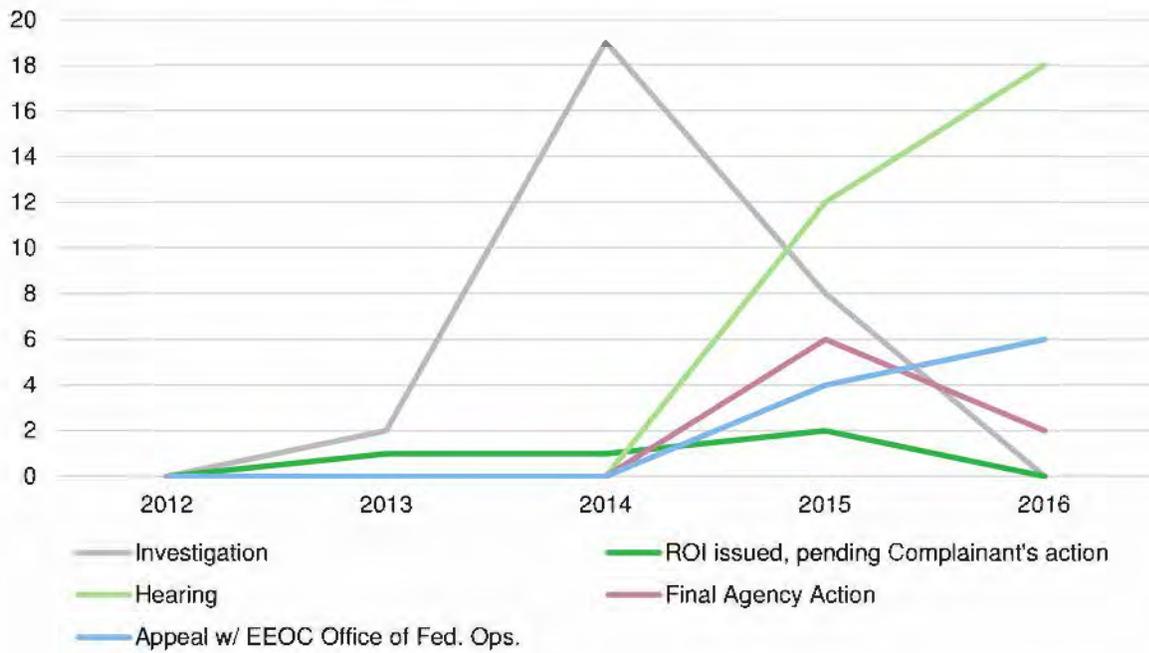


FIGURE 2: PENDING COMPLAINT STATUSES FY 2012 – FY 2016



Total New Complaint Filings and Number of Complainants

During FY 2016, the Bureau experienced a decrease in the number of formal complaints filed compared with FY 2015 (from 22 to 19).²⁰ This follows a similar decrease in formal complaints filed in FY 2015 compared with FY 2014 (from 25 to 22).

The 18 complainants²¹ who filed formal complaints in FY 2016 represent 1.09 percent of CFPB's total workforce of 1645 individuals.²² This represents a decrease of 0.15 percent compared to FY 2015, when the ratio (of 19 complainants as a percentage of the total workforce of 1533 individuals) was 1.24 percent.

²⁰ Three of the 19 formal complaints listed as having been filed in FY 2016 began as putative class complaints filed in a previous fiscal year. In FY 2016, an EEOC Administrative Judge (AJ) denied class certification in all three matters, requiring the matters to then be processed as individual complaints. See 29 C.F.R. § 1614.204(d)(7). Total new formal complaints filed in FY 2016 thus equal 16.

²¹ One employee filed more than one formal complaint in FY 2016.

²² This ratio drops to 0.91 percent if complainants who filed class complaints in previous fiscal years are excluded in calculating the FY 2016 ratio. (15 complainants/1645 total employees = 0.91 percent.)

TABLE 5: COMPLAINANTS, COMPLAINTS, AND TOTAL WORKFORCE FIGURES AND RATIOS FOR CFPB FOR THE PAST FIVE FISCAL YEARS

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
CFPB Formal Complaints	11	9	25	22 ²³	19
CFPB Complainants	11	9	24	19	18
CFPB Total Workforce ²⁴	970	1343	1419	1533	1645
CFPB Formal Complaints as Percentage of Total Workforce	1.13	0.67	1.75	1.44	1.16
CFPB Complainants as Percentage of Total Workforce	1.13	0.67	1.68	1.24	1.09
All Similarly Sized (Mid-Size) ²⁵ Agencies (Complainants as Percentage of Total Workforce)	0.56	0.50	0.51	NOT YET REPORTED	NOT YET REPORTED
Government-wide (Complainants as Percentage of Total Workforce) ²⁶	0.51	0.50	0.49	NOT YET REPORTED	NOT YET REPORTED

²³ In FY 2015, an individual also filed two notices with the EEOC signaling the individual's intention to file a civil suit against the Bureau under the Age Discrimination in Employment Act of 1967 (ADEA). Such notices of intent to file a civil action under the ADEA are not considered official EEO complaints under 29 C.F.R. Part 1614 and thus are not included in the total of formal EEO complaints filed in FY 2015. See 29 C.F.R. § 1614.201(a) ("As an alternative to filing a complaint under this part, an aggrieved individual may file a civil action in a United States district court under the ADEA against the head of an alleged discriminating agency after giving the [EEOC] not less than 30 days' notice of the intent to file such an action.").

²⁴ Workforce numbers for previous fiscal year No FEAR Act report may differ slightly from corresponding data reported in this FY 2016 Report. This is due to retroactive processing of personnel actions, late processing of personnel actions, or other changes made in applicable data systems since those reports were published.

²⁵ Midsize or medium agencies are those with 1000 to 14,999 employees. See EEOC's FY 2014 Annual Report on the Federal Workforce (August 2014), available at <http://www.eeoc.gov/federal/reports/fsp2014/index.cfm>.

²⁶ The most recent available government-wide statistics are contained in the EEOC's FY 2014 Annual Report on the Federal Work Force. See <http://www.eeoc.gov/federal/reports/fsp2014/upload/Final-FY-2014-Annual-Report-Part-I.pdf>; see also http://www.eeoc.gov/federal/reports/fsp2014/table_b_1.cfm.

Figure 3 presents two graphs showing trends in informal and formal complaint activity from FY 2012 through FY 2016, along with corresponding figures for the total workforce at the end of each fiscal year (FYE). These graphs allow a visual comparison of complaint volume for the past five fiscal years and data on the growth of the Bureau’s workforce over the same period.

FIGURE 3: CFPB INFORMAL AND FORMAL COMPLAINT ACTIVITY AND TOTAL WORKFORCE
FY 2012 - FY 2016

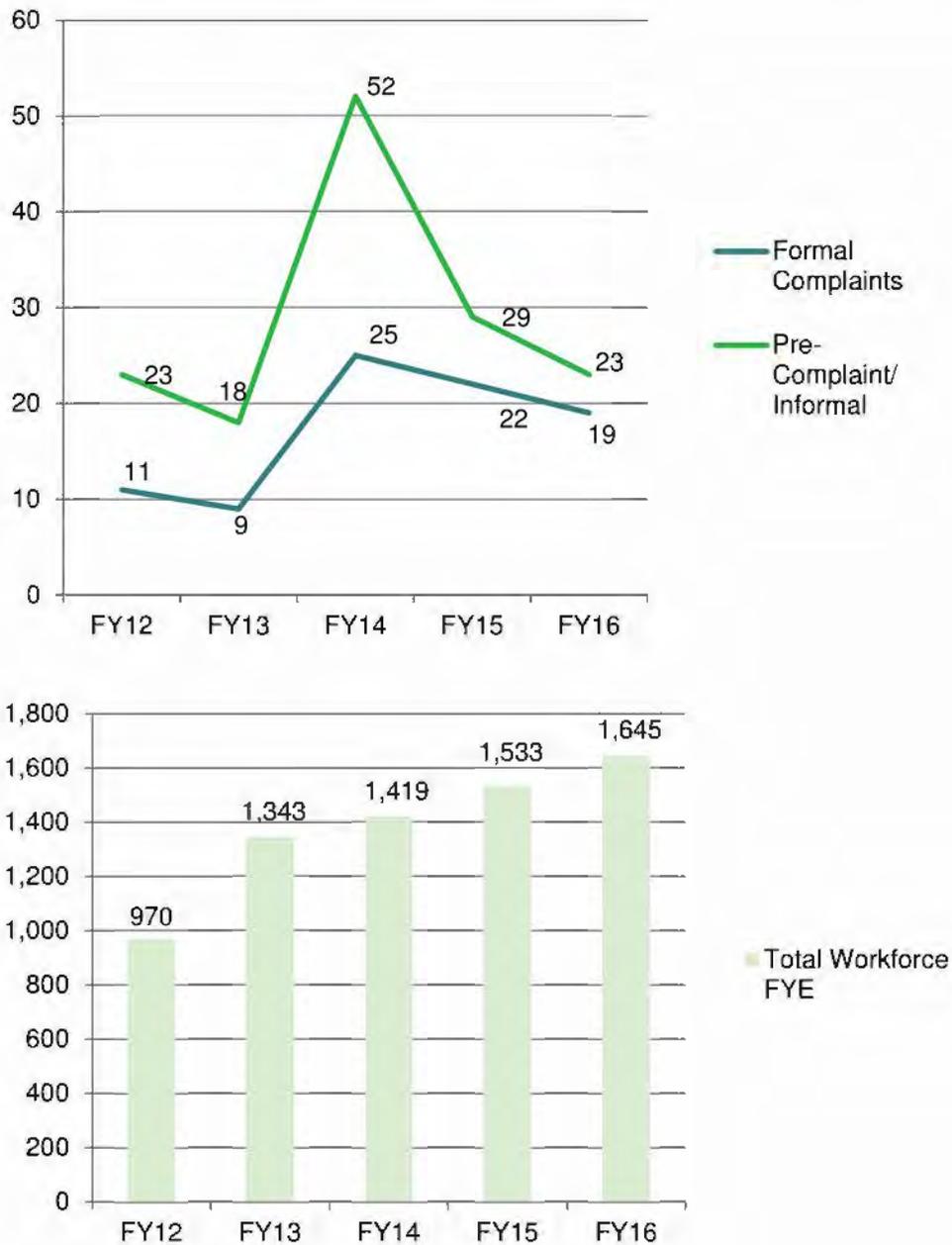
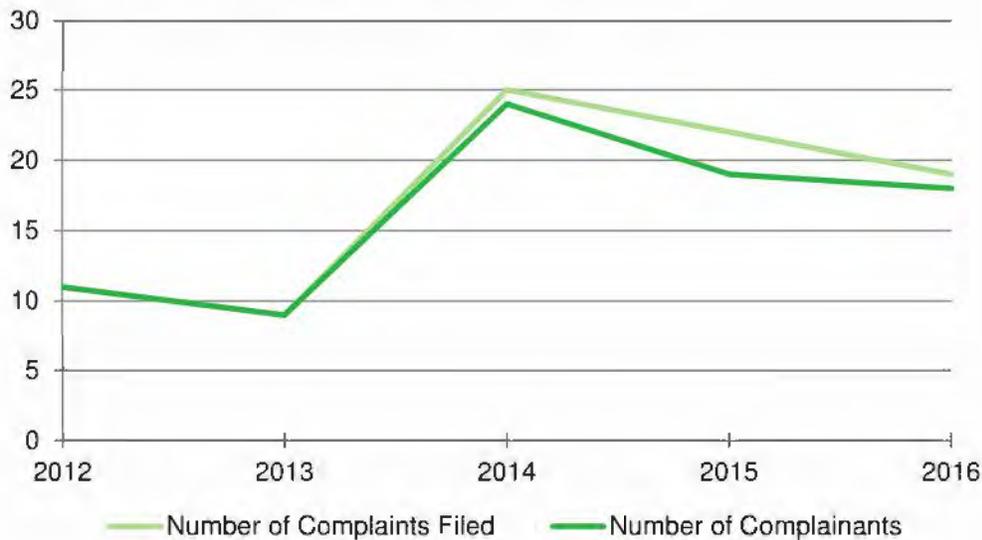


Figure 4 provides a graphical representation of formal complaint activity and complainant figures since FY 2012.

FIGURE 4: CFPB COMPLAINT ACTIVITY FY 2012 – FY 2016



Bases and Issues

In FY 2016, the most frequently cited bases of discrimination in formal complaints filed were Reprisal (13), Sex (10), Race (8), Color (6), and Equal Pay Act (5).²⁷ These most frequently cited bases changed from FY 2015, when they were Reprisal (16), Race (14), Sex (13), Color (10), and Disability (10).

Figure 5 presents formal complaints by basis for FY 2016.

²⁷ Although there were 19 formal complaints filed in FY 2016, there are more than 19 total bases of discrimination alleged because a complainant may (and often does) assert more than one basis per complaint.

FIGURE 5: COMPLAINT ACTIVITY BY BASIS FY 2016

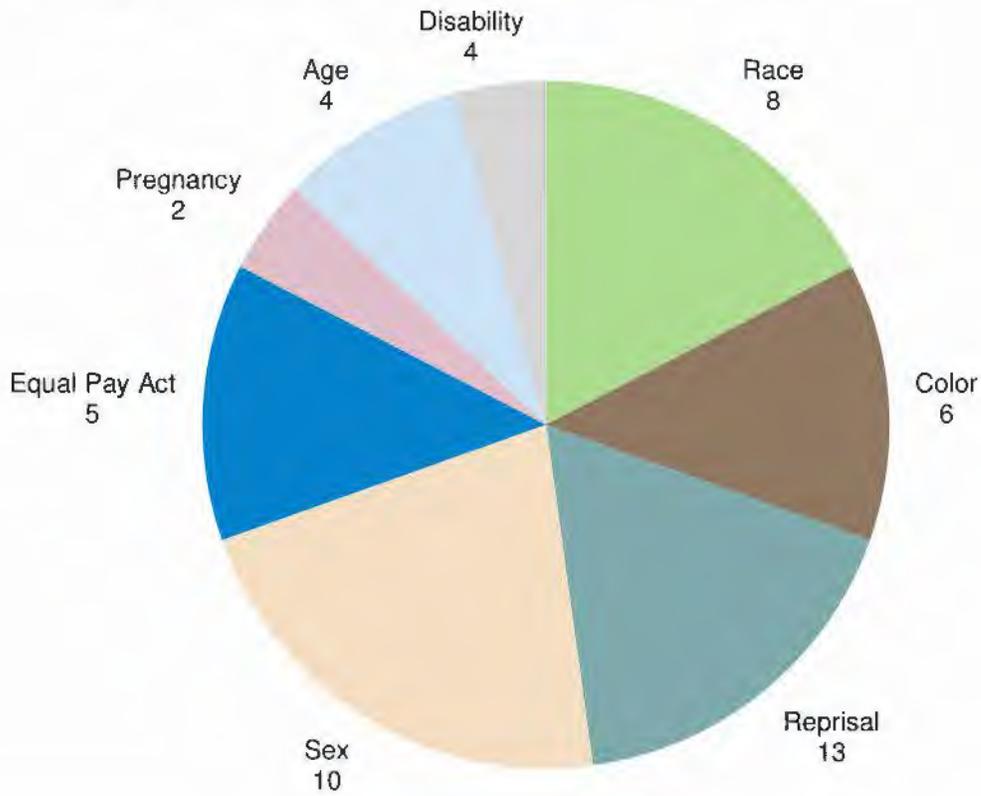
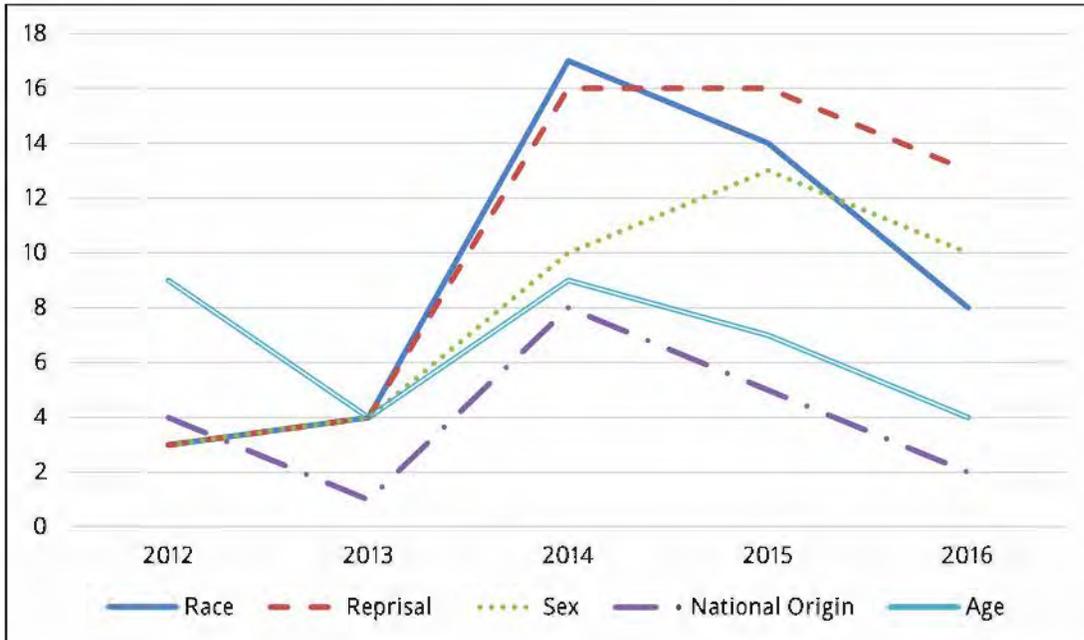


Figure 6 presents frequencies of bases appearing in the top three for any year from FY 2012 - FY 2016.

FIGURE 6: COMPLAINT ACTIVITY BY BASIS FY 2012 – FY 2016



The most frequently raised issues in formal complaints in FY 2016 were Promotion/Non-Selection (11), Terms/Conditions of Employment (8), Pay (Including Overtime) (7), Performance Evaluation/Appraisal (7), and Assignment of Duties (6). In comparison, FY 2015's most frequently alleged issue was Terms/Conditions of Employment (13), followed by Harassment (10; Non-Sexual (9) and Sexual (1)), Training (8), and Performance Evaluation/Appraisal (7).

Figure 7 presents formal complaints by issue for FY 2016.

FIGURE 7: COMPLAINT ACTIVITY BY ISSUE FY 2016

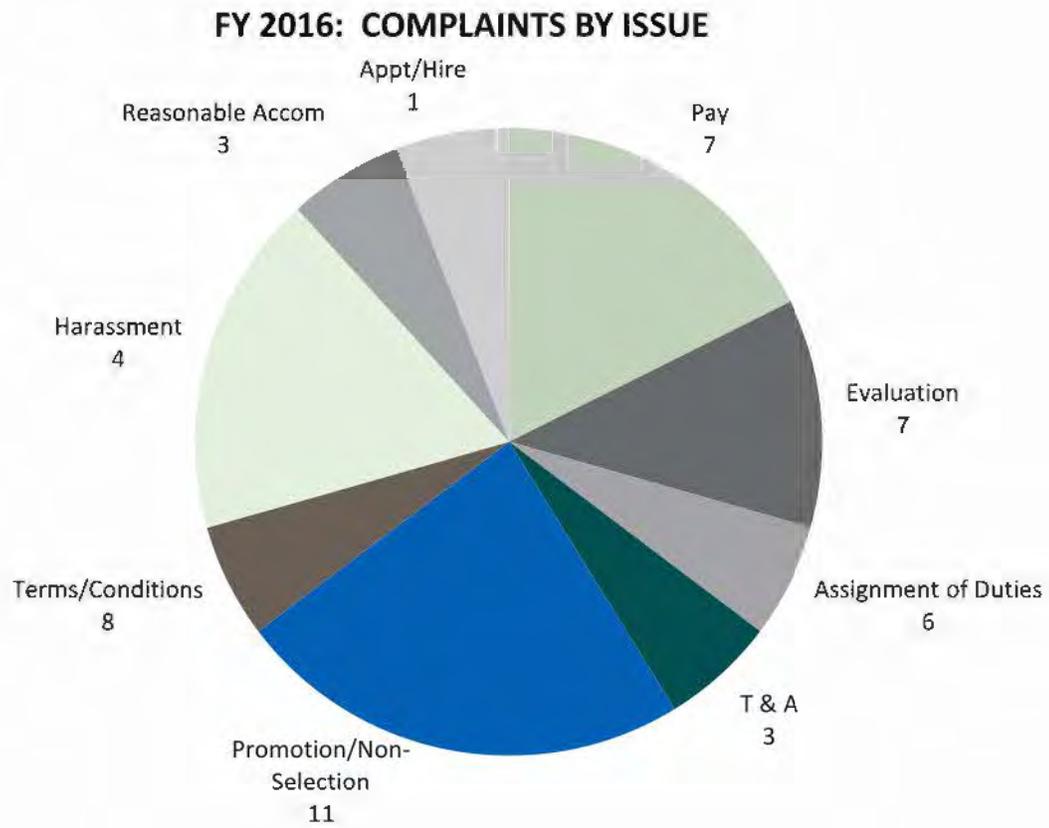
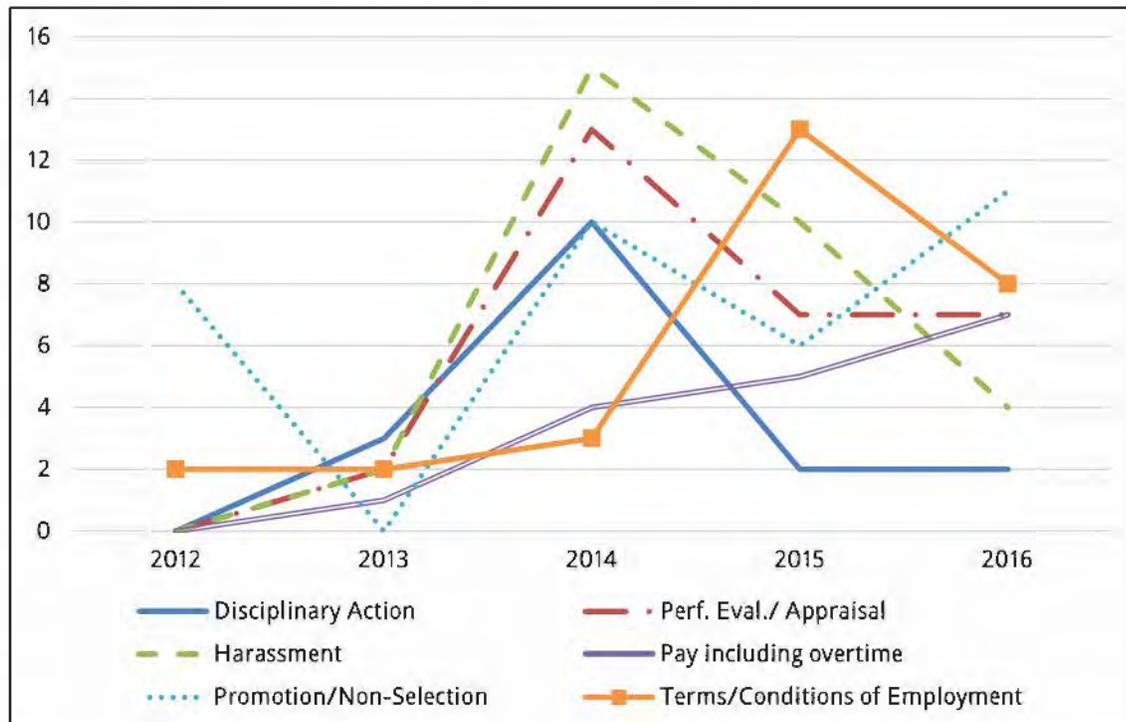


Figure 8 presents frequencies of issues appearing in the top three for any year from FY 2012 – FY 2016.

FIGURE 8: COMPLAINT ACTIVITY BY ISSUE FY 2012 – FY 2016



Bases and issues in CFPB formal complaint filings in FY 2016 were somewhat consistent with government-wide and comparable agency statistics. According to the EEOC, across the Federal government in FY 2014, reprisal was the most frequently cited basis, followed by age, race (Black/African American), and Disability (physical).²⁸ Additionally, in FY 2016, reprisal, sex, and age were among the most common complaint bases among other medium-sized financial regulatory agencies with at least 10 complaints (e.g., Federal Deposit Insurance Corporation

²⁸ See EEOC FY 2014 Annual Report on the Federal Workforce, Executive Summary, at Section B Table 7, p. I-11, available at <http://www.eeoc.gov/federal/reports/fsp2014/upload/Final-FY-2014-Annual-Report-Part-I.pdf>.

(FDIC), Office of the Comptroller of the Currency (OCC), and the Securities and Exchange Commission (SEC)).²⁹

The EEOC also reported that in FY 2014, the most frequently alleged issue in formal complaints was Non-Sexual Harassment, followed by Terms/Conditions of Employment and then Promotion/Non-Selection.³⁰ In FY 2016, non-sexual harassment, performance evaluation/appraisal, and appointment/hire were all among the most common issues for certain medium-sized financial regulatory agencies (i.e., FDIC, OCC, and SEC).

Processing Times

OCR works to ensure that its counselings and investigations are done within the regulatory timeframes, and that all EEO counselor reports and ROIs are created with a high standard of quality and with fairness to both parties. In FY 2016, OCR completed all counselings and related mediations within the prescribed regulatory timeframes.

During FY 2016, investigations of formal complaints were completed within an average of 267 days. In FY 2016, the average number of days in investigation for complaints:

- pending for any length of time during the fiscal year (for which investigations were completed during the fiscal year) was 270.05, an increase from an average of 247 days in FY 2015;
- pending for any length of time during FY 2016 where a hearing was requested was 242.83, an increase from an average of 183 days in FY 2015; and
- pending for any length of time during FY 2016 where a hearing was not requested was 316.71, an increase from an average of 293 days in FY 2015.

²⁹ FDIC data is located at <https://www.fdic.gov/about/diversity/nofear/nfreport.html>. OCC data is located at <https://www.treasury.gov/No-Fear-Act/Documents/OCC%20FY16%20QTR%204%20Nofear.pdf>. SEC data is located at <https://www.sec.gov/eoinfo/nofeardata.htm>.

³⁰ See EEOC FY 2014 Annual Report on the Federal Workforce, Executive Summary, at Section B Table 8, p. I-12, available at <http://www.eeoc.gov/federal/reports/fsp2014/upload/Final-FY-2014-Annual-Report-Part-I>.

These average processing times for investigations of formal complaints are attributable to a variety of factors: (1) The need to procure outside contractors to conduct EEO investigations; (2) an increased emphasis on enhancing the quality of EEO investigations, which requires review of contractor work and thus lengthier investigations; (3) the volume of complaints and open cases from prior fiscal years; (4) the filing of amendments in a significant portion of all formal complaints; and (5) allocation of existing staff resources to other needs, including external audits and change-management initiatives related to complaint tracking (discussed below).

Almost all investigations of formal complaints completed in FY 2016 were completed within regulatory timeframes (including timeframes extended due to amendments or permissible extensions). In FY 2016, OCR processed 89.5 percent of its formal complaints within regulatory timeframes.³¹ This compares favorably with the government-wide average of 73 percent for the most recent year for which data is available.³²

As of the end of FY 2016, CFPB had zero pending complaints where investigations exceeded the required time frames.

In FY 2016, Final Agency Decisions (FADs) were completed in an average of 60.83 days. The Agency issued six FADs in FY16. Two of these were complicated FADs that needed

³¹ CFPB closed investigations in 19 matters during FY 2016. Seven of those cases had amendments, two of which had multiple amendments, which elongated investigation times. Seven of the 19 cases had complainant-approved extensions ranging from 15-90 days, which elongated investigation times. Many of these cases involved complex and numerous claims, which contributed to longer investigation times (e.g., the number of claims in the 19 cases ranged from one to 16 claims per case). Further, two cases were held in abeyance for a portion of the investigation time. Two of the 19 investigations were considered untimely by EEOC regulations, and another 2 exceeded 360 days, which is permitted under guidance from the EEOC. See EEOC Management Directive 110 (Aug. 2015), at Chapter 5, Section II.A.1, available at https://www.eeoc.gov/federal/directives/md-110_chapter_5.cfm#_Toc425745226 (“Regardless of amendment or consolidation of complaints, the investigation shall be complete in not more than 360 days, unless there is a written extension of not more than 90 days.”).

³² See EEOC FY 2014 Annual Report on the Federal Workforce, at Executive Summary, available at <https://www.eeoc.gov/federal/reports/fsp2014/index.cfm#executive> (“Government-wide, a total of 11,281 investigations were completed in an average of 196 days in FY 2014. Seventy-three percent of the investigations were completed in a timely manner, up from 67.2 percent the previous year. Without the United States Postal Service’s (USPS) investigations, the government-wide average was 64.7 percent, which is an increase from the 55.7 percent average in FY 2013.”).

supplementary inquiries in order for a fact finder to make a determination on the merits, and one was ultimately a finding of discrimination.

EEO Resources and Staffing

OCR has taken important steps to reduce case-processing times, where feasible, while also increasing quality. During FY 2016, the Bureau allocated additional resources OCR requested to ensure that the EEO Program remains successful and operates in an effective manner. OCR hired an individual formerly from the EEOC's Office of Federal Operations (OFO) – with extensive experience as an Appellate Review Attorney and as an Administrative Judge – to serve as the Bureau's EEO Complaints Program Manager. This new program manager focuses on maintaining and enhancing the quality and timeliness of all aspects of the Part 1614 complaint process. OCR also now has a data analyst (sited within OHC and shared with OMWI) to perform trend and other data analyses, such as identifying triggers and barriers to EEO throughout the Bureau. In addition, OCR procured approval to hire a Conflict Prevention Program Manager to focus on enhancements to EEO and non-EEO alternative dispute resolution (ADR) options. This individual onboarded early in FY 2017, and has brought extensive expertise from prior positions with the EEOC, the Employment Litigation Section in the Civil Rights Division of the U.S. Department of Justice, and (most recently) the Office of Compliance in Congress, where he led the nationwide ADR program for Congress (30,000+ employees). In an attempt to leverage expertise from within the Bureau, OCR also has detailed a Senior Attorney and leader from another CFPB division for a four-month period to assist OCR in evaluating ADR efforts.

These newer resources add to the existing permanent, full-time OCR staff, which includes the OCR Director, a Senior Counsel, a General Attorney, an Equal Employment Specialist, a Paralegal Specialist, and a Senior Administrative Officer. OCR also shares an Administrative Assistant with OMWI.

Complaint and workforce tracking and monitoring systems

During FY 2016, OCR staff also spent a significant amount of time and resources related to change management for implementing and using the Micropact iComplaints platform. This is a web-based EEO case management solution that provides a broad range of capabilities for reporting (including No FEAR Act and Form 462), processing, tracking, and managing the overall effectiveness of the CFPB's EEO Program. Throughout the first two quarters of FY 2016, OCR staff migrated case-related data (including legacy data from the Bureau and the U.S.

Department of Treasury) into the iComplaints system. OCR also provided all staff with training directly from Micropact (the software vendor), and created and disseminated detailed protocols and SOPs for using the new system to ensure consistency in system inputs and data integrity. In light of these extensive change-management initiatives, the software has proven immensely helpful in enhancing case-related processing efficiencies and easing the administrative burden associated with program reporting obligations. The software already has allowed OCR to more efficiently comply with EEOC regulations and reporting obligations, identify and monitor internal EEO trends, and redirect staff time away from manual tracking and reviewing complaints data and towards work on other mission-critical projects. During FY 2017, OCR intends to procure a related complaints “executive dashboard” solution that will enable OCR, along with its new data analyst, to conduct more granular and systematic analysis of case processing (e.g., basis, issue, timeframes, etc.) trends.

Finding of Discrimination

The Bureau’s robust Part 1614 complaints process, administered by OCR, safeguards employee civil rights and provides appropriate relief for statutory violations. OCR issued a Final Agency Decision in FY 2016 finding violations of the Rehabilitation Act and Title VII of the Civil Rights Act with respect to one individual. This was the first finding of discrimination against the Bureau to date; no other findings have been issued against the Bureau (e.g., from the Bureau itself, the EEOC, the Merit Systems Protection Board, the Office of Special Counsel, labor arbitrators, the Federal Labor Relations Authority, the Department of Labor, or a federal court). In its Final Agency Decision, OCR ordered appropriate remedies, including consideration of appropriate disciplinary action, training, a posting notice, and make-whole relief for the individual victim. This finding and accompanying relief order underscore the Bureau’s ability to ensure effective compliance with applicable EEO laws.

Alternative Dispute Resolution

CFPB also has an *Alternative Dispute Resolution Policy*, and OCR provides additional information about the benefits of ADR on the Bureau’s intranet. These materials explain the ADR process, why employees should consider ADR, the different types of ADR, and how an employee can request ADR. The Bureau’s ADR Policy makes clear that although ADR is voluntary for EEO filers, supervisors and managers must participate in good faith if a filer elects ADR. The goals in having this strong ADR policy include resolving conflicts at an early stage, improving workplace communication and morale, and creating a more efficient EEO Program.

OCR offers ADR during the pre-complaint and formal complaint stages of the EEO process, including while cases are pending before the EEOC for hearing or on appeal. The Bureau also offers mediation on an ad hoc basis for non-EEO workplace disputes through OHC, under its *Administrative Grievance Policy*, and through its negotiated grievance process. During FY 2016, OCR held approximately 12 mediations in connection with Part 1614 complaints.

OCR is in the process of updating, to the extent needed, its ADR policy to ensure that it complies with the clarified standards in the revised EEOC's Management Directive 110 (effective August 5, 2015). Consistent with the revised MD-110, the Legal Division – not the responsible management official directly involved in the dispute – has settlement authority for EEO cases at the administrative level, including during EEO counseling. OCR continues to assess internal data related to the success of the ADR program, including resolution rates, and is collecting information about best practices and benchmarks related to a recommendation for protocols to create a structure that may help better support openness and willingness to employ creative and early resolution options. The Agency has authorized ample funding for OCR and OHC to use contract ADR professionals to resolve workplace disputes.

In addition, and as already described above, OCR procured approval to hire a Conflict Prevention Program Manager to enhance EEO and non-EEO ADR initiatives. This individual onboarded early in FY 2017 and previously led the nationwide ADR program for Congress (30,000+ employees). OCR also detailed a Senior Attorney and leader from another CFPB division for a four-month period to assist OCR in improving its ADR efforts.

Practical knowledge gained and action plans

In analyzing complaint trends and related information, CFPB concluded the following:

- Informal and formal complaints continued on a significant downward trajectory. Preliminary data from early FY 2017 suggests this trend is accelerating. CFPB will continue programmatic efforts to proactively prevent acts of discrimination (including harassment and retaliation) leading to complaints whenever possible, and is enhancing its ADR efforts to encourage informal resolution of disputes in all appropriate circumstances.
- Retaliation remained the top basis alleged in formal complaints filed. The Bureau will continue to train and educate employees (particularly managers and supervisors) about

anti-retaliation rules and best practices for avoiding it, as well as vigorously enforce Bureau policy and federal law prohibiting it.

- The number of formal complaints filed alleging race discrimination declined again in FY 2016 (a two-year downward trend that began after FY 2014). The number of formal complaints filed alleging color, sex, and/or disability discrimination also declined in FY 2016. CFPB will continue to robustly enforce all anti-discrimination statutes and emphasize training on legal requirements that may be more complex, such as in the area of disability discrimination law (including the need to provide reasonable accommodations).
- When practicable, given the Bureau's current slightly higher-than-government-wide average complainant/total workforce ratio and its focus on increasing work product quality, complaint processing times should be reduced. The Bureau will continue to leverage available personnel resources and technology to align complaint processing times with all regulatory requirements, wherever possible. CFPB also will deploy a Blanket Purchase Agreement (BPA) for investigative services and evaluate its effectiveness in reducing complaint processing times while enhancing work product (e.g., Report of Investigation) quality.

The Bureau will focus on these and the following objectives during FY 2017 and FY 2018:

- Continuing to incorporate the EEOC's six essential elements of a model EEO program to achieve greater program effectiveness;
- Briefing senior leadership on the state of the EEO program to reaffirm support for the program; provide awareness of issues and trends, systemic or otherwise; and to solicit input on strengthening the Bureau's EEO program;
- Continuing to process all informal and formal complaints and requests for ADR in compliance with 29 C.F.R. Part 1614 and EEOC Management Directive 110;
- Maintaining accuracy and efficiency of EEO complaint data monitoring, tracking, and reporting through continued use of iComplaints and continued enforcement of robust internal controls related to data tracking and monitoring;
- Leveraging internal communication channels to distribute EEO-related information through the use of various media, including electronic media, informational brochures,

and individual and group training, and promoting communication of information and early intervention to help Bureau officials identify the issues and bases that may give rise to EEO complaints;

- Training of supervisors and managers to provide proactive approaches to resolving issues stemming from alleged violations of personnel policies and practices;
- Fostering constructive, open, continuous communication between employees and management to help resolve workplace conflicts at the earliest possible opportunity, and ensuring that employees, management officials, and persons with settlement authority understand the purpose and value of ADR;
- Continuing to collaborate with stakeholders across the agency to analyze workforce demographic data and to establish and administer affirmative employment plans that ensure equal employment opportunity for all consistent with applicable law, rules, regulations, and guidance;
- Increasing employee awareness of EEO statutes and ensuring that CFPB cultivates an inclusive work environment;
- Reviewing feedback from employee surveys, exit interviews, listening sessions, and training to identify opportunities for improvement;
- Training supervisors and managers on leadership, management principles, communication techniques, legal compliance, and fostering diversity and inclusion;
- Ensuring CFPB management is accountable for the success of the EEO program through transparency, by emphasizing measurable EEO, diversity, and inclusion goals and objectives that are incorporated into divisional strategic plans, and through the performance assessment of supervisors and managers;
- Using the Bureau's Triannual Performance Review process as a management tool to address cultural change, and EEO, diversity, and inclusion efforts within Divisions;
- Supporting the implementation of employee resource groups and both executive-level and staff-level diversity councils; and

- Incorporating EEO best practices gained through the Bureau's coalitions with other Federal agencies, particularly financial regulatory agencies and other small- and medium-sized agencies.

3.6 No FEAR Act training

The No FEAR Act requires each Federal agency to train all employees regarding the rights and remedies applicable to them under the relevant antidiscrimination and whistleblower protection laws.³³ OCR, OMWI, and OHC recognize the indispensable role training and education play in raising awareness of EEO-related rights and responsibilities and fostering a civil, respectful, and inclusive work environment.

The Bureau uses various media and other innovative means to train and educate CFPB Executives, managers, supervisors, and employees about EEO concepts, rights, and policies. These efforts assist in ensuring that EEO is integrated into the Agency's strategic mission and crucial EEO-related information is readily accessible at all times. The Bureau makes use of virtually all of the ideas suggested by the EEOC in its September 2014 publication entitled "Preserving Access to the Legal System: A Practical Guide to Providing Employees with Adequate Information about Their Rights under Federal Equal Employment Opportunity (EEO) Laws and Regulations."³⁴ The various means used to distribute information are described in the table below.

³³ See Pub. L. No. 107-174, Section 202(c); see also 5 C.F.R. § 724.203.

³⁴ This guidance is available at https://www.eeoc.gov/federal/preserving_access.cfm.

TABLE 5: MEDIA USED TO DISTRIBUTE EEO INFORMATION

Media Used To Distribute EEO Information
Regular email notifications via “Ops Digest” and “Manager Minute” publications
Regular email messages from the CFPB Director and OCR Director
Annual statements from the CFPB Director on the No FEAR Act and on the Bureau’s EEO Policy and Anti-Harassment Policy, provided in email and printed formats, and posted on the Bureau’s intranet
Posters placed throughout all Agency facilities in break rooms and work rooms
A tri-fold brochure on EEO rights and responsibilities
Display Stands with relevant hard-copy information placed near every elevator bank, in OHC, and in OCR office space
Digital Display Boards (i.e., large monitors) in elevator banks in CFPB headquarters featuring rotating slides including brief messages on EEO and diversity and inclusion-related topics
Guide to the Office of Civil Rights (distributed immediately to all new employees)
EEO Resource Manual for Managers and Supervisors (provided to all new supervisors and during mandatory 2-day EEO training)
Intranet and internet content, including all relevant policies and Frequently Asked Questions about OCR and discrimination-related topics, and periodic All-Employee “Announcements” on the homepage of the Bureau’s intranet
EEO-related notices on employee paystubs (containing a new notice each pay period)
Formal training including: New Employee Orientation (NEO); mandatory annual No FEAR Act and harassment prevention trainings; mandatory Supervisory Development Seminar (SDS); and mandatory 2-day manager EEO training led by the EEOC Training Institute; mandatory two-day diversity and inclusion training for new supervisors; mandatory diversity and inclusion training for all employees

In-person dissemination of information is perceived by many as the most effective means to distribute EEO information. To that end, a member of OCR staff presents and distributes a hard copy “Guide to the Office of Civil Rights” to every new Bureau employee, in person, on or near his or her very first day of employment during New Employee Orientation. This guide contains detailed information on discrimination, harassment, and retaliation, and the EEO process – including the Part 1614 process and the 45-calendar day timeframe for initiating EEO counseling. In addition, OCR created and distributes an “EEO Resource Manual for Managers

and Supervisors” providing practical guidance on EEO compliance. Further, OHC sends each new manager a “CFPB New Manager Onboarding Information” guide that also contains critical EEO and diversity and inclusion information.

OCR also conducts, collaborates in presenting, and/or sponsors numerous in-person trainings, as well. In his FY 2016 EEO Policy/Anti-Harassment Statement, Director Cordray conveyed his expectation that all Bureau employees prioritize diversity and inclusion and EEO training and put what they learn into practice every day. For example:

- All 246 new hires at the Bureau (100%) completed mandatory New Employee Orientation Training during FY 2016, during which OCR staff provides an overview of EEO rights and responsibilities (including explaining the Part 1614 process and emphasizing the 45 calendar day timeframe for contacting an EEO counselor).
- A total of 234 employees completed mandatory diversity training in FY 2016. CFPB began offering this two-hour awareness raising workshop to non-managerial employees to help develop a shared understanding of diversity and inclusion at the Bureau. The workshop focuses on the importance of diversity and inclusion in strengthening individual competence for interacting effectively in a diverse workplace and the ways in which an understanding of diversity and inclusion contributes to the effectiveness of the Bureau’s work in serving consumers. As of the end of FY 2016, 1,099 CFPB employees had completed this training, with the remainder scheduled to complete it by the end of calendar year 2016. Evaluations of the training indicated that it was well received and effective in increasing employees’ awareness of the importance of diversity and inclusion to the Bureau’s overall effectiveness.
- A total of 65 supervisors and managers completed a mandatory 2-day EEO Training conducted by the EEOC Training Institute in FY 2016, for a total of over 250 to date.
- A total of 47 supervisors and managers completed mandatory Leadership Excellence Seminars (LES) in FY 2016, and over 200 total supervisors and managers have completed these seminars to date.
- A total of 56 supervisors and managers completed the mandatory Supervisory Development Seminar (SDS) in FY 2016, and approximately 265 total supervisors and managers have completed this seminar to date – almost 95 percent.
- A total of 112 supervisors and managers completed the mandatory supervisor 2-day

diversity training in FY 2016, and approximately 230 total supervisors and managers have completed this training to date – approximately 83 percent.

- A total of 44 employees completed structured interview training mandatory for all “lead interviews” in FY 2016, and approximately 294 total employees have completed this training to date.
- A total of 1132 employees (69 percent) and 236 supervisors and managers (82 percent) completed mandatory performance management training containing EEO and diversity and inclusion components in FY 2016.

In addition, after New Employee Orientation, each year all Bureau employees must take a one-hour web-based training on the No FEAR Act, and a separate one-hour, web-based training on harassment prevention. Approximately 85 percent of employees completed this mandatory No FEAR Act training in FY 2016, and over 95 percent of employees completed the mandatory harassment prevention training in FY 2016. By FY 2018, OCR hopes, depending on resource availability, to begin offering live annual mandatory No FEAR Act and harassment and retaliation training for employees, in addition to the live New Employee Orientation training, and to develop and rollout an EEO “refresher” training curriculum for experienced supervisors and managers.

In FY 2016, OCR also launched a new “Top 10 EEO Tips” series of optional webinars for all Bureau employees. This series of virtual brownbag presentations by OCR is designed for all CFPB personnel (managers/supervisors and non-supervisory employees), and provides “bite size” – 30 minutes maximum – training in the form of practical tips on EEO rights and responsibilities. The first installment of the series was for Mental Health Awareness Month in May 2016, and offered tips on “Mental Health Awareness and You.” OCR will continue to offer new webinars as part of this series in FY 2017, with upcoming installments likely addressing topics such as Top 10 EEO Pitfalls, reasonable accommodations (including for pregnancy-related limitations and religion), and retaliation.

Further, the OCR intranet page is an excellent resource for individuals wanting information about the EEO process. The OCR intranet page clearly describes the Part 1614 process, contains links to all pertinent policies and procedures, and offers a section of plain-language Frequently Asked Questions (FAQs) that is updated and augmented routinely. (This section of the intranet also welcomes and solicits ideas for additional FAQs, encouraging those visiting the site to email OCR with suggestions for topics about which additional guidance or clarification could be

helpful.) The OCR intranet page also contains contact and location information for OCR, including contact information for all OCR staff, to ensure that employees can easily seek OCR's assistance in person or virtually.

APPENDIX A:

Legislative and regulatory requirements

Section 203 of the No FEAR Act (Pub. L. No. 107-174) requires:

(a) Annual Report. — Subject to subsection (b), not later than 180 days after the end of each fiscal year, each Federal agency shall submit to the Speaker of the House of Representatives, the President pro tempore of the Senate, the Committee on Governmental Affairs of the Senate, the Committee on Government Reform of the House of Representatives, each committee of Congress with jurisdiction relating to the agency, the Equal Employment Opportunity Commission, and the Attorney General an annual report which shall include, with respect to the fiscal year —

(1) The number of cases arising under each of the respective provisions of law covered by paragraphs (1) and (2) of section 201(a) in which discrimination on the part of such agency was alleged;

(2) The status or disposition of cases described in paragraph (1);

(3) the amount of money required to be reimbursed by such agency under section 201 in connection with each of such cases, separately identifying the aggregate amount of such reimbursements attributable to the payment of attorneys' fees, if any;

(4) The number of employees disciplined for discrimination, retaliation, harassment, or any other infraction of any provision of law referred to in paragraph (1);

(5) The final year-end data posted under section 301(c)(1)(B) for such fiscal year (without regard to section 301(c)(2));

(6) A detailed description of —

(A) The policy implemented by that agency relating to appropriate disciplinary actions against a Federal employee who —

(i) Discriminated against any individual in violation of any of the laws cited under section 201(a)(1) or (2); or

(ii) Committed another prohibited personnel practice that was revealed in the investigation of a complaint alleging a violation of any of the laws cited under section 201(a)(1) or (2); and

(B) With respect to each of such laws, the number of employees who are disciplined in accordance with such policy and the specific nature of the disciplinary action taken;

(7) An analysis of the information described under paragraphs (1) through (6) (in conjunction with data provided to the Equal Employment Opportunity Commission in compliance with Part 1614 of Title 29 of the Code of Federal Regulations) including —

(A) An examination of trends;

(B) Causal analysis;

(C) Practical knowledge gained through experience;

(D) Any actions planned or taken to improve complaint or civil rights programs of the agency; and

(8) Any adjustment (to the extent the adjustment can be ascertained in the budget of the agency) to comply with the requirements under section 201.

Subpart C of 5 C.F.R. Part 724 requires:

§ 724.302 Reporting obligations.

(a) Except as provided in paragraph (b) of this section, each agency must report no later than 180 calendar days after the end of each fiscal year the following items:

(1) The number of cases in Federal court pending or resolved in each fiscal year and arising under each of the respective provisions of the Federal Antidiscrimination Laws and Whistleblower Protection Laws applicable to them as defined in § 724.102 of subpart A of

this part in which an employee, former Federal employee, or applicant alleged a violation(s) of these laws, separating data by the provision(s) of law involved;

(2) In the aggregate, for the cases identified in paragraph (a)(1) of this section and separated by provision(s) of law involved:

(i) The status or disposition (including settlement);

(ii) The amount of money required to be reimbursed to the Judgment Fund by the agency for payments as defined in § 724.102 of subpart A of this part;

(iii) The amount of reimbursement to the Fund for attorney's fees where such fees have been separately designated;

(3) In connection with cases identified in paragraph (a)(1) of this section, the total number of employees in each fiscal year disciplined as defined in § 724.102 of subpart A of this part and the specific nature, e.g., reprimand, etc., of the disciplinary actions taken, separated by the provision(s) of law involved;

(4) The final year-end data about discrimination complaints for each fiscal year that was posted in accordance with Equal Employment Opportunity Regulations at subpart G of title 29 of the Code of Federal Regulations (implementing section 301(c)(1)(B) of the No FEAR Act);

(5) Whether or not in connection with cases in Federal court, the number of employees in each fiscal year disciplined as defined in § 724.102 of subpart A of this part in accordance with any agency policy described in paragraph (a)(6) of this section. The specific nature, e.g., reprimand, etc., of the disciplinary actions taken must be identified.

(6) A detailed description of the agency's policy for taking disciplinary action against Federal employees for conduct that is inconsistent with Federal Antidiscrimination Laws and Whistleblower Protection Laws or for conduct that constitutes another prohibited personnel practice revealed in connection with agency investigations of alleged violations of these laws;

(7) An analysis of the information provided in paragraphs (a)(1) through (6) of this section in conjunction with data provided to the Equal Employment Opportunity Commission in compliance with 29 CFR part 1614 subpart F of the Code of Federal Regulations. Such analysis must include:

- (i) An examination of trends;
- (ii) Causal analysis;
- (iii) Practical knowledge gained through experience; and
- (iv) Any actions planned or taken to improve complaint or civil rights programs of the agency with the goal of eliminating discrimination and retaliation in the workplace;

(8) For each fiscal year, any adjustment needed or made to the budget of the agency to comply with its Judgment Fund reimbursement obligation(s) incurred under § 724.103 of subpart A of this part; and

(9) The agency's written plan developed under § 724.203(a) of subpart B of this part to train its employees.

(b) The first report also must provide information for the data elements in paragraph (a) of this section for each of the five fiscal years preceding the fiscal year on which the first report is based to the extent that such data is available. Under the provisions of the No FEAR Act, the first report was due March 30, 2005 without regard to the status of the regulations. Thereafter, under the provisions of the No FEAR Act, agency reports are due annually on March 30th. Agencies that have submitted their reports before these regulations became final must ensure that they contain data elements 1 through 8 of paragraph (a) of this section and provide any necessary supplemental reports by April 25, 2007. Future reports must include data elements 1 through 9 of paragraph (a) of this section.

(c) Agencies must provide copies of each report to the following:

- (1) Speaker of the U.S. House of Representatives;
- (2) President Pro Tempore of the U.S. Senate;
- (3) Committee on Governmental Affairs, U.S. Senate;
- (4) Committee on Government Reform, U.S. House of Representatives;
- (5) Each Committee of Congress with jurisdiction relating to the agency;
- (6) Chair, Equal Employment Opportunity Commission;

(7) Attorney General; and

(8) Director, U.S. Office of Personnel Management.

APPENDIX B:

The Director's annual EEO and anti-harassment policy statement



September 2016

MEMORANDUM TO: All CFPB Employees

FROM: Richard Cordray
Director

SUBJECT: Annual EEO and Anti-Harassment Policy Statement

Dear Colleagues:

Attached is my annual Policy Statement on Equal Employment Opportunity (EEO) and Workplace Harassment. I ask everyone in the Bureau to read it carefully.

I am proud of our recent accomplishments that have helped to make the Bureau a fairer, more inclusive, diverse, and welcoming workplace. As the Government Accountability Office (GAO) recently explained in a report that reflected its recognition of the extensive work that we have been doing around these issues, the Bureau:

has expanded management training, developed new guidance on personnel practices, and developed a new performance management system. CFPB has made progress in adopting leading diversity management practices identified in prior GAO work, such as finalizing a diversity strategic plan, creating employee diversity groups, and expanding diversity training. In addition, CFPB launched a new initiative to strengthen its organizational culture that includes obtaining employee input on ideas for improving CFPB's culture and addressing employee concerns. Finally, CFPB has strengthened its employee complaint processes by providing new training and guidance and creating feedback mechanisms to help evaluate progress in some areas.

More specifically, we have (among other things):

- Studied the results of the annual AES survey and [taken concrete steps](#) to respond to this invaluable feedback;
- Established [Workforce of the Future](#) norms to strengthen CFPB culture;

- Launched the [Diversity and Inclusion Council for Employees](#);
- Finalized and implemented an [Employee Resource Group](#) policy;
- Continued to mandate diversity and inclusion and EEO training for all new supervisors and managers;
- Provided in-person briefings to *all* new employees on their EEO rights and related processes; and
- Adopted a new [Non-Discrimination and Inclusion Policy for Transgender Applicants and Employees](#).

We will continue our work to foster the inclusive culture we want at CFPB. I want to reaffirm unequivocally that we strive for a workplace where no individual feels marginalized or mistreated. Disrespect, discrimination, and retaliation inhibit our ability to protect consumers and they are contrary to the kind of culture and institution we are striving to build. Last month, the Office of Civil Rights (OCR), acting under authority delegated by me to OCR, issued a decision concluding that the Bureau had engaged in unlawful retaliation and disability discrimination with respect to one employee. This was the first finding of discrimination against the Bureau to date.

The attached Policy Statement emphasizes the Bureau's institutional commitment to equal employment opportunity. Each and every one of us must reaffirm our personal commitment to do our part to uphold EEO principles and comply with the law. Therefore, I expect you all to:

- Stand up to and stop acts of discrimination, harassment, and retaliation by contacting the *Office of Civil Rights or the Office of Human Capital consistent with the Bureau's [Procedures Related to Harassment and Inappropriate Conduct](#)* and our [EEO and NonDiscrimination Policy](#).
- Cooperate promptly and fully in all anti-harassment and EEO investigations. Responding swiftly to requests for information from OCR or OHC is an important part of everyone's job here, regardless of where in the Bureau we may work.
- Prioritize diversity and inclusion and EEO training, including the annual mandatory "No FEAR Act" and anti-harassment trainings. Every Bureau employee is responsible for learning about these issues and putting what you learn into practice every day.

To learn more or seek help, you can reach out to our Office of Equal Opportunity and Fairness, which is comprised of the Office of Civil Rights (OCR) and the Office of Minority and Women Inclusion (OMWI). OCR serves as a neutral arbiter in EEO

complaint-related matters, and OMWI and OCR together help us all in our ongoing work to make the Bureau a fairer and more inclusive workplace. I am confident that the processes in place to root out and rectify violations of EEO laws are robust and working, and I thank OEOF for its important work on these matters.

**The Director's Policy Statement on
Equal Employment Opportunity and Workplace Harassment**

General EEO Policy

It is the clear policy of the Consumer Financial Protection Bureau (CFPB or Bureau) to provide equal employment opportunity (EEO) to all employees and applicants for employment. The CFPB has no tolerance for workplace discrimination, harassment, or retaliation.¹ We take all allegations of discrimination, harassment, and retaliation seriously.

We all deserve to work in an environment where we will be treated fairly and equitably, and where we can participate fully in all benefits of employment, including recruitment, hiring, compensation, appraisals, awards, training, career development, promotions, and all the terms, conditions, and privileges of employment.

Accordingly, the Bureau does not and will not discriminate or tolerate harassment against any employee or applicant for employment on the basis of race, color, religion, sex (including pregnancy, sexual orientation, transgender status, gender identity or expression, gender non-conformity, or sex stereotyping of any kind), national origin, age (40 and above), disability, genetic information, marital status, parental status, political affiliation, military service, union activities, whistleblower activity, or any other non-merit factor. Discrimination and harassment on these bases is prohibited by Federal statutes and Executive Orders. *See* 5 U.S.C. §§ 2302(b); 5 U.S.C. §§ 7101-7135; 29 U.S.C. § 206(d); 29 U.S.C. § 631; 29 U.S.C. § 633a; 29 U.S.C. § 791; 38 U.S.C. §§ 4301-35; 42 U.S.C. § 2000e-16; 42 U.S.C. § 2000ff *et seq.*; E.O. 11478; E.O. 13087; E.O. 13145; E.O. 13152; E.O. 13672.

Discriminatory Harassment

CFPB will not tolerate any discriminatory harassment – *even when the hostile or abusive conduct does not rise to the level of a violation of Federal law*. Discriminatory harassment is unwelcome or offensive treatment, behavior, or conduct – whether sexual or non-sexual, and whether verbal, physical, visual, or psychological – that denigrates, shows hostility or aversion towards, or otherwise marginalizes an individual based on that individual's protected status, that a reasonable person would consider intimidating, hostile, or abusive or that interferes with an individual's work performance.

Offensive conduct includes unwelcome sexual overtures, propositions, or contact; basing employment decisions (or conditioning any benefit or privilege of employment) on acquiescence to verbal or physical sexual or romantic conduct; telling inappropriate jokes or stories; ridiculing, insulting, or mocking a colleague or co-worker; using slurs or epithets; or physically assaulting, bullying, or intimidating others. Offensive conduct also could include displaying objects, pictures, or graphic

¹ You can also learn more about protections against retaliation and for whistleblowers in our annual No FEAR Act Notice [here](#).

materials, or making or disseminating comments or statements that are offensive to or show hostility toward an individual or group.

The Bureau prohibits discriminatory harassment by *anyone* in the workplace – including harassment by managers, supervisors, and co-workers. In addition, the Bureau will not tolerate discriminatory harassment by non-employees, such as contractors and employees of regulated entities.

Employee Rights and Responsibilities

As Bureau employees, it is up to each one of us to ensure we understand and adhere to these principles. Each one of us will be held accountable for compliance with EEO laws and merit system principles and policies, and for treating colleagues with respect, dignity, and professionalism.

Employees who feel that they are being harassed or otherwise have been subjected to offensive (e.g., hostile or abusive) conduct may (but are not required to) make their objections known to the offending party. If employees do not want to talk to the offending party, or if the harassment continues even after doing so, employees *should also* contact their supervisor, manager, a higher level management official, or the Lead of Employee and Labor Relations in the Office of Human Capital (OHC), or call 202-435-7655.

Employees who feel they have been harassed have a duty to report the incident so the Bureau can take steps to stop the offensive conduct. Employees should report any harassment before it becomes so severe or pervasive that it violates Federal law. (While isolated incidents of harassment generally do not violate federal law, a pattern of such incidents may be unlawful.) Similarly, employees who believe they have witnessed harassing conduct also have a duty to report the incident. CFPB will protect the confidentiality of individuals reporting such conduct to the fullest extent possible.

Manager/Supervisor Rights and Responsibilities

Managers and supervisors have a special responsibility to prevent, document, and promptly correct harassing conduct in the workplace. Managers and supervisors receiving reports of alleged harassment or who believe they have potentially or actually witnessed any such behavior must immediately contact the Lead of Employee and Labor Relations in the Office of Human Capital (OHC), or call 202-435-7655.

The Bureau will take appropriate and immediate action in response to complaints about or knowledge of violations, in accordance with the Bureau's Procedures Related to Harassment and Inappropriate Conduct. Management will take appropriate corrective action as needed.

The Bureau supports the right of any employee who believes she or he has been discriminated against or harassed (or witnessed discrimination or harassment) to

exercise the right to oppose unlawful discrimination or harassment, to file a complaint about it, or to participate in any related inquiry or investigation without fear of retaliation. *Managers and supervisors must not retaliate against an employee for reporting harassment or for cooperating with any harassment investigation. Any such action will result in appropriate disciplinary action against the manager or supervisor.*

Employees who believe they have experienced unlawful prohibited conduct should promptly contact the [Office of Civil Rights](#) (OCR) to discuss your rights under the EEO laws. (Contact information for OCR is provided below.) However, even if you contact OCR to report unlawful harassment, OHC may still undertake its own independent internal investigation of the allegations to satisfy its obligations to exercise due care to promptly eliminate all hostile or abusive conduct in the workplace.

Richard Cordray
September 2016

Additional Information

You can read our complete EEO and Non-Discrimination Policy [here](#).

You can read some FAQs about the Office of Civil Rights and its work [here](#).

You can find the complete *CFPB Procedures Related to Harassment and Inappropriate Conduct* [here](#).

You can find additional information regarding Federal antidiscrimination, whistleblower protection, and retaliation laws on:

- the CFPB's intranet at <http://team.cfpb.local/wiki/index.php/EEO>
- the EEOC website at <http://www.eeoc.gov>
- the OSC website at <http://www.osc.gov>
- the DOL website at <http://www.dol.gov>
- the MSPB website at <http://www.mspb.gov>
- the FLRA website at <http://www.flra.gov>

Contact Information for the CFPB Office of Civil Rights

Mail:

Office of Civil Rights
Consumer Financial Protection Bureau
1700 G Street, NW
Washington, D.C. 20552

Hand-Delivery:

Office of Civil Rights
Consumer Financial Protection Bureau
1275 1st Street, NE
Suite 261
Washington, D.C. 20002

Phone:

202-435-9EEO
1-855-233-0362
202-435-9742 (TTY)

E-mail:

CFPB_EEO@cfpb.gov

Fax:

202-435-9598

The Director's FY 2016 annual notice on the No FEAR Act and whistleblower protection laws/prohibited personnel practices



September 2016

MEMORANDUM TO: All CFPB Employees, Former Employees, and Applicants for Employment at CFPB

FROM: Richard Cordray
Director

SUBJECT: FY16 Annual Notice on the No FEAR Act and Whistleblower Protection Laws/Prohibited Personnel Practices

The "[Notification and Federal Employee Antidiscrimination and Retaliation Act of 2002](#)," otherwise known as the "No FEAR Act," requires Federal agencies like the CFPB to "be accountable for violations of antidiscrimination and whistleblower protection laws." Pub. L. 107-174, Summary. Congress found in passing the No FEAR Act that "agencies cannot be run effectively if those agencies practice or tolerate discrimination." Pub. L. 107-74, Title I, General Provisions, § 101(1).

The No FEAR Act also requires Federal agencies, including the Bureau, to provide this notice to Federal employees, former Federal employees, and applicants for Federal employment. This notice is intended to inform you of the rights and protections available to you under Federal antidiscrimination, civil service, whistleblower protection, and antiretaliation laws.

Antidiscrimination Laws

A federal agency cannot discriminate or tolerate harassment against any employee or applicant for employment on the basis of race, color, religion, sex (including pregnancy, sexual orientation, transgender status, gender identity or expression, gender non-conformity, or sex stereotyping of any kind), national origin, age (40 and above), disability, genetic information, marital status, parental status, political affiliation, military service, union activities, whistleblower activity, or any other non-merit factor. Discrimination and harassment on these bases is prohibited by Federal statutes and Executive Orders. See 5 U.S.C. §§ 2302(b); 5 U.S.C. §§ 7101-7135; 29 U.S.C. § 206(d); 29 U.S.C. § 631; 29 U.S.C. § 633a; 29 U.S.C. § 791; 38 U.S.C. §§ 4301-35; 42 U.S.C. § 2000e-16; 42 U.S.C. § 2000ff *et seq.*; E.O. 11478; E.O. 13087; E.O. 13145; E.O. 13152; E.O. 13672.

To pursue your rights under these statutes and executive orders, you may need to follow specific rules and meet certain deadlines. For instance:

- If you believe that you have been the victim of unlawful discrimination and wish to pursue a discrimination claim on the basis of race, color, religion, sex (including pregnancy, sexual orientation, transgender status, gender identity or expression, gender non-conformity, or sex stereotyping of any kind), national origin, disability, genetic information, or parental status you first must contact an Equal Employment Opportunity (EEO) counselor in the CFPB's [Office of Civil Rights](#) (OCR). (See contact information for OCR at the bottom of this notice.)

You must contact an EEO counselor *within 45 calendar days of the alleged discriminatory action, or, in the case of a personnel action, within 45 calendar days of the effective date of the action*, before you may file a formal complaint of discrimination with the CFPB. See, e.g., [29 C.F.R. Part 1614](#). In the alternative (or in some cases, in addition), you may pursue a discrimination complaint by filing a grievance through CFPB's [administrative](#) or [negotiated grievance procedures](#), if such procedures apply to you.

- If you believe that you have been the victim of unlawful discrimination on the basis of age in violation of the Age Discrimination in Employment Act of 1967, you may proceed through the administrative EEO process by contacting an EEO counselor in the Bureau's OCR within 45 days. (This is the same as for an allegation of discrimination based on race, color, religion, sex, national origin, disability, genetic information, or parental status, as noted above). *Alternatively*, you can choose to file an age-discrimination lawsuit in an appropriate United State district court. *If you choose this direct-suit option*, you must first give the [Equal Employment Opportunity Commission](#) (EEOC) notice that you intend to sue. You must give the EEOC this notice at least 30 days before you file your lawsuit in court. This notice-of-intent-to-sue may be filed in writing with the EEOC, at P.O. Box 77960, Washington, D.C. 20013. You may also file the notice by facsimile (if the fax is 10 pages or less), at (202) 663-7022. Finally, you may file this notice by personal delivery to the EEOC's Office of Federal Operations/Federal Sector Programs Branch at 131 M Street, NE, Washington, D.C. 20507.

You must file this notice of intent to sue within 180 calendar days of the alleged discriminatory action. See 29 C.F.R. § 1614.201(a).

- If you believe that you have been the victim of sex-based pay discrimination in violation of the Equal Pay Act of 1963, you may proceed through the administrative EEO process by contacting an EEO counselor in the Bureau's OCR within 45 days of an event you allege to be discriminatory. (This is the same as for an allegation of other bases of discrimination, as noted above). *Alternatively*, you may file a civil action in a court of competent jurisdiction *within two years (or, if the violation is willful, three years) of the date of the alleged Equal Pay Act violation*. Contacting an EEO Counselor in the

Bureau's OCR does *not* suspend the two- or three-year deadline for filing a civil action. *See* 29 C.F.R. § 1614.408.

Sex-based pay disparities also may violate Title VII of the Civil Rights Act of 1964, and individuals may challenge sex-based pay discrimination simultaneously under both the Equal Pay Act and Title VII. However, if you wish to allege that a pay disparity violates Title VII, you *must* raise the Title VII allegation in the administrative EEO process by contacting an EEO counselor in the Bureau's OCR within 45 days of the event you allege to be discriminatory – even if you also file an Equal Pay Act civil action over the same alleged pay disparity.

- If you are alleging discrimination based on marital status, political affiliation, or any other non-merit factor you may file a written complaint with the [U.S. Office of Special Counsel](#) (OSC). (See also “Whistleblower Protection Laws/Prohibited Personnel Practices” below.)
- If you are alleging discrimination based on military service, you may request assistance from the [Veterans' Employment and Training Service](#) (VETS) at the Department of Labor (DOL), the [Merit Systems Protection Board](#) (MSPB), or OSC, depending on the circumstances.
- If you are alleging discrimination based on membership or non-membership in a union, or for union activities, you may request assistance from your union (if applicable) or the [Federal Labor Relations Authority](#) (FLRA).

Whistleblower Protection Laws/Prohibited Personnel Practices

Federal employees have the right to be free from prohibited personnel practices, including retaliation for whistleblowing. The Bureau is committed to making sure that all employees are aware of their rights, as well as the safeguards that are in place to protect them.

The Whistleblower Protection Act of 1989 and the Whistleblower Protection Enhancement Act of 2012 provide the right for all covered federal employees to make whistleblower disclosures and ensure that employees are protected from whistleblower retaliation. A Federal employee with authority to take, direct others to take, recommend, or approve any personnel action must not use that authority to take or fail to take, or threaten to take or fail to take, a personnel action against an employee or applicant because that individual has engaged in whistleblowing.

For these purposes, whistleblowing is defined as the disclosure of information that an employee or applicant reasonably believes evidences (1) a violation of any law, rule, or regulation; (2) gross mismanagement; (3) a gross waste of funds; (4) an abuse of authority; (5) a substantial and specific danger to public health or safety; or (6) censorship related to scientific research or analysis, if such disclosure is not specifically prohibited by law and if such information is not specifically required by

Executive order to be kept secret in the interest of national defense or the conduct of foreign affairs.

Retaliation against an employee or applicant for making a protected disclosure is prohibited by 5 U.S.C. § 2302(b)(8). Employees may make lawful disclosures to anyone, including, for example, management officials, the Inspector General of an agency, and/or the [U.S. Office of Special Counsel](#) (OSC). This notice includes links below to information about OSC, which is an independent agency that protects federal employees from prohibited personnel practices, including whistleblower retaliation and unlawful hiring practices. OSC also provides an independent, secure channel for disclosing and resolving wrongdoing in federal agencies.

Please also review the following fact sheet, "[Your Rights as a Federal Employee](#)," which provides detailed information on the thirteen prohibited personnel practices and employees' rights to file complaints with OSC. Additionally, you are encouraged to review the following materials: "[Know Your Rights When Reporting Wrongs](#)" and "[The Role of the U.S. Office of Special Counsel](#)," which describe different avenues for making whistleblower disclosures and OSC's role in accepting complaints from federal employees.

If you believe that you have been the victim of whistleblower retaliation, you may file a written complaint ([Form OSC-11](#)) with OSC at 1730 M Street NW., Suite 218, Washington, D.C. 20036-4505, or [online](#) through the OSC website.

Retaliation for Engaging in Protected Activity

A Federal agency cannot retaliate against an employee or applicant because that individual exercises his or her rights under any of the Federal antidiscrimination or whistleblower protections laws listed above. If you believe that you are the victim of retaliation for engaging in protected activity and wish to pursue a legal remedy, you must follow, as appropriate, the procedures described in the sections of this notice above entitled "Antidiscrimination Laws" and "Whistleblower Protection Laws/Prohibited Personnel Practices" – or, if applicable, relevant administrative or negotiated grievance procedures.

Disciplinary Actions

Under the existing laws, each agency retains the right, where appropriate, to discipline a Federal employee who has engaged in discriminatory or retaliatory conduct, up to and including removal. If OSC has initiated an investigation under 5 U.S.C. § 1214, however, according to 5 U.S.C. § 1214(f), agencies must seek approval from the Special Counsel to discipline employees for, among other activities, engaging in prohibited retaliation. Nothing in the No FEAR Act alters existing laws or permits an agency to take unfounded disciplinary action against a Federal employee or to violate the procedural rights of a Federal employee who has been accused of discrimination.

Additional Information

For further information regarding the No FEAR Act rules, see [5 C.F.R. Part 724](#) or contact the Bureau's [Office of Civil Rights](#). (See contact information for OCR at the bottom of this notice.) You can find additional information about the No FEAR Act on the CFPB's intranet at http://team.cfpb.local/wiki/index.php/No_FEAR_Act_Notice. The CFPB's No FEAR Act statistics can be found on the Bureau's external website at <http://www.consumerfinance.gov/no-fear-act/>.

You can find additional information regarding Federal antidiscrimination, whistleblower protection, and retaliation laws on the CFPB's intranet at <http://team.cfpb.local/wiki/index.php/EEO>, on the EEOC website at <http://www.eeoc.gov>, on the OSC website at <http://www.osc.gov>, on the DOL website at <http://www.dol.gov>, on the MSPB website at <http://www.mspb.gov>, or on the FLRA website at <http://www.flra.gov>.

Existing Rights Unchanged

Pursuant to section 205 of the No FEAR Act, neither the Act nor this notice creates, expands, or reduces any rights otherwise available to any employee, former employee or applicant under the laws of the United States, including the provisions of law specified in 5 U.S.C. § 2302(d).

Contact Information for the CFPB Office of Civil Rights

Mail:

Office of Civil Rights
Consumer Financial Protection Bureau
1700 G Street, NW
Washington, D.C. 20552

Hand-Delivery:

Office of Civil Rights
Consumer Financial Protection Bureau
1275 1st Street, NE
Suite 261
Washington, D.C. 20002

Phone:

202-435-9EEO
1-855-233-0362
202-435-9742 (TTY)

E-mail:

CFPB_EEO@cfpb.gov

Fax:

202-435-9598

APPENDIX C:

Summary of complaint data

Equal Employment Opportunity Data Posted Pursuant to Title III of the Notification and Federal Employee Antidiscrimination and Retaliation Act of 2002 (No FEAR Act), Pub. L. 107-174, for the Consumer Financial Protection Bureau (CFPB).

For the period ending September 30, 2016.

- Mixed-case complaints are included in this report.
- Calculations begin day after triggering event but include the last day of event per 29 C.F.R. § 1614.604.

1. Complaint activity

TABLE 6: COMPLAINT ACTIVITY³⁵

Complaint Activity	2012	2013	2014	2015	2016
Number of complaints filed	11	9	25	22	19*
Number of complainants	11	9	24	19	18
Repeat filers ³⁶	0	0	1	3	1

* Three of these complaints were putative class complaints filed in a previous fiscal year. In FY 2016, an EEOC Administrative Judge (AJ) denied class certification in all three matters, requiring the matters to be processed currently as individual complaints. *See* 29 C.F.R. § 1614.204(d)(7). Total new formal complaints filed in FY 2016 thus equal 16.

³⁵ The No FEAR Act and implementing regulations require agencies to report data for the previous five fiscal years. CFPB opened officially on July 21, 2011, and accordingly does not have data to report for FY 2011.

³⁶ For this purpose, “repeat filers” include only individuals who have filed more than one complaint during the relevant fiscal year. This data does not include individuals who may have filed more than one formal complaint but who have never filed more than one complaint in any single fiscal year.

1.1 Complaints by basis

TABLE 7: COMPLAINTS BY BASIS*

Complaints by Basis	2012	2013	2014	2015	2016
Race	3	4	17	14	8
Color	2	0	5	10	6
Religion	2	2	1	2	0
Reprisal	3	4	16	16	13
Sex	3	4	10	13	10
Pregnancy (PDA)	0	0	0	0	2
National Origin	4	1	8	5	2
Equal Pay (EPA)	0	1	0	2	5
Age	9	4	9	7	4
Disability	2	2	3	10	4
Genetic Information	0	0	0	0	0
Non-EEO	1	1	2	0	2

* Complaints can be filed alleging multiple bases. The sum of the bases may not equal total complaints filed.

1.2 Complaints by issue

TABLE 8: COMPLAINTS BY ISSUE

Complaints by Issue	2012	2013	2014	2015	2016
Appointment/Hire	0	2	3	1	1
Assignment of Duties	2	3	8	5	6
Awards	0	0	0	0	0
Conversion to Full Time/Permanent Status	0	0	0	3	2
Duty Hours	0	0	1	0	0
Performance Evaluation/Appraisal	0	2	13	7	7
Examination/Test	0	0	0	0	0
Medical Examination	0	0	0	0	0
Pay (Including Overtime)	0	1	4	5	7
Promotion/Non-Selection	8	0	10	6	11
Reasonable Accommodation – Disability	0	0	0	2	3
Reinstatement	0	0	0	0	0
Reasonable Accommodation – Religion	0	0	0	0	0
Retirement	0	0	0	0	0
Sex Stereotyping	0	0	0	0	0
Telework	0	0	0	0	0
Termination	1	1	2	0	1
Terms/Conditions of	2	2	3	13	8

Employment

Time and Attendance	0	1	4	2	3
Training	0	0	6	8	3
Other	0	0	2	1	0

TABLE 9: COMPLAINTS INVOLVING DISCIPLINARY ACTION

Type of Disciplinary Action	2012	2013	2014	2015	2016
Demotion	0	1	0	0	1
Reprimand	0	0	9	2	1
Suspension	0	0	0	0	0
Removal	0	1	1	0	0
Other	0	1	0	0	0

TABLE 10: COMPLAINTS INVOLVING HARASSMENT

Type of Harassment	2012	2013	2014	2015	2016
Non-Sexual	0	2	15	9	4
Sexual	0	0	0	1	0

TABLE 11: COMPLAINTS INVOLVING REASSIGNMENT

Type of Reassignment	2012	2013	2014	2015	2016
Denied	0	0	1	1	0
Directed	0	0	1	1	1

2. Complaint processing times

TABLE 12: PROCESSING TIMES FOR COMPLAINTS PENDING (FOR ANY LENGTH OF TIME) DURING FISCAL YEAR

Type of Processing Time	2012	2013	2014	2015	2016
Average number of days in investigation	209.00	176.00	230.00	247.00	270.05
Average number of days in final action	58.00	26.00	17.00	119.00	91.83

TABLE 13: PROCESSING TIMES FOR COMPLAINTS PENDING (FOR ANY LENGTH OF TIME) DURING FISCAL YEAR WHERE HEARING WAS REQUESTED

Type of Processing time	2012	2013	2014	2015	2016
Average number of days in investigation	0.00	288.00	278.00	183.00	242.83
Average number of days in final action	0.00	131.00	178.00	219.00	0.00

TABLE 14: COMPLAINTS PENDING (FOR ANY LENGTH OF TIME) DURING FISCAL YEAR WHERE HEARING WAS NOT REQUESTED

Type of Processing Time	2012	2013	2014	2015	2016
Average number of days in investigation	209.00	176.00	214.00	293.00	316.71
Average number of days in final action	58.00	58.00	90.00	52.00	91.83

3. Complaint dismissals and withdrawals

TABLE 15: COMPLAINTS DISMISSED BY AGENCY

Agency Dismissal Information	2012	2013	2014	2015	2016
Total complaints dismissed by agency	0	1	2	2	1
Average days pending prior to dismissal	0.00	27.00	293.00	26.00	34.00

TABLE 16: COMPLAINTS WITHDRAWN BY COMPLAINANTS

Complaints Withdrawn	2012	2013	2014	2015	2016
Total complaints withdrawn by complainants	1	1	0	1	2

4. Findings of discrimination

TABLE 17: TOTAL FINAL AGENCY ACTIONS FINDING DISCRIMINATION

Type of Findings	2012		2013		2014		2015		2016	
	#	%	#	%	#	%	#	%	#	%
Total findings	0	0	0	0	0	0	0	0	0	0
Without hearing	0	0	0	0	0	0	0	0	1	100
With hearing	0	0	0	0	0	0	0	0	0	0

4.1 Findings by basis*

TABLE 18: TOTAL FINDINGS OF DISCRIMINATION RENDERED BY BASIS

Basis	2012		2013		2014		2015		2016	
	#	%	#	%	#	%	#	%	#	%
Total findings	0	0	0	0	0	0	0	0	0	0
Race	0	0	0	0	0	0	0	0	0	0
Color	0	0	0	0	0	0	0	0	0	0
Religion	0	0	0	0	0	0	0	0	0	0
Reprisal	0	0	0	0	0	0	0	0	1	100
Sex	0	0	0	0	0	0	0	0	0	0

Pregnancy (PDA)	0	0	0	0	0	0	0	0	0	0
National Origin	0	0	0	0	0	0	0	0	0	0
Equal Pay (EPA)	0	0	0	0	0	0	0	0	0	0
Age	0	0	0	0	0	0	0	0	0	0
Disability	0	0	0	0	0	0	0	0	1	100
Genetic Information	0	0	0	0	0	0	0	0	0	0
Non-EEO	0	0	0	0	0	0	0	0	0	0

TABLE 19: FINDINGS OF DISCRIMINATION RENDERED AFTER HEARING BY BASIS

Basis	2012		2013		2014		2015		2016	
	#	%	#	%	#	%	#	%	#	%
Total findings	0	0	0	0	0	0	0	0	0	0
Race	0	0	0	0	0	0	0	0	0	0
Color	0	0	0	0	0	0	0	0	0	0
Religion	0	0	0	0	0	0	0	0	0	0
Reprisal	0	0	0	0	0	0	0	0	0	0
Sex	0	0	0	0	0	0	0	0	0	0
Pregnancy (PDA)	0	0	0	0	0	0	0	0	0	0
National Origin	0	0	0	0	0	0	0	0	0	0
Equal Pay (EPA)	0	0	0	0	0	0	0	0	0	0
Age	0	0	0	0	0	0	0	0	0	0
Disability	0	0	0	0	0	0	0	0	0	0
Genetic Information	0	0	0	0	0	0	0	0	0	0
Non-EEO	0	0	0	0	0	0	0	0	0	0

TABLE 20: FINDINGS OF DISCRIMINATION RENDERED WITHOUT HEARING BY BASIS

Basis	2012		2013		2014		2015		2016	
	#	%	#	%	#	%	#	%	#	%
Total findings	0	0	0	0	0	0	0	0	0	0
Race	0	0	0	0	0	0	0	0	0	0
Color	0	0	0	0	0	0	0	0	0	0
Religion	0	0	0	0	0	0	0	0	0	0
Reprisal	0	0	0	0	0	0	0	0	1	100
Sex	0	0	0	0	0	0	0	0	0	0
Pregnancy (PDA)	0	0	0	0	0	0	0	0	0	0
National Origin	0	0	0	0	0	0	0	0	0	0
Equal Pay (EPA)	0	0	0	0	0	0	0	0	0	0
Age	0	0	0	0	0	0	0	0	0	0
Disability	0	0	0	0	0	0	0	0	1	100
Genetic Information	0	0	0	0	0	0	0	0	0	0
Non-EEO	0	0	0	0	0	0	0	0	0	0

* Complaints can be filed alleging multiple bases. The sum of the bases may not equal total complaints and findings.

4.2 Findings by issue

TABLE 21: TOTAL FINDINGS OF DISCRIMINATION RENDERED BY ISSUE

Issue	2012		2013		2014		2015		2016	
	#	%	#	%	#	%	#	%	#	%

Total findings	0	0	0	0	0	0	0	0	1	100
Appointment/Hire	0	0	0	0	0	0	0	0	0	0
Assignment of Duties	0	0	0	0	0	0	0	0	1	100
Awards	0	0	0	0	0	0	0	0	0	0
Conversion to Full Time/Permanent Status	0	0	0	0	0	0	0	0	0	0
Duty Hours	0	0	0	0	0	0	0	0	0	0
Performance Evaluation/Appraisal	0	0	0	0	0	0	0	0	1	100
Examination/Test	0	0	0	0	0	0	0	0	0	0
Medical Examination	0	0	0	0	0	0	0	0	0	0
Pay (Including Overtime)	0	0	0	0	0	0	0	0	0	0
Promotion/Non-Selection	0	0	0	0	0	0	0	0	0	0
Reasonable Accommodation – Disability	0	0	0	0	0	0	0	0	1	100
Reinstatement	0	0	0	0	0	0	0	0	0	0
Reasonable Accommodation – Religion	0	0	0	0	0	0	0	0	0	0
Retirement	0	0	0	0	0	0	0	0	0	0
Sex Stereotyping	0	0	0	0	0	0	0	0	0	0
Telework	0	0	0	0	0	0	0	0	0	0
Termination	0	0	0	0	0	0	0	0	0	0
Terms/Conditions of Employment	0	0	0	0	0	0	0	0	0	0
Time and Attendance	0	0	0	0	0	0	0	0	0	0
Training	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0

TABLE 22: FINDINGS OF DISCRIMINATION RENDERED BY ISSUE – DISCIPLINARY ACTION

Type of Disciplinary Action	2012		2013		2014		2015		2016	
	#	%	#	%	#	%	#	%	#	%
Demotion	0	0	0	0	0	0	0	0	0	0
Reprimand	0	0	0	0	0	0	0	0	0	0
Suspension	0	0	0	0	0	0	0	0	0	0
Removal	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0

TABLE 23: FINDINGS OF DISCRIMINATION RENDERED BY ISSUE – HARRASSMENT

Type of Harassment	2012		2013		2014		2015		2016	
	#	%	#	%	#	%	#	%	#	%
Non-Sexual	0	0	0	0	0	0	0	0	0	0
Sexual	0	0	0	0	0	0	0	0	0	0

TABLE 24: FINDINGS OF DISCRIMINATION RENDERED BY ISSUE – REASSIGNMENT

Type of Reassignment	2012		2013		2014		2015		2016	
	#	%	#	%	#	%	#	%	#	%
Denied	0	0	0	0	0	0	0	0	0	0
Directed	0	0	0	0	0	0	0	0	0	0

TABLE 25: FINDINGS OF DISCRIMINATION RENDERED AFTER HEARING BY ISSUE

Issue	2012		2013		2014		2015		2016	
	#	%	#	%	#	%	#	%	#	%

Total findings after hearing	0	0	0	0	0	0	0	0	0	0
Appointment/Hire	0	0	0	0	0	0	0	0	0	0
Assignment of Duties	0	0	0	0	0	0	0	0	0	0
Awards	0	0	0	0	0	0	0	0	0	0
Conversion to Full Time/Permanent Status	0	0	0	0	0	0	0	0	0	0
Duty Hours	0	0	0	0	0	0	0	0	0	0
Performance Evaluation/Appraisal	0	0	0	0	0	0	0	0	0	0
Examination/Test	0	0	0	0	0	0	0	0	0	0
Medical Examination	0	0	0	0	0	0	0	0	0	0
Pay (Including Overtime)	0	0	0	0	0	0	0	0	0	0
Promotion/Non-Selection	0	0	0	0	0	0	0	0	0	0
Reasonable Accommodation – Disability	0	0	0	0	0	0	0	0	0	0
Reinstatement	0	0	0	0	0	0	0	0	0	0
Reasonable Accommodation – Religion	0	0	0	0	0	0	0	0	0	0
Retirement	0	0	0	0	0	0	0	0	0	0
Sex Stereotyping	0	0	0	0	0	0	0	0	0	0
Telework	0	0	0	0	0	0	0	0	0	0
Termination	0	0	0	0	0	0	0	0	0	0
Terms/Conditions of Employment	0	0	0	0	0	0	0	0	0	0
Time and Attendance	0	0	0	0	0	0	0	0	0	0
Training	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0

TABLE 26: FINDINGS OF DISCRIMINATION RENDERED AFTER HEARING BY ISSUE – DISCIPLINARY ACTION

Type of Disciplinary Action	2012		2013		2014		2015		2016	
	#	%	#	%	#	%	#	%	#	%
Demotion	0	0	0	0	0	0	0	0	0	0
Reprimand	0	0	0	0	0	0	0	0	0	0
Suspension	0	0	0	0	0	0	0	0	0	0
Removal	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0

TABLE 27: FINDINGS OF DISCRIMINATION RENDERED AFTER HEARING BY ISSUE – HARASSMENT

Type of Harassment	2012		2013		2014		2015		2016	
	#	%	#	%	#	%	#	%	#	%
Non-Sexual	0	0	0	0	0	0	0	0	0	0
Sexual	0	0	0	0	0	0	0	0	0	0

TABLE 28: FINDINGS OF DISCRIMINATION RENDERED AFTER HEARING BY ISSUE – REASSIGNMENT

Type of Reassignment	2012		2013		2014		2015		2016	
	#	%	#	%	#	%	#	%	#	%
Denied	0	0	0	0	0	0	0	0	0	0
Directed	0	0	0	0	0	0	0	0	0	0

TABLE 29: FINDINGS OF DISCRIMINATION RENDERED WITHOUT HEARING BY ISSUE

Type of Issue	2012		2013		2014		2015		2016	
	#	%	#	%	#	%	#	%	#	%
Total findings without hearing	0	0	0	0	0	0	0	0	1	100
Appointment/Hire	0	0	0	0	0	0	0	0	0	0
Assignment of Duties	0	0	0	0	0	0	0	0	1	100
Awards	0	0	0	0	0	0	0	0	0	0
Conversion to Full Time/Permanent Status	0	0	0	0	0	0	0	0	0	0
Duty Hours	0	0	0	0	0	0	0	0	0	0
Performance Evaluation/Appraisal	0	0	0	0	0	0	0	0	1	100
Examination/Test	0	0	0	0	0	0	0	0	0	0
Medical Examination	0	0	0	0	0	0	0	0	0	0
Pay (Including Overtime)	0	0	0	0	0	0	0	0	0	0
Promotion/Non-Selection	0	0	0	0	0	0	0	0	0	0
Reasonable Accommodation – Disability	0	0	0	0	0	0	0	0	1	100
Reinstatement	0	0	0	0	0	0	0	0	0	0
Reasonable Accommodation – Religion	0	0	0	0	0	0	0	0	0	0
Retirement	0	0	0	0	0	0	0	0	0	0
Sex Stereotyping	0	0	0	0	0	0	0	0	0	0
Telework	0	0	0	0	0	0	0	0	0	0
Termination	0	0	0	0	0	0	0	0	0	0
Terms/Conditions of Employment	0	0	0	0	0	0	0	0	0	0

Time and Attendance	0	0	0	0	0	0	0	0	0	0
Training	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0

TABLE 30: FINDINGS OF DISCRIMINATION RENDERED WITHOUT HEARING BY ISSUE – DISCIPLINARY ACTION

Type of Discipline	2012		2013		2014		2015		2016	
	#	%	#	%	#	%	#	%	#	%
Demotion	0	0	0	0	0	0	0	0	0	0
Reprimand	0	0	0	0	0	0	0	0	0	0
Suspension	0	0	0	0	0	0	0	0	0	0
Removal	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0

TABLE 31: FINDINGS OF DISCRIMINATION RENDERED WITHOUT HEARING BY ISSUE – HARASSMENT

Type of Harassment	2012		2013		2014		2015		2016	
	#	%	#	%	#	%	#	%	#	%
Non-Sexual	0	0	0	0	0	0	0	0	0	0
Sexual	0	0	0	0	0	0	0	0	0	0

TABLE 32: FINDINGS OF DISCRIMINATION RENDERED WITHOUT HEARING BY ISSUE – REASSIGNMENT

Type of Reassignment	2012		2013		2014		2015		2016	
	#	%	#	%	#	%	#	%	#	%
Denied	0	0	0	0	0	0	0	0	0	0
Directed	0	0	0	0	0	0	0	0	0	0

5. Pending complaints

TABLE 33: PENDING COMPLAINTS FILED IN PREVIOUS FISCAL YEARS BY STATUS

Pending Complaints and Complainants	2012	2013	2014	2015	2016
Total complaints from previous fiscal years	4	3	20	32	21
Total complainants	4	3	20	25	17

TABLE 34: PENDING COMPLAINTS BY STATUS

Where in EEO Process Complaints Are Pending	2012	2013	2014	2015	2016
Investigation	0	2	19	8	0
ROI issued, pending complainant's action	0	1	1	2	0
Hearing	0	0	0	12	18
Final Agency Action	0	0	0	6	2
Appeal with EEOC Office of Federal Operations	0	0	0	4	6

6. Investigation timeframes

TABLE 35: INVESTIGATIONS THAT EXCEED TIME FRAMES

Investigations	2012	2013	2014	2015	2016
Pending complaints where investigations exceed required time frames	0	0	0	2	0



Consumer Financial
Protection Bureau

March 29, 2017

The Honorable Jason Chaffetz
Chairman
Committee on Oversight and Government Reform
United States House of Representatives
2157 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Chaffetz:

Enclosed please find the Consumer Financial Protection Bureau's Notification and Federal Employee Antidiscrimination and Retaliation Act (No FEAR Act) Annual Report, as required under Section 203 of the No FEAR Act.

Should you have any questions concerning the report, please feel free to contact me at (202) 435-9711.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Galicia'.

Catherine Galicia
Assistant Director for Legislative Affairs



March 29, 2017

The Honorable Michael Crapo
Chairman
Committee on Banking, Housing, and Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Crapo:

Enclosed please find the Consumer Financial Protection Bureau's Notification and Federal Employee Antidiscrimination and Retaliation Act (No FEAR Act) Annual Report, as required under Section 203 of the No FEAR Act.

Should you have any questions concerning the report, please feel free to contact me at (202) 435-9711.

Sincerely,

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Catherine Galicia
Assistant Director for Legislative Affairs



March 29, 2017

March 29, 2017

The Honorable Elijah Cummings
Ranking Member
Committee on Oversight and Government Reform
United States House of Representatives
2471 Rayburn House Office Building
Washington, DC 20515

Dear Ranking Member Cummings:

Enclosed please find the Consumer Financial Protection Bureau's Notification and Federal Employee Antidiscrimination and Retaliation Act (No FEAR Act) Annual Report, as required under Section 203 of the No FEAR Act.

Should you have any questions concerning the report, please feel free to contact me at (202) 435-9711.

Sincerely,

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Catherine Galicia
Assistant Director for Legislative Affairs



March 29, 2017

The Honorable Orrin Hatch
President Pro Tempore
United States Senate
104 Hart Senate Office Building
Washington, DC 20510

Dear Senate President Pro Tempore:

Enclosed please find the Consumer Financial Protection Bureau's Notification and Federal Employee Antidiscrimination and Retaliation Act (No FEAR Act) Annual Report, as required under Section 203 of the No FEAR Act.

Should you have any questions concerning the report, please feel free to contact me at (202) 435-9711.

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Catherine Galicia
Assistant Director for Legislative Affairs



March 29, 2017

The Honorable Jeb Hensarling
Chairman
Committee on Financial Services
United States House of Representatives
2129 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Hensarling:

Enclosed please find the Consumer Financial Protection Bureau's Notification and Federal Employee Antidiscrimination and Retaliation Act (No FEAR Act) Annual Report, as required under Section 203 of the No FEAR Act.

Should you have any questions concerning the report, please feel free to contact me at (202) 435-9711.

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Catherine Galicia
Assistant Director for Legislative Affairs



March 29, 2017

The Honorable Ron Johnson
Chairman
Committee on Homeland Security and Governmental Affairs
United States Senate
340 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Johnson:

Enclosed please find the Consumer Financial Protection Bureau's Notification and Federal Employee Antidiscrimination and Retaliation Act (No FEAR Act) Annual Report, as required under Section 203 of the No FEAR Act.

Should you have any questions concerning the report, please feel free to contact me at (202) 435-9711.

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Catherine Galicia
Assistant Director for Legislative Affairs



Consumer
Financial
Protection
Bureau

March 29, 2017

The Honorable Claire McCaskill
Ranking Member
Committee on Homeland Security and Governmental Affairs
United States Senate
340 Dirksen Senate Office Building
Washington, DC 20510

Dear Ranking Member McCaskill:

Enclosed please find the Consumer Financial Protection Bureau's Notification and Federal Employee Antidiscrimination and Retaliation Act (No FEAR Act) Annual Report, as required under Section 203 of the No FEAR Act.

Should you have any questions concerning the report, please feel free to contact me at (202) 435-9711.

Sincerely,

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Catherine Galicia
Assistant Director for Legislative Affairs



1154

March 29, 2017

The Honorable Paul Ryan
Speaker
United States House of Representatives
H-209, The Capitol
Washington, DC 20515

Dear Speaker Ryan:

Enclosed please find the Consumer Financial Protection Bureau's Notification and Federal Employee Antidiscrimination and Retaliation Act (No FEAR Act) Annual Report, as required under Section 203 of the No FEAR Act.

Should you have any questions concerning the report, please feel free to contact me at (202) 435-9711.

Sincerely,

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Catherine Galicia
Assistant Director for Legislative Affairs



March 29, 2017

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
United States House of Representatives
4340 Thomas P. O'Neill, Jr. House Office Building
Washington, DC 20515

Dear Ranking Member Waters:

Enclosed please find the Consumer Financial Protection Bureau's Notification and Federal Employee Antidiscrimination and Retaliation Act (No FEAR Act) Annual Report, as required under Section 203 of the No FEAR Act.

Should you have any questions concerning the report, please feel free to contact me at (202) 435-9711.

Sincerely,

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Catherine Galicia
Assistant Director for Legislative Affairs



Consumer Financial
Protection Bureau

1700 G Street, N.W., Washington, DC 20006

March 29, 2017

The Honorable Jeb Hensarling
Chairman
Committee on Financial Services
U.S. House of Representatives
2129 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Hensarling:

I received your letter from last week and thank you for your continued interest in the Consumer Financial Protection Bureau and in my own personal plans. As you noted, I was nominated by the President and confirmed by the Senate to serve a term of office that will be completed in July of 2018. In your letter, you ask whether I plan to serve my entire five-year term or whether there is some other specific date on which I plan to resign. At this time, I have no further insights to provide on that subject.

Thank you again.

Sincerely,

A handwritten signature in blue ink that reads 'Richard Cordray'.

Richard Cordray
Director



March 29, 2017

Stuart Ishimaru
Director, Office of Minority and Women Inclusion
Consumer Financial Protection Bureau
1625 Eye Street N.W.
Washington, D.C. 20006

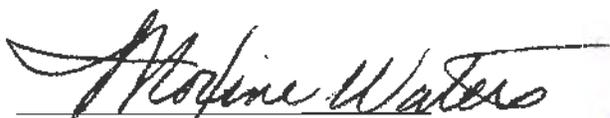
Dear Mr. Ishimaru:

We write to express our appreciation for your participation at our roundtable on Tuesday, March 21, 2017.

We are grateful for your willingness to speak at the event with relatively short notice. While we had to leave early for a series of votes on the Floor, we have received positive responses from a number of stakeholders who attended the event and are pleased that it was successful.

We look forward to continuing to work with you, and the other Directors of the Offices of Women and Inclusion at the Federal financial services agencies, about how to best promote workforce and supplier diversity matters.

Sincerely,


MAXINE WATERS
Member of Congress


JOYCE BEATTY
Member of Congress

cc: Honorable Richard Cordray, Director, Consumer Financial Protection Bureau



12/15/16

March 31, 2017

The Honorable Sherrod Brown
Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, DC 20510

Dear Ranking Member Brown:

Enclosed please find the Consumer Financial Protection Bureau's Consumer Response Annual Report, as required under Section 1013(b)(3)(C) of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Should you have any questions about the enclosed report, please contact me at (202) 435-9711.

Sincerely,

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Catherine Galicia
Assistant Director for Legislative Affairs



consumer

finance

March 31, 2017

The Honorable Michael Crapo
Chairman
Committee on Banking, Housing, and Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Crapo:

Enclosed please find the Consumer Financial Protection Bureau's Consumer Response Annual Report, as required under Section 1013(b)(3)(C) of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Should you have any questions about the enclosed report, please contact me at (202) 435-9711.

Sincerely,

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Catherine Galicia
Assistant Director for Legislative Affairs



March 31, 2017

March 31, 2017

The Honorable Jeb Hensarling
Chairman
Committee on Financial Services
United States House of Representatives
2129 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Hensarling:

Enclosed please find the Consumer Financial Protection Bureau's Consumer Response Annual Report, as required under Section 1013(b)(3)(C) of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Should you have any questions about the enclosed report, please contact me at (202) 435-9711.

Sincerely,

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Catherine Galicia
Assistant Director for Legislative Affairs



March 31, 2017

The Honorable Michael Pence
Vice President of the United States
President of the United States Senate
S-212, The Capitol
Washington, DC 20510

Dear Vice President Pence:

Enclosed please find the Consumer Financial Protection Bureau's Consumer Response Annual Report, as required under Section 1013(b)(3)(C) of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Should you have any questions about the enclosed report, please contact me at (202) 435-9711.

Sincerely,

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Catherine Galicia
Assistant Director for Legislative Affairs



Consumer Financial Protection Bureau

March 31, 2017

The Honorable Paul Ryan
Speaker
United States House of Representatives
H-209, The Capitol
Washington, DC 20515

Dear Speaker Ryan:

Enclosed please find the Consumer Financial Protection Bureau's Consumer Response Annual Report, as required under Section 1013(b)(3)(C) of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Should you have any questions about the enclosed report, please contact me at (202) 435-9711.

Sincerely,

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Catherine Galicia
Assistant Director for Legislative Affairs



March 31, 2017

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
United States House of Representatives
4340 Thomas P. O'Neill, Jr. House Office Building
Washington, DC 20515

Dear Ranking Member Waters:

Enclosed please find the Consumer Financial Protection Bureau's Consumer Response Annual Report, as required under Section 1013(b)(3)(C) of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Should you have any questions about the enclosed report, please contact me at (202) 435-9711.

Sincerely,

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Catherine Galicia
Assistant Director for Legislative Affairs

March 2017

Consumer Response Annual Report

January 1 – December 31, 2016

Message from Richard Cordray



Director of the CFPB

The Consumer Financial Protection Bureau began consumer response operations on July 21, 2011, as the nation's first federal agency with the sole mission to protect American consumers in the financial marketplace. Our Office of Consumer Response has continued to improve and expand the CFPB's ability to engage consumers that face financial challenges and bring their concerns to the attention of companies.

The CFPB accepts complaints about many financial products and services, including mortgages, credit cards, auto loans, student loans, deposit accounts, debt collection, credit reporting, payday loans, consumer loans, and more. As of March 1, 2017, we have handled over 1,136,000 consumer complaints.

Listening to consumers is key to our mission. By answering consumer questions and handling their complaints, we learn about consumers' experiences in the consumer financial marketplace, about company practices and behaviors, and about emerging trends in the marketplace.

There is much to be learned from the questions consumers ask and the complaints consumers submit about the financial industry. From our earliest days of handling complaints, we have monitored and reported on the types of issues about which consumers complain. With a growing

"We had actually lost over \$1,000... For a very frustrating month we tried everything to reach the company for an explanation and finally put in a complaint with CFPB. Within two weeks we received a response from the company and a check for the difference. We are so grateful to CFPB and this avenue for resolution. I am positive without their intervention our case would never have been resolved."

– Consumer from California

volume of consumer complaints, we now identify, categorize, analyze, and synthesize what they have told us. By closely analyzing complaint patterns, we are able to identify spikes in specific complaint types; emerging trends; issues with new and evolving products; and patterns across geographic areas, companies, and consumer demographics. These insights help us prioritize our own supervision and enforcement work and ask better and more targeted questions when examining a company's records. With the help of complaints, we dig deeply into potentially unfair practices so we can prevent minor issues from becoming major problems. We also use complaints to identify opportunities to educate and empower consumers about the marketplace and their rights and to understand what the rules of the road should be when we consider and undertake rulemaking.

Through our public Consumer Complaint Database, launched by Consumer Response in June 2012, others can learn from consumers' complaints too. We have published more than 730,400 complaints that have been sent to companies for response. We do this not only to empower consumers and inform the public, but also so that companies can learn from the data and improve their own compliance and customer service operations. In June 2015, the Bureau started giving consumers the opportunity to share their descriptions of what happened, in their own words, so that others can read about, better understand, and learn from their experiences.

Through the questions they ask us, the stories they tell us, and the complaints they submit, the voices of consumers remain foundational to the Bureau's work. Many companies are adapting to this focus to become more directly responsive to consumer concerns, and thus to improve their customer service. We continue to work to fulfill Congress's vision that we stand on the side of consumers to help improve their financial lives. Through their complaints, consumers help us make the marketplace a better and safer place. This is good for consumers, for the responsible businesses that seek to serve them, and for the American economy as a whole.

Sincerely,



Richard Cordray

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1. Introduction

The CFPB is the first federal agency solely focused on consumer financial protection.¹ Collecting, investigating, and responding to consumer complaints² are integral parts of the CFPB’s work.³ The Bureau’s Office of Consumer Response 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.

Consumer Response also answers consumers’ questions about financial products and services and provides consumers with an opportunity to share their experiences – positive or negative – with consumer financial products and services through the “Tell Your Story” feature on the Bureau’s website. These stories, like complaints and questions, are reviewed by CFPB staff to help the Bureau understand current issues in the financial marketplace.

When the Bureau opened its doors on July 21, 2011, it began consumer response operations on the same day, answering consumers’ questions and accepting consumer complaints about credit cards. Since then, the Bureau has expanded its complaint handling to include complaints about: mortgages, bank accounts and services, student loans, vehicle and other consumer loans, credit reporting, money transfers, virtual currency, debt collection, payday loans, prepaid cards, and other financial services.

¹ The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, Pub. L. No. 111-203 (“Dodd-Frank Act”) created the CFPB to protect consumers of financial products or services and to encourage the fair and competitive operation of consumer financial markets.

² Consumer complaints are submissions that express dissatisfaction with, or communicate suspicion of wrongful conduct by, an identifiable entity related to a consumer’s personal experience with a financial product or service.

³ See Dodd-Frank Act, Pub. L. No. 111-203, Section 1021(c)(2).

FIGURE 1: TYPES OF COMPLAINTS OVER TIME



Consumers also contact the CFPB about other products and services. The Bureau refers consumers with questions to other regulators or additional resources, as appropriate.

The CFPB’s phased-in approach to taking complaints enabled Consumer Response to gather and incorporate feedback from consumers and companies into each subsequent complaint capacity expansion. For example, Consumer Response has improved its complaint submission process and enhanced communication with companies. Leveraging feedback from consumers and companies, as well as its own observations, Consumer Response identifies new opportunities to improve its processes and implement changes to make the process efficient and effective for consumers and companies.

Since beginning to accept complaints on July 21, 2011, the CFPB has handled approximately 1,136,000 consumer complaints as of March 1, 2017.

FIGURE 2: COMPLAINTS OVER TIME

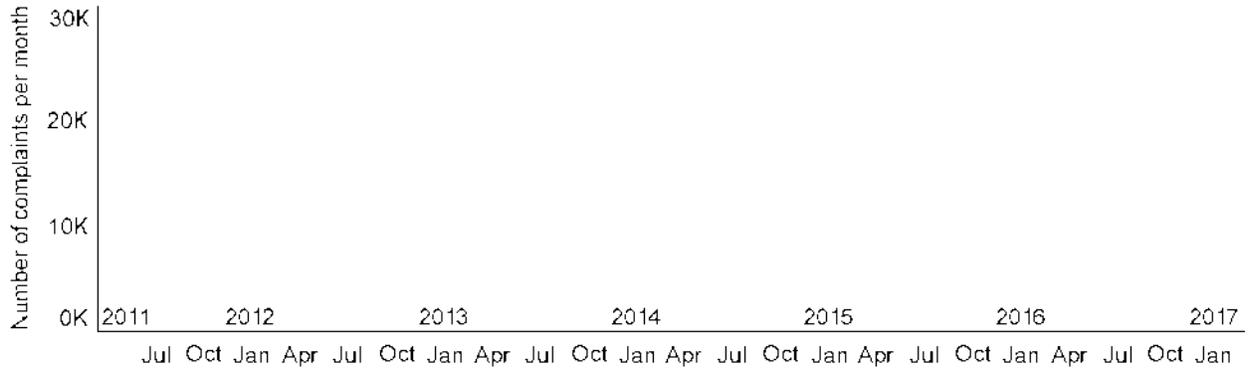


FIGURE 3: COMPLAINT VOLUME BY PRODUCT 2015 AND 2016

Product	Year	Percent of annual complaints	Number of complaints
Debt collection	2016	30%	88,000
	2015	31%	85,200
Credit reporting	2016	19%	54,000
	2015	20%	55,000
Mortgage	2016	18%	51,200
	2015	19%	50,800
Bank account or services	2016	10%	28,400
	2015	8%	22,400
Credit card	2016	9%	26,600
	2015	8%	22,200
Consumer loan	2016	6%	16,400
	2015	5%	13,500
Student loans	2016	4%	12,300
	2015	3%	7,300
Payday loan	2016	2%	4,400
	2015	2%	5,500
Prepaid	2016	0.9%	2,500
	2015	1%	3,000
Money transfer	2016	0.8%	2,300
	2015	0.9%	2,400
Other financial services	2016	0.7%	2,100
	2015	0.7%	1,900

Year over year, complaint volume has steadily increased, rising 7% from 271,600 in 2015 to 291,400 in 2016.

Information about consumer complaints is available to the public, through the CFPB's public [Consumer Complaint Database](#), launched on June 19, 2012.⁴ Complaints are added to the database after the company responds to the complaint, confirming a commercial relationship with the consumer, or after the company has had the complaint for 15 calendar days, whichever comes first. Complaints are not published if they do not meet all of the publication criteria.⁵

The public database was initially populated with credit card complaints and has been expanded over time:

- June 2012: populated with credit card complaints dating back to June 1, 2012;
- 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, 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 complaints about prepaid cards, other consumer loans (pawn and title loans), and other financial services dating back to July 19, 2014;
- June 2015: added consumer complaint narratives and optional company public

⁴ In December 2011, the CFPB asked the public to comment on a proposed policy of making some credit card complaint data publicly available. After considering those comments, the CFPB finalized its policy for disclosing some of the data through its Consumer Complaint Database (Policy Statement). *See* Disclosure of Certain Credit Card Complaint Data, 77 Fed. Reg. 37,558 (June 22, 2012).

⁵ *See* Disclosure of Consumer Complaint Narrative Data, 80 Fed. Reg. 15572 (March 24, 2015).

responses;

- February 2016: added tags to identify complaints submitted by older Americans and servicemembers and a field indicating whether the consumer consented to publication of their complaint narrative; and
- September 2016: added complaints about federal student loan servicing dating back to February 25, 2016, and virtual currency complaints dating back to August 11, 2014.

The database 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 about which the consumer submitted the complaint. 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 June 25, 2015, the CFPB began to publish consumer complaint narratives in the Consumer Complaint Database. Consumers now have the opportunity to share – in their own words – their experiences with the consumer financial marketplace. 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 database now includes more than 130,000 complaints where consumers have opted to share their complaint narrative with others. The CFPB gives companies the option 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.

Web-based and user-friendly features of the database include the ability to filter data based on specific search criteria or tags, to aggregate data in various ways, such as by complaint type, company, state, date, or any combination of available variables, and to download data. Information from the database has been shared and evaluated on social media and using other new applications.

Consumer Complaint Database

Each week we send thousands of consumers' complaints about financial products and services to companies for response. Those complaints are published here after the company responds or after 15 days, whichever comes first. By adding their voice, consumers help improve the financial marketplace.





Consumers have let us know they want to share their complaint descriptions so others can learn from their experience.

[Read consumer narratives](#)



View, sort, and filter data right in your browser.

[View complaint data](#)



All complaint data we publish is freely available for anyone to use, analyze, and build on.

[Download options and API](#)

www.consumerfinance.gov/complaintdatabase

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

In keeping with the CFPB's statutory responsibility and its commitment to accountability, this report provides an overview of the handling and analysis of complaints by the Bureau from January 1 through December 31, 2016.⁶

⁶ This report addresses the reporting requirements of Dodd-Frank Act Section 1013(b)(3)(c), 12 U.S.C. § 5493(b)(3)(c) and Fair Credit Reporting Act Section 611(e), 15 U.S.C. § 1681i(e).

2. How the CFPB handles complaints

Consumer Response receives complaints and questions directly from consumers. The CFPB accepts complaints through its website and by telephone, mail, email, fax, and referral. In addition to submitting complaints on the Bureau's website, consumers can also log on to a 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 get 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. The CFPB's U.S.-based contact centers provide services to consumers in more than 180 languages and to consumers who are deaf, have hearing loss, or have speech disabilities via a toll-free telephone number. Cutting-edge technology, including secure company and consumer portals, makes the process efficient and user-friendly for consumers and companies. For companies, the CFPB provides secure channels for communicating directly with dedicated staff about technical issues.

The CFPB continually strives to collect reliable complaint data while ensuring the system's ease of-use and effectiveness for consumers. When consumers submit complaints, they select the consumer financial product or service as well as the issue they are having with that product or service from a list. This provides structured data that can be used to group complaints to get a sense of which financial products and services consumers complain about and what issues they are having in the marketplace.

Complaints are sent via a secure web portal to the appropriate company.⁷ 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. Consumers who have submitted complaints with the Bureau 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.



The process seeks to ensure that consumers receive timely responses to their complaints and that the Bureau, other regulators, consumers, and the marketplace have the complaint information needed to improve the functioning of the consumer financial markets for such products and services.

We also collect unstructured data from consumers and companies during the complaint process. The consumer’s narrative description of what happened, consumer-provided documents, the company’s response, and company-provided documents are examples of unstructured data. The Bureau uses a variety of approaches to analyze consumer complaints including, for example, cohort and text analytics to identify trends and possible consumer harm. Our review and

⁷ In some cases, Consumer Response refers or sends a complaint to another regulator, for example, if a particular complaint does not involve a product or market that is within the Bureau’s jurisdiction or one that is not currently being handled by the Bureau, or in cases where the company is not yet registered to respond to complaints in our system. Complaints handled by the Bureau, including those sent to other regulators, serve to inform the Bureau in its work to supervise companies, to enforce consumer financial laws, to write better rules and regulations, and to educate and engage consumers.

analysis of unstructured data offers deeper insights into consumers' complaints and helps the Bureau understand problems consumers are experiencing with consumer financial products and services.

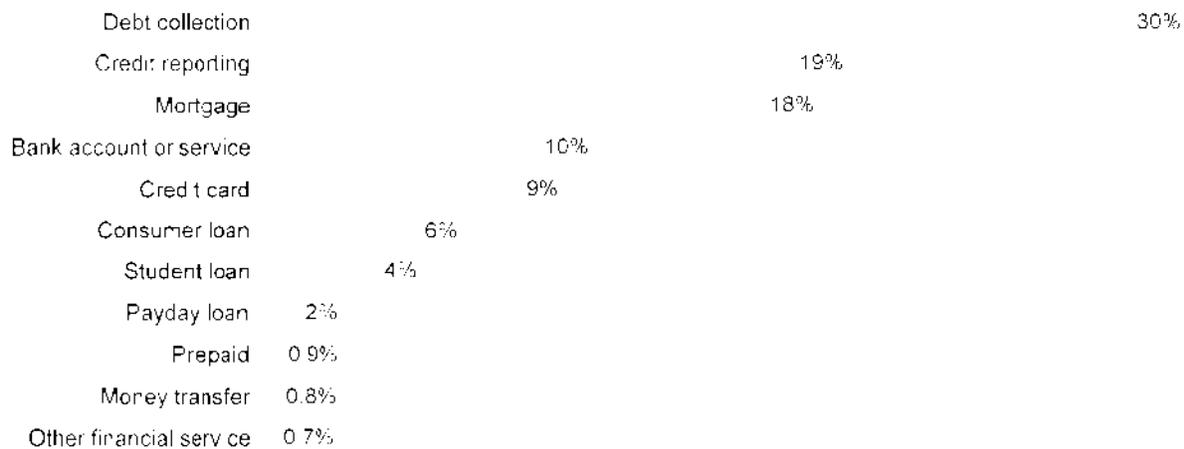
Throughout this process, subject matter experts help monitor certain complaints. For example, the Office of Servicemember Affairs coordinates with Consumer Response on complaints submitted by or on behalf of a servicemember or the spouse or dependent of a servicemember. For these purposes, a servicemember includes anyone who self-identifies as active duty, National Guard, or Reservist, as well as those who previously served and identify as a Veteran or retiree.

3. Results

3.1 Complaints handled in 2016

Between January 1, 2016 and December 31, 2016, the CFPB handled approximately 291,400 consumer complaints.⁸

FIGURE 4: CONSUMER COMPLAINTS BY PRODUCT⁹



Approximately 73% of all consumer complaints were submitted through the CFPB’s website and

⁸ This analysis excludes multiple complaints submitted by a given consumer on the same issue (i.e., duplicates) and whistleblower tips. All data are current as of January 1, 2017.

⁹ Percentages may not sum to 100 percent due to rounding.

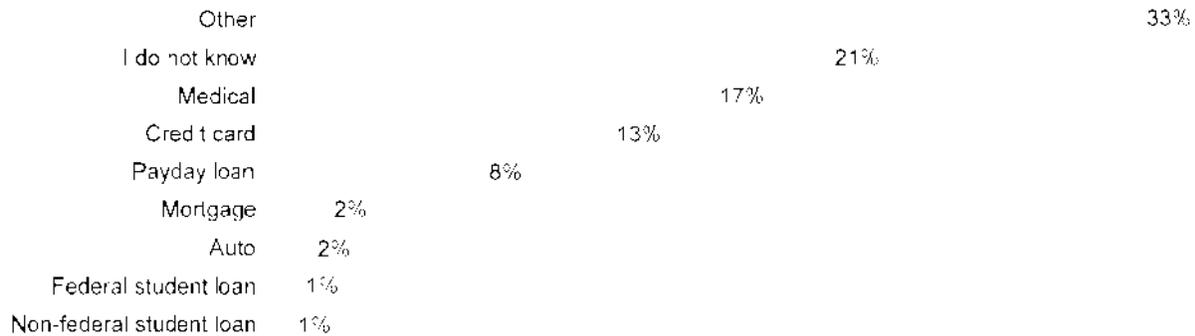
7% via telephone calls. Referrals accounted for 12% of all complaints handled by the CFPB. The rest were submitted by mail, email, and fax.

The tables and figures presented below show complaints by type, actions taken, company responses, and consumers' feedback about company responses.¹⁰

3.2 Consumers' debt collection complaints

Figures 5 and 6 and Table 1 show the types of debt collection complaints reported by consumers for the approximately 88,000 debt collection complaints the CFPB has handled. Approximately 41,400 (or 47%) of all debt collection complaints handled by the CFPB in 2016 were sent by Consumer Response to companies for review and response. The remaining complaints have been referred to other regulatory agencies (38%), found to be incomplete (10%), or are pending with the CFPB or the consumer (4% and 1%, respectively). These complaints include first-party (creditors collecting on their own debts) and third-party collections.

FIGURE 5: TYPES OF DEBT CONSUMERS COMPLAIN ABOUT



Debt collection complaints led both the daily and monthly volume of complaints handled by the CFPB in 2016. The issues that consumers selected in 2016 were similar to the issues they selected in 2015.

¹⁰ Percentages may not sum to 100 percent due to rounding.

FIGURE 6: TYPES OF DEBT COLLECTION COMPLAINTS REPORTED BY CONSUMERS

Continued attempts to collect debt not owed	41%
Disclosure verification of debt	20%
Communication tactics	15%
False statements or representation	9%
Taking or threatening an illegal action	9%
Improper contact or sharing of info	6%

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)	41%
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)	20%
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)	15%
False statements or representation (Attempted to collect wrong amount, impersonated attorney, law enforcement or government official, indicated committing crime by not paying debt, indicated should not respond to lawsuit)	9%
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)	9%
Improper contact or sharing of information (Contacted me after I asked not to, contacted my employer, contacted me instead of my attorney, talked to a third party about my debt)	6%
Total Debt Collection Complaints	100%

Many of the trends identified in 2015 continued into 2016. The most common type of debt collection complaint is about continued attempts to collect a debt that the consumer reports is not owed. In some of these complaints, consumers reported not being provided documentation to verify the debt, even after written, timely requests were submitted for verification of the purported debts.

In other complaints, consumers complained that first-party collectors (creditors collecting on their own debts) forwarded their accounts to third-party collectors for a debt that was not owed. Upon dispute with the third-party collector, consumers reported that the debt was sent back to the first-party, only to be later sent to a new third-party collector. Some consumers reported that collectors place the onus of proving that the debt is not owed on consumers throughout this cycle. Consumers reported their accounts were forwarded to third-party collectors without any prior contact from the first-party collectors of an outstanding balance. Some complained that accounts had been negatively reported to credit reporting companies even after communicating with the first- and third-parties that the debt was not owed. Consumers also reported that their accounts were not in a delinquent status prior to contact by third-party collectors.

Communication tactics used by debt collectors was a common issue raised by consumers. Many of these consumers reported that they received multiple calls weekly or even daily. According to many consumers, requests to cease communications were not honored. For both first- and third-party collectors, consumers reported continued communications following an oral or written request to cease communications.

Consumers continued to report that frequent or repeated calls are a commonly used collection tactic. In many complaints, consumers described collection calls to their place of employment even after having informed collectors that contact at work was prohibited by their employers. Some consumers reported that collectors made in-person visits to their workplace. In 2016, there was a slight increase in the number of consumers who complained about debt collectors who talked to a third party about their debt. Some of these consumers described how their debt was disclosed to a supervisor or other third-party.

Consumers submitting medical debt collection complaints increased slightly in 2016. In the submission of complaints where “medical” was identified as the type of debt, consumers selected “debt was paid” and “debt was not mine” as their primary issue in the majority of the complaints. Frequently, consumers stated that third-party debt collectors attempted to collect medical debt with incorrect balances. In many of these complaints, consumers reported that they were not given enough information to verify a debt. Some consumers reported they had secured a payment plan with the original party; however, the account was forwarded to collection agencies without regard to prior approved payment plans. Other complaints involved consumers’ insistence that the amount due was erroneous as they believed the amount pursued

by collectors was for expenses covered by their medical insurance.

3.3 Consumers' credit reporting complaints

Figure 7 and Table 2 show the types of credit reporting complaints, as reported by consumers for the approximately 54,000 credit reporting complaints handled by the CFPB. This includes approximately 44,000 (81%) about the three largest nationwide credit reporting companies – Equifax, Experian, and TransUnion. Approximately 45,300 (or 84%) of all credit reporting complaints handled by the CFPB in 2016 were sent by Consumer Response to companies for review and response. The remaining complaints have been referred to other regulatory agencies (0.3%), found to be incomplete (14%), or are pending with the consumer or the CFPB (2% and 0.3%, respectively).

FIGURE 7: TYPES OF CREDIT REPORTING COMPLAINTS REPORTED BY CONSUMERS

Incorrect information on credit report		74%
Credit reporting company's investigation	11%	
Improper use of credit report	6%	
Unable to obtain report or score	6%	
Credit monitoring or identity protection	3%	

TABLE 2: 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)	74%
Credit reporting company's investigation (Investigation took too long, Did not get proper notice of investigation status or results, Did not receive adequate help over the phone, Problem with statement of dispute)	11%
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)	6%
Unable to get my credit report or credit score (Problem getting free annual report, Problem getting report or credit score)	6%
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)	3%
Total Credit Reporting Complaints	100%

The most common type of credit reporting complaint continues to be about information the consumer believes to be incorrect appearing on the consumer's credit report, such as information that does not belong to the consumer, incorrect account status, and incorrect personal information. These complaints frequently involve debt collection items. In some cases, consumers report having paid the debt appearing on their report. In other complaints, consumers assert the debt is no longer due because the debt is too old to be enforced in court. These complaints may reflect confusion about the fact that information on past overdue debt—even when paid or no longer enforceable because of limitations—often can remain on a credit report. Other complaints state that the debt belongs to a different consumer, or consumers state that they do not recognize the debt. Delays in updating inaccurate records, problems correcting inaccurate records, and public records being incorrectly matched to their credit reports continue to be frequent issues cited by consumers.

Consumers continued to report having trouble accessing their credit reports because they cannot answer detailed identity authentication questions. If denied access to their report because they failed online authentication, the option available is to mail copies of sensitive, identifying documents, which consumers note is time-consuming and worry is potentially unsecure.

The three national credit reporting companies reported providing relief – monetary or nonmonetary – in response to approximately 23% of incorrect information complaints and complaints about the credit reporting companies' investigations sent to them for response. Providing relief to consumers varies by company with Experian providing relief in response to approximately 41% of complaints, Transunion providing relief in response to approximately 25% of complaints, and Equifax providing relief in response to approximately 5% of complaints.

In addition to complaints about the three nationwide credit reporting companies—Equifax, Experian, Transunion—consumers submitted numerous complaints about specialty and other consumer reporting companies. These companies specialize in providing reports in a number of areas, including background and employment screening, checking account screening, rental screening, and insurance screening. Difficulty resolving inaccuracies is a major concern for consumers submitting complaints about specialty consumer reporting companies. These consumers report long delays, negative customer service experiences, and failed attempts to have inaccurate negative information removed.

Tables 3 and 4 take a closer look at the two largest issue categories chosen by consumers that show the extent to which the sub-issues that consumers choose when submitting complaints about inaccurate information on their credit reports and credit reporting companies' investigations are similar at the three nationwide credit reporting companies.

TABLE 3: SUB-ISSUES OF INCORRECT INFORMATION IN CREDIT REPORTING COMPLAINTS

Sub-issue for incorrect information in credit report complaints	Equifax	Experian	TransUnion	National credit reporting companies
Information is not mine (Belongs to someone else, identity theft, fraud, etc.)	35%	38%	32%	35%
Account status (Paid bill on time, account closed, etc.)	30%	32%	27%	30%
Account terms (Creditor name/info, balance, payment, etc.)	10%	11%	11%	11%
Public record (Bankruptcy, judgment, etc.)	11%	7%	8%	9%
Personal information (Wrong date of birth, address, etc.)	8%	8%	8%	8%
Reinserted previously deleted information	6%	4%	15%	8%
Total Incorrect Information in Credit Report Complaints	100%	100%	100%	100%

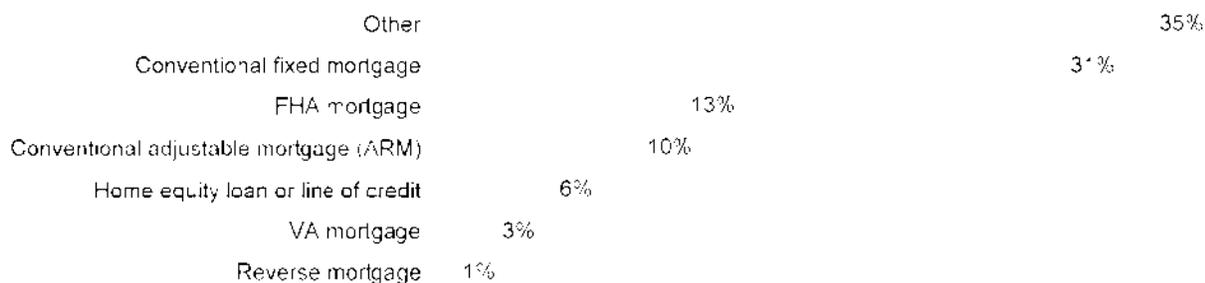
TABLE 4: SUB-ISSUES OF CREDIT REPORTING COMPANY'S INVESTIGATION COMPLAINTS

Sub-issue for credit reporting company's investigation complaints	Equifax	Experian	TransUnion	National credit reporting companies
No notice of investigation status or result	36%	44%	41%	40%
Problem with statement of dispute	32%	30%	28%	30%
Investigation took too long	23%	17%	19%	20%
Inadequate help over the phone	10%	10%	12%	10%
Total Credit Reporting Company's Investigation Complaints	100%	100%	100%	100%

3.4 Consumers' mortgage complaints

Figures 8 and 9 and Table 5 show the types of mortgage complaints reported by consumers for the approximately 51,200 mortgage complaints the CFPB has handled. Approximately 43,000 (or 84%) of all mortgage complaints handled by the CFPB in 2016 were sent by Consumer Response to companies for review and response. The remaining complaints have been referred to other regulatory agencies (11%), found to be incomplete (3%), or are pending with the consumer or the CFPB (0.4% and 1%, respectively).

FIGURE 8: TYPES OF MORTGAGE PRODUCTS CONSUMERS COMPLAIN ABOUT



For mortgage complaints, as with all other complaints, the consumer selects the issue that best describes the problem they are having. These issues correspond to the part of the mortgage process with which they are having a problem. Reflecting the complexity and interrelated nature of mortgages and mortgage issues, consumers are not asked to provide further specificity by selecting a sub-issue. This ensures the reliability of mortgage complaint data that we collect from consumers and share in reports and through the Consumer Complaint Database.

FIGURE 9: TYPES OF MORTGAGE COMPLAINTS REPORTED BY CONSUMERS

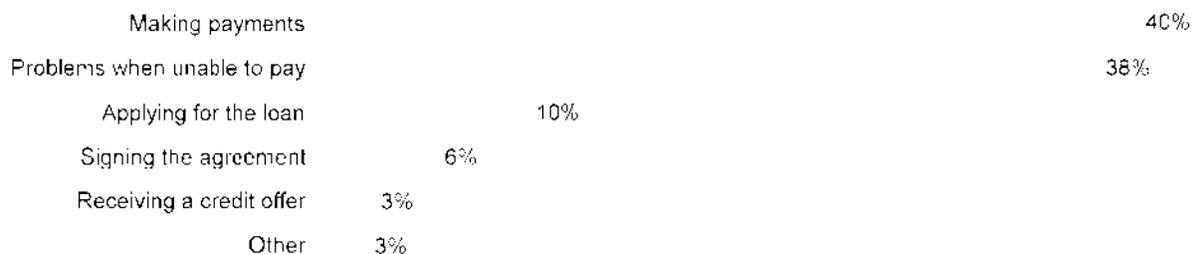


TABLE 5: TYPES OF MORTGAGE COMPLAINTS REPORTED BY CONSUMERS

Types of mortgage complaints	%
Making payments (Loan servicing, payments, escrow accounts)	40%
Problems when you are unable to pay (Loan modification, collection, foreclosure)	38%
Applying for the loan (Application, originator, mortgage broker)	10%
Signing the agreement (Settlement process and costs)	6%
Receiving a credit offer (Credit decision/Underwriting)	3%
Other	3%
Total Mortgage Complaints	100%

Complaint submissions increased in 2016 for consumers who reported the issue of “making payments (loan servicing, payments, escrow accounts).” Consumers complaining about the servicing transfer of their loan account voiced concerns of mismanagement of payments when made to either the prior or current servicer on or around the effective date of transfer. Many of these consumers reported that payment was not credited to their account. Some consumers reported post service transfer issues involving their escrow account resulted in an increase to their monthly payment with no clear explanation provided by their servicers. Additionally, consumers who reported being involved in the loss mitigation assistance process at the time of the loan servicing transfer complained that documentation (e.g., applications, modification approvals) was not provided to the new servicer.

Some consumers reported missing loan payments, resulting in delinquent account statuses and negative reporting of the account to credit reporting companies. A number of consumers complained of payment issues involving monthly payments made via bill pay services with their financial institutions. These consumers reported that payments were electronically transmitted to their servicers, but not credited to their loan account. Consumers who were approved for loss mitigation options—for example, a trial period plan, forbearance agreement, or loan

modification—reported that their payments were not accepted or applied as intended.

In managing escrow accounts, instances of over-collection, unexplained shortages, and untimely tax and insurance disbursements are all common issues that consumers reported. Consumers complained that the escrow discrepancies led to erroneous increases to their mortgage installment amount. Consumers reported that after paying an identified shortage disclosed in their escrow analysis statement, funds were not applied accurately and resulted in an increase in their monthly payment. Other complaints involved issues regarding the disbursement of funds from escrow accounts to pay for collections. Some consumers reported that despite having an escrow account for insurance, their servicer failed to submit timely payment to their homeowner's insurance company, which ultimately left their property without adequate coverage.

The next most complained about issue involved problems consumers report when they are unable to pay, loan modification, collection, and foreclosure. In particular, complaints involving the loss mitigation assistance process often detailed repeated requests by servicers for submission of the same documentation and lack of responsiveness from the consumers' single point of contact. Some consumers reported receiving conflicting and confusing foreclosure notifications while undergoing loss mitigation assistance review. Many consumers complained about the denial of their modification applications, while others stated that the terms of the modification offered to them were unaffordable.

Communication issues were reported by consumers as attempts to contact their servicers were met with difficulty and often resulted in confusing and contradictory information. Consumers seeking to obtain clarification regarding loan account reinstatement amounts, charges and fees, or interest rate increases stated they were provided ambiguous information. Some consumers described their experience as frustrating and asserted that the low level of customer service attributed to the delay in account resolution.

Consumers reported that after having experienced property damage, they filed insurance claims, received their claims benefit checks, and forwarded those checks to their servicers. However, these consumers stated that servicers delayed releasing funds needed to make necessary repairs to their homes despite having provided all required documentation.

Consumer complaints about mortgage originations often involved reports of prolonged and

confusing application and approval processes. Some consumers described unresponsive loan representatives and stated that they were required to submit multiple loan applications. A number of consumers reported that processing delays resulted in the loss of favorable interest rates and expiration of rate locks.

3.5 Consumers' bank account and service complaints

Figures 10 and 11 and Table 6 show the types of bank account and service complaints, such as complaints about checking and savings accounts, as reported by consumers for the approximately 28,400 complaints handled by the CFPB. Approximately 22,200 (or 78%) of all bank account or service complaints handled by the CFPB in 2016 were sent by Consumer Response to companies for review and response. The remaining complaints have been referred to other regulatory agencies (16%), found to be incomplete (4%), or are pending with the consumer or the CFPB (0.5% and 1%, respectively).

FIGURE 10: TYPES OF BANK ACCOUNTS AND SERVICES CONSUMERS COMPLAIN ABOUT



FIGURE 11: TYPES OF BANK ACCOUNT AND SERVICE COMPLAINTS REPORTED BY CONSUMERS

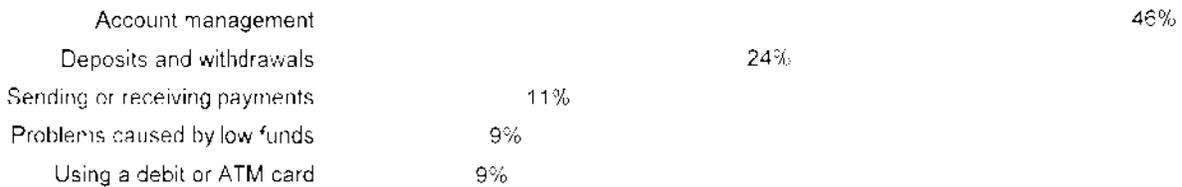


TABLE 6: TYPES OF BANK ACCOUNT AND SERVICE COMPLAINTS REPORTED BY CONSUMERS

Types of bank account and service complaints	%
Account opening, closing, or management (Confusing marketing, denial, disclosure, fees, closure, interest, statements, joint accounts)	46%
Deposits and withdrawals (Availability of deposits, withdrawal problems and penalties, unauthorized transactions, check cashing, payroll deposit problems, lost or missing funds, transaction holds)	24%
Making or receiving payments (Problems with payments by check, card, phone or online, unauthorized or fraudulent transactions, money/wire transfers)	11%
Problems caused by my funds being low (Overdraft fees, late fees, bounced checks, credit reporting)	9%
Using a debit or ATM card (Disputed transaction, unauthorized card use, ATM or debit card fees, ATM problems)	9%
Total Bank Account and Service Complaints	100%

Consumers submit complaints about accounts or services offered by banks, credit unions and nonbank companies under the general category of “bank accounts or services.” The most common type of bank account and service complaint continues to relate to opening, closing, or managing the account. Consumer complaints about the use of consumer and credit reporting data for account screening are also common. Consumers frequently mentioned learning of a furnisher’s past negative reporting to both specialty reporting companies and national credit reporting companies when they attempted to open a new bank account. Consumers also expressed that they have difficulty addressing potential errors on their reports. Promotional offers for opening new accounts were the focus of a number of complaints, including offers for airline miles and promotional cash. Some of these complaints involved the consumer’s eligibility for the promotional offer—for example, when a consumer applies for an offer that they were not eligible for. Other complaints involved disputes over whether the consumer had met the required terms for a promotional offer.

Complaints related to overdrafts remain common, including complaints about transaction

ordering. Consumers complained about overdrafts that took place because of confusion over the availability of funds that they were attempting to deposit. Consumers also regularly complained about the size of overdraft fees when making small dollar purchases. Other fees, including insufficient fund fees, extended overdraft fees and monthly maintenance fees were also frequently the subject of complaints.

The availability of funds deposited via check or through direct deposit is a concern for consumers. Consumers expressed frustration with bank check holding policies and by the length of time it takes for various negotiable instruments to clear and become available. A number of these complaints involved mobile deposit applications and problems that consumers encountered when using them—including institutions having different funds availability policies for mobile deposits.

Consumers also frequently complained about error resolution procedures for their deposit accounts, including timelines for investigation and provisional credit for disputed transactions. Consumers often asserted that a specific transaction was not authorized or that they were victims of fraud or identity theft. The meaning of authorization in the context of error resolution appears to cause confusion for some consumers as they attempted to dispute transactions because they were dissatisfied with the products or services that they purchased.

A number of consumers have submitted complaints related to the probate process. These consumers frequently mentioned difficulty getting information about and access to their deceased relatives' accounts. These complaints often involved different types of accounts, including savings accounts, certificates of deposit, trust accounts, and retirement accounts.

3.6 Consumers' credit card complaints

Table 7 shows the most common types of credit card complaints that the CFPB has handled as reported by consumers. Seventy three percent of the approximately 26,600 credit card complaints fell into these ten categories. Approximately 21,400 (or 81%) of all credit card complaints handled by the CFPB in 2016 were sent by Consumer Response to companies for review and response. The remaining complaints have been referred to other regulatory agencies (14%), found to be incomplete (3%), or are pending with the consumer or the CFPB (0.4% and 1%, respectively).

TABLE 7: MOST COMMON CREDIT CARD COMPLAINTS REPORTED BY CONSUMERS

Most common credit card complaints	%
Billing disputes	17%
Other	13%
Identity theft / Fraud / Embezzlement	12%
Closing / Cancelling account	7%
Customer service / Customer relations	4%
Delinquent account	4%
APR or interest rate	4%
Rewards	4%
Advertising and marketing	4%
Late fee	3%
Credit Card Complaints in Top 10 Types	73%

Billing disputes continue to be the most common type of credit card complaint. Consumers complained about the application of payments to their accounts with multiple balances and different expiration periods that resulted from balance transfers, cash advances, or deferred interest purchases. These consumers expressed that they were inadequately informed of how their payments would be applied and were surprised that payments were not applied to promotional or deferred interest balances with limited terms. Some consumers also thought that no interest charges would be incurred during the deferral period regardless of whether the debt is paid in full.

Some consumers who received insurance products (e.g., phone or travel insurance), warranty extensions and guaranties, improved return policies, price protection services, and other similar benefits through their card programs complained about difficulties they reported experiencing while attempting to take advantage of these benefits.

Credit decisions, including initial application decisions and servicing changes (e.g., interest rate

adjustments, credit limit reductions), were frequently the subject of complaints. Consumers complained of difficulty understanding determinations made by credit card companies and the reasons stated on letters explaining the decisions. These consumers also expressed concern about existing terms on their credit report that they felt did not reflect their creditworthiness. Other consumers expressed a belief that prejudice or bias may have impacted those credit decisions.

Consumers continued to submit complaints regarding the closure of their account without their knowledge or consent. In response to these complaints, companies often replied that the consumer's account was closed because of default or suspected fraud. Also, consumers expressed a concern about the potential negative effect on their credit score when accounts were closed due to inactivity. Some of these consumers stated that they would have used the cards in question if they had been notified of the impending closure.

Misleading offers for rewards program was a topic of concern for many consumers. These consumers complained of difficulty when attempting to receive promised benefits and felt that the terms and conditions of the programs were not clearly explained when they opened the card. Complaints about bonus points or miles programs, cash back programs, and travel benefits programs were especially common in these complaints.

Consumers expressed frustration with various fees and additional costs associated with their credit cards. For example, although consumers appear to understand why late fees are assessed to their accounts, many felt that the fees should not be applied when an automatic payment failed or when a billing statement did not arrive in a timely manner.

3.7 Consumers' consumer loan complaints

Figures 12 and 13 and Table 8 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 16,400 consumer loan complaints handled by the CFPB. Approximately 9,800 (or 60%) of all consumer loan complaints handled by the CFPB in 2016 were sent by Consumer Response to companies for review and response. The remaining complaints have been referred to other regulatory agencies (28%), found to be incomplete (7%), or are pending with the consumer or the CFPB (1% and 4%, respectively).

FIGURE 12: TYPES OF CONSUMER LOANS CONSUMERS COMPLAIN ABOUT

Vehicle loan		48%
Installment loan	37%	
Vehicle lease	8%	
Personal line of credit	4%	
Title loan	2%	
Pawn loan	0.5%	

FIGURE 13: TYPES OF CONSUMER LOAN COMPLAINTS REPORTED BY CONSUMERS

Managing the loan, lease or line of credit		45%
Problems when you are unable to pay	22%	
Taking out loan or lease or account terms and changes	18%	
Shopping for a loan, lease, or line of credit	12%	
Other	2%	
Charged fees or interest I didn't expect	1%	

TABLE 8: 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)	45%
Problems when you are unable to pay (Debt collection, repossession, set-off from bank account, deficiency, bankruptcy, default)	22%
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)	18%
Shopping for a loan, lease, or line of credit (Sales tactics or pressure, credit denial, confusing advertising or marketing)	12%
Other	2%
Charged fees or interest I didn't expect	1%
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, default, and problems when taking out the loan or lease, such as term changes. Consumers continued to complain that they experienced a “bait and switch” where the lenders offers favorable terms to attract their interest in a product and then changes those terms right before the contract is consummated. This behavior was described as confusing and often led to consumers paying much more for a loan than they were initially told.

In 2016, consumer loan complaints with the sub-product of vehicle loan were submitted more frequently than other sub-products. In these complaints, consumers complained about payment processing issues, including not having their payments applied to their accounts in a timely and correct manner. Consumers also complained of inaccurate debiting of their bank accounts for monthly payments. Some consumers complained that they did not understand why their account balances were not decreasing after making a larger number of monthly payments. These consumers indicated that they did not fully understand the effects of fees and high interest rates on the total cost of their loans.

3.8 Consumers’ student loan complaints

Figure 14 and Table 9 show the types of student loan complaints as reported by consumers for the approximately 12,300 student loan complaints handled by the CFPB¹¹. Approximately 8,300 (or 68%) of all student loan complaints handled by the CFPB in 2016 were sent by Consumer Response to companies for review and response. The remaining complaints have been referred to other regulatory agencies (17%), found to be incomplete (12%), or are pending with the consumer or the CFPB (2% and 2%, respectively).

¹¹ The Bureau began handling Federal student loan servicing complaints on February 25, 2016. The Bureau does not handle complaints about financial aid eligibility or Federal student loan origination (getting a loan).

FIGURE 14: TYPES OF STUDENT LOAN COMPLAINTS REPORTED BY CONSUMERS



TABLE 9: TYPES OF STUDENT LOAN COMPLAINTS REPORTED BY CONSUMERS

Types of student loan complaints	%
Dealing with lender or servicer (Making payments, getting information about my loan, Managing my account)	67%
Can't repay my loan (Fees, default, bankruptcy, billing, deferment, forbearance, fraud, credit reporting)	30%
Getting a loan (Confusing terms, rates, denial, confusing advertising or marketing, sales tactics or pressure, financial aid services, recruiting)	2%
Total Student Loan Complaints	100%

The most common type of student loan complaint is related to dealing with a lender or servicer and includes issues such as making payments, getting information about a loan, and managing an account. Borrowers continued to report issues involving loan servicing, including payment processing problems, difficulty in obtaining documented loan account history, inaccurate account status, and customer service experiences when inquiring on repayment options.

More frequently than other issues, non-federal and federal student loan borrowers expressed their concerns relating to trouble with how payments are handled. Borrowers complained of misapplied payments and inaccurate accounting of payments. Some borrowers complained of misapplication of payments and reported that payments were not applied to specified accounts, but rather applied to all accounts managed by the servicer.

Some federal student loan borrowers reported that when contacting their loan servicers regarding financial distress, servicers provided them with information on hardship forbearance or deferment, instead of more beneficial options like income-driven repayment plans. Also, confusion on the difference between forbearance and deferment options was expressed by

borrowers of private and federal loans.

Federal student loan borrowers complained of difficulty enrolling in income-driven repayment plans. Borrowers reported lost documentation, extended application processing times, and unclear guidance when seeking to switch from one income-driven repayment plan to another.

Additionally, federal student loan borrowers described their experiences when trying to obtain guidance in completing annual income recertification for their income-driven repayment plan. These borrowers reported receiving insufficient information from their servicers to meet recertification deadlines and lengthy processing times.

Non-federal and federal student loan borrowers reported issues of incorrect reporting of their loans to the credit reporting companies. Borrowers stated that their loan accounts were paid in full or not in a delinquent status but were being reported negatively. Some borrowers reported being contacted by collection companies for accounts that had been paid in full or for debts that were not owed.

3.9 Consumers' payday loan complaints

In addition to the 7,300 payday loan related debt collection complaints reported in section 3.2, figures 15 and 16 and Table 10 show the types of payday loan complaints reported by consumers for the approximately 4,400 payday loan complaints the CFPB has handled. Approximately 1,800 (or 41%) of all payday complaints handled by the CFPB in 2016 were sent by Consumer Response to companies for review and response. The remaining complaints have been referred to other regulatory agencies (41%), found to be incomplete (13%), or are pending with the consumer or the CFPB (1% and 4%, respectively).

FIGURE 15: TYPES OF PAYDAY LOAN COMPLAINTS REPORTED BY CONSUMERS

Cannot contact lender	31%
Charged fees or interest I did not expect	30%
Received a loan I did not apply for	14%
Applied for a loan, but didn't receive money	7%
Payment to account not credited	7%
Can't stop lender from charging my bank account	7%
Lender charged my bank account on wrong day or for wrong amount	4%

FIGURE 16: TYPES OF PAYDAY LOANS CONSUMERS COMPLAIN ABOUT

Online	56%
Not stated	30%
In person or at a store	14%

Of the 4,400 payday loan complaints submitted by consumers, approximately 56% were about problems consumers reported experiencing after obtaining (or attempting to obtain) a payday loan online. Approximately 14% reported problems when obtaining a payday loan in person or at a store. For the remaining approximately 30% of complaints, the consumer did not indicate how the loan was obtained.

TABLE 10: TYPES OF PAYDAY LOAN COMPLAINTS REPORTED BY CONSUMERS, BY TYPE OF LOAN

Types of Payday Complaints	In person / at the store	Online	Not stated	Total
Cannot contact lender	13%	44%	43%	31%
Charged fees or interest I did not expect	14%	70%	17%	30%
Received a loan I did not apply for	7%	41%	52%	14%
Applied for a loan, but didn't receive money	11%	65%	24%	7%
Payment to account not credited	29%	53%	18%	7%
Can't stop lender from charging my bank account	21%	67%	12%	7%
Lender charged my bank account on wrong day or for wrong amount	29%	61%	10%	4%

The most common type of payday loan complaint received in 2016 is about problems with contacting the lender. Consumers also commonly complained about being charged unexpected fees or interest and receiving loans for which they did not apply. Table 10 illustrates the types of issues reported by consumers based on the reported source of the loan.

The remaining complaints involved issues identified in 2015 that continued into 2016, such as payment issues surrounding check holding and electronic debit authorization that hands control of the consumer's bank account over to the lender. Some consumers complained that the payday lender re-presented a check several times, causing their account to incur multiple insufficient funds or overdraft fees.

Consumer confusion relating to repayment terms was frequently expressed. These consumers complained of the lack of clarity about repayment of the loan using automatic withdrawal features on a bank card, on a prepaid card, or by direct deposit. Consumers with multiple advances stated their difficulty managing a short repayment period and more often rolled-over the loan, resulting in an inflated total cost of the loan.

The cost and structure of a particular loan can make it difficult for consumers to repay. Consumers raised concerns such as the risk of being unable to repay the loan while still having

enough money left over for other expenses, the high cost of the loan, and aggressive debt collection practices in the case of delinquency or default.

3.10 Consumers' prepaid card complaints

Figure 17 and Table 11 show the types of prepaid card complaints reported by consumers for the approximately 2,500 prepaid card complaints the CFPB has handled. Approximately 1,300 (or 50%) of all prepaid complaints handled by the CFPB in 2016 were sent by Consumer Response to companies for review and response. The remaining complaints have been referred to other regulatory agencies (37%), found to be incomplete (8%), or are pending with the consumer or the CFPB (1% and 4%, respectively).

FIGURE 17: TYPES OF PREPAID CARD COMPLAINTS REPORTED BY CONSUMERS

Unauthorized transactions or other transaction issues	33%
Managing, opening or closing your account	29%
Fraud or scam	22%
Fees	7%
Advertising, marketing, or disclosures	4%
Adding money	4%
Overdraft, savings or rewards features	2%

TABLE 11: TYPES OF PREPAID CARD COMPLAINTS REPORTED BY CONSUMERS

Types of prepaid card complaints	%
Unauthorized transactions or other transaction issues	33%
Managing, opening, or closing your account	29%
Fraud or scam	22%
Fees	7%
Advertising, marketing, or disclosures	4%
Adding money	4%
Overdraft, savings or rewards features	2%
Total Prepaid Card Complaints	100%

The most common type of prepaid card complaint involved unauthorized transactions or other transaction issues. Another common type of complaint was about managing, opening, or closing a prepaid card account.

Consumers complained that they were unable to access funds loaded on their prepaid cards for extended periods of time. Frequently, these consumers also expressed hardships resulting from the lack of access to their funds. Some consumers stated that after disputing a particular charge, the company would often freeze the entire available balance to prevent further loss while the claim was under review. During the review process, companies sometimes requested additional information—such as purchase receipts or original packaging—which the consumer often stated was no longer in their possession.

Consumers reported difficulty using prepaid cards. Some of these consumers stated that their cards were cancelled without notification. Consumers stated that they had to contact the company numerous times before a new card was issued.

Consumers who received a prepaid card as a refund complained that they were unable to activate the card, access the funds, or both. Subsequently, for some of these consumers, dormancy fees were assessed, depleting the card balance.

Consumers reported that companies sometimes issued cards without proper verification resulting in theft of their funds. These consumers stated they experienced prolonged investigations of their claims, leaving them without access to their money for extended periods of time.

Consumers raised issues involving the management of prepaid card accounts. In some of these complaints, consumers reported balance discrepancies for cards, especially if they were unable to check their balance and transaction history online or were not provided with statements. Consumers also complained of delayed credits to their prepaid card after notifying the company of a fraudulent or unauthorized charge or after a purchase had been cancelled or returned.

3.11 Consumers’ money transfer complaints

Figures 18 and 19 and Table 12 show the types of money transfer complaints reported by consumers for the approximately 2,300 money transfer complaints the CFPB has handled. Approximately 1,600 (or 68%) of all money transfer complaints handled by the CFPB in 2016 were sent by Consumer Response to companies for review and response. The remaining complaints have been referred to other regulatory agencies (22%), found to be incomplete (7%), or are pending with the consumer or the CFPB (0.9% and 3%, respectively).

FIGURE 18: TYPES OF MONEY TRANSFERS CONSUMERS COMPLAIN ABOUT

Domestic (US) money transfer	57%
International money transfer	43%

FIGURE 19: TYPES OF MONEY TRANSFER COMPLAINTS REPORTED BY CONSUMERS

Fraud or scam	36%
Other transaction issues	28%
Money was not available when promised	19%
Other service issues	9%
Wrong amount charged or received	4%
Incorrect or missing disclosures or info	4%

TABLE 12: TYPES OF MONEY TRANSFER COMPLAINTS REPORTED BY CONSUMERS

Types of money transfer complaints	%
Fraud or scam	36%
Other transaction issues (Unauthorized transaction, cancellation, refund, etc.)	28%
Money was not available when promised	19%
Other service issues	9%
Wrong amount charged or received	4%
Incorrect or missing disclosures or info	4%
Total Money Transfer Complaints	100%

The most common type of money transfer complaint is about fraud or scams. Many of these consumers complained that they sent money to a seller but did not receive the items they purchased in return. Other complaints involved consumers who frequently remit money to family members both domestically and internationally. A number of these consumers stated that they regularly used money transfers to provide for family members' basic living expenses. They often reported that the transfer recipients did not receive the money transfer, the amount received was smaller than expected, or the transfer encountered significant and unanticipated delays.

Consumers attempting to complete transactions through an online money transfer service often reported encountering problems with the dispute resolution process. Sellers describe several scenarios where they did not receive payments after sending the item to the buyer. This often occurred when the seller was told that the payment had been accepted, but was later cancelled. Cancellation was done either by the buyer due to a dispute or by the financial institution because of insufficient funds in the buyer's account.

Consumers reported that money transfer service providers placed holds on accounts without providing them with an explanation. Companies commonly reported that the hold was placed as a result of a risk-based model that will hold reserves on accounts in order to cover potential

losses arising from reversals or chargebacks.

Consumers who submitted complaints about international money transfers commonly reported delays and restrictions when attempting to make transfers. Many of these complaints are the product of company risk-based assessments, reviewed for compliance with United States regulations administered by the Office of Foreign Assets Control and consumer identification efforts. Consumers often complained that companies did not provide an adequate explanation of the process.

3.12 Other financial services complaints

Figure 20 and Table 13 show the types of other financial service complaints reported by consumers for the approximately 2,100 other financial services complaints the CFPB has handled. Approximately 500 (or 22%) of all other financial services complaints handled by the CFPB in 2016 were sent by Consumer Response to companies for review and response. The remaining complaints have been referred to other regulatory agencies (57%), found to be incomplete (13%), or are pending with the consumer or the CFPB (1% and 7%, respectively).

FIGURE 20: TYPES OF OTHER FINANCIAL SERVICE COMPLAINTS REPORTED BY CONSUMERS

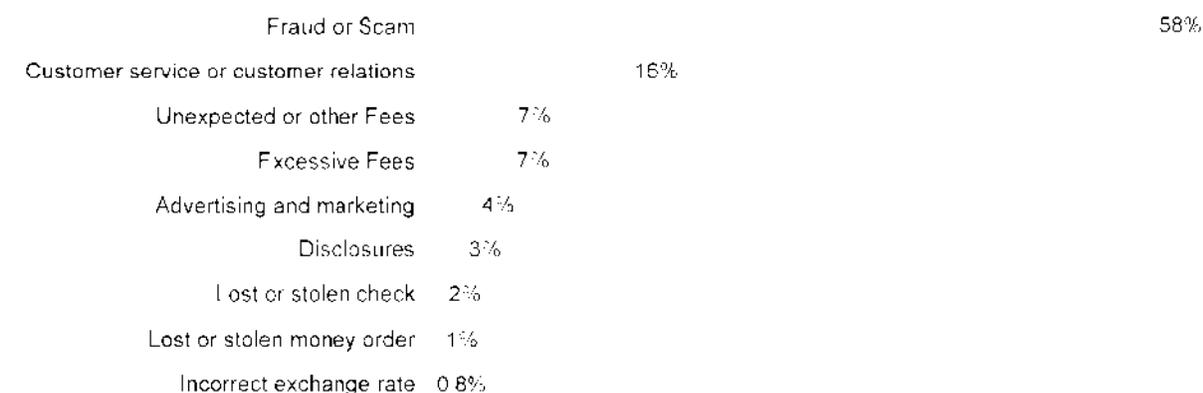


TABLE 13: TYPES OF OTHER FINANCIAL SERVICE COMPLAINTS REPORTED BY CONSUMERS

Types of other financial service complaints	%
Fraud or Scam	58%
Customer service/Customer relations	16%
Unexpected/Other Fees	7%
Excessive Fees	7%
Advertising and marketing	4%
Disclosures	3%
Lost or stolen check	2%
Lost or stolen money order	1%
Incorrect exchange rate	0.8%
Total other financial services	100%

The majority of the other financial service complaints were about debt settlement, refund anticipation check, and credit repair. Some consumer complaints about debt settlement are related to debt collection and consumers' attempts to reduce their debt balance with their original creditor. Many of these complaints involved consumer reports of possible fraud or scams. Consumers reported making good faith payments to debt relief companies to pay off existing debt to creditors. Some of these consumers state that the payments were never forwarded to their creditors and they are now facing lawsuits for accounts they presumed were paid.

Consumers who submitted check cashing complaints frequently mentioned the high costs. This was especially common for consumers who don't have a bank account at the institution where they were attempting to cash the check. A number of these consumers also complained about being unable to cash checks. In many instances, these checks were not cashed because of recommendations made by check authorization and warranty companies.

Consumers also complained about difficulties redeeming money orders and about problems

encountered when money orders were lost. In many of these complaints, consumers expressed dissatisfaction with the error resolution processes available to them and the length of time required to resolve errors.

Money order, traveler's check/cashier's check, and foreign check complaints frequently involved consumers who believed that they were victims of a scam. These complaints involved common scams, such as those that involve providing advance payment before goods are delivered or services are rendered. Scam victims may be unable to secure redress from their financial institutions.

Consumers looking to repair their credit expressed concern of being scammed by credit repair companies after no relief was provided and requests for reimbursement went unacknowledged.

3.13 How companies respond to consumer complaints

Approximately 196,900 (or 68%) of all complaints handled by the CFPB between January 1, 2016, and December 31, 2016, were sent by Consumer Response to companies for review and response.¹² Table 14 shows how companies responded to these complaints during this time period. Company responses include descriptions of steps that have been 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 that have been or that will be taken in response to the complaint. "Closed with non-monetary relief"

¹² The remaining complaints have been referred to other regulatory agencies (21%), found to be incomplete (8%), or are pending with the consumer or the CFPB (1% and 2%, respectively).

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 that have been 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 provide feedback about all company closure responses.

Companies have responded to approximately 94% of complaints¹³ sent to them and report having closed 90% of the complaints sent to them in 2016. Table 14 shows how companies have responded.

¹³ Companies have responded to approximately 185,900 of the 196,900 sent to them for response.

TABLE 14: HOW COMPANIES HAVE RESPONDED TO CONSUMER COMPLAINTS

	Closed with monetary relief	Closed with non-monetary relief	Closed with explanation	Closed (without relief or explanation)	Administrative response	Company reviewing	Company did not provide a timely response
Debt collection	<1%	12%	70%	3%	3%	4%	8%
Credit reporting	<1%	22%	70%	<1%	3%	4%	<1%
Mortgage	3%	3%	82%	2%	3%	5%	2%
Bank account or service	18%	8%	62%	2%	1%	5%	4%
Credit card	20%	10%	63%	<1%	2%	4%	1%
Consumer loan	5%	7%	72%	2%	2%	5%	6%
Student loan	3%	6%	85%	<1%	<1%	3%	2%
Payday loan	3%	2%	66%	3%	14%	2%	10%
Prepaid	21%	6%	64%	2%	2%	4%	1%
Money transfer	9%	5%	76%	1%	<1%	5%	3%
Other financial service	10%	2%	63%	5	1%	6%	12%
All	6%	11%	72%	2%	3%	4%	3%

Companies have the option to identify their responses to particular complaints as being “Closed with non-monetary relief” when they provide non-monetary relief in response to complaints. In such cases, consumers have received a range of non-monetary relief, such as:

- providing mortgage foreclosure alternatives that do not have direct monetary value to the consumer, but that help them 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 from a credit file;
- correcting account information, including in credit reports; and
- addressing formerly unmet customer service issues.

Companies also have the option to report an amount of monetary relief, where applicable. In 2016, companies provided relief amounts in response to 11,330 complaints. For companies which have reported monetary relief, the median amount of relief reported was \$141; however, the amount varies by product, ranging from a median of \$500 in relief for mortgage complaints to \$29 in relief for credit reporting complaints.

TABLE 15: MONETARY RELIEF REPORTED BY COMPANIES

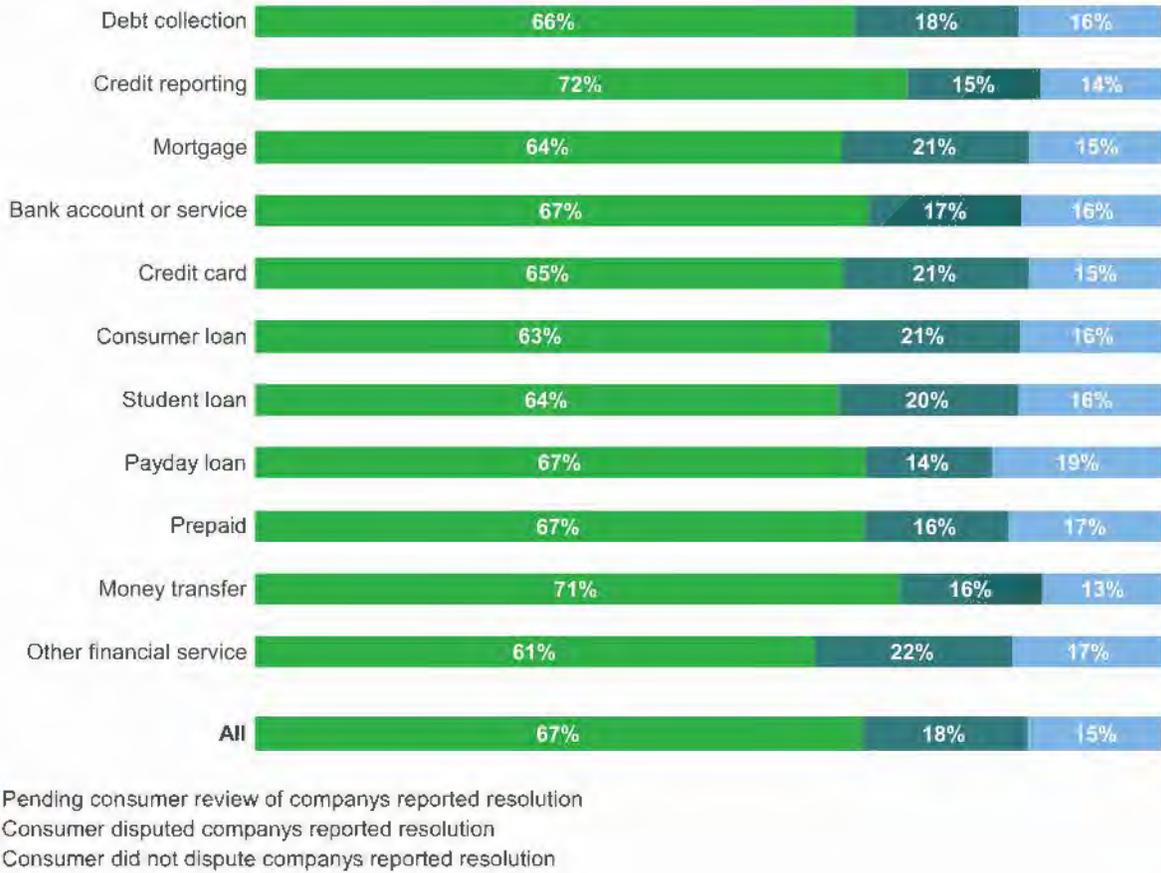
Product	Number of complaints	Median amount
Debt collection	360	\$316
Credit reporting	150	\$29
Mortgage	1,190	\$500
Bank account or service	4,060	\$108
Credit card	4,250	\$105
Consumer loan	530	\$200
Student loan	250	\$245
Payday loan	60	\$375
Prepaid	270	\$200
Money transfer	150	\$205
Other financial service	50	\$323
Overall	11,330	\$141

3.14 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 21 shows how consumers responded to the approximately 176,800 complaints where they were given the option to provide feedback.

Approximately 18% of consumers disputed the response provided by the company, while approximately 67% did not dispute the response during the feedback period. The rest were pending with consumers at the end of December 31, 2016.

FIGURE 21: CONSUMER FEEDBACK ABOUT COMPANY RESPONSES



3.15 Consumer Response investigation and analysis

Consumer Response analyzes consumer complaints, including the accuracy, completeness, and timeliness of a company’s responses as well as consumers’ feedback about that company’s responses, to ensure that consumers receive timely responses to their complaints and that the Bureau and other regulators, consumers, and the marketplace have the complaint information needed to improve the functioning of the consumer financial markets for such products and services. Consumer Response uses a variety of approaches to analyze consumer complaints including, for example, cohort and text analytics to identify trends and possible consumer harm.

Complaint analysis may prompt investigation of individual complaints or groups of complaints and possible referral to colleagues in the CFPB's Division of Supervision, Enforcement, and Fair Lending & Equal Opportunity for further consideration.

Consumer Response shares complaint data, analyzes, and offers insights to other offices to help the Bureau:

- Understand problems consumers are experiencing in the marketplace and the impact of those experiences on their lives;
- Develop tools to empower people to know their rights and protect themselves;
- Scope and prioritize examinations and ask targeted questions when examining companies' records and practices;
- Identify and stop unfair practices before they become major issues; and
- Investigate issues and take action when we find problems.

3.16 Conclusion

Listening to consumers and reviewing and analyzing their complaints is an integral part of the CFPB's work in understanding issues in the financial marketplace, and 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 in its work to supervise companies, to enforce Federal consumer financial laws, to write better rules and regulations, and to educate and engage consumers.

FIGURE 22: COMPLAINTS HANDLED FROM JULY 21, 2011, THROUGH DECEMBER 31, 2016 (BY STATE, AND THE DISTRICT OF COLUMBIA)



CHRISTOPHER A. COONS
DELAWARE

WWW.COONS.SENATE.GOV

127A RUSSELL SENATE OFFICE BUILDING
WASHINGTON, DC 20510
(202) 224-5042

United States Senate

WASHINGTON, DC 20510-0805

April 3, 2017

APPROPRIATIONS COMMITTEE
MEMBER

ETHICS SELECT COMMITTEE
MEMBER

FOREIGN RELATIONS COMMITTEE
MEMBER

JUDICIARY COMMITTEE
MEMBER

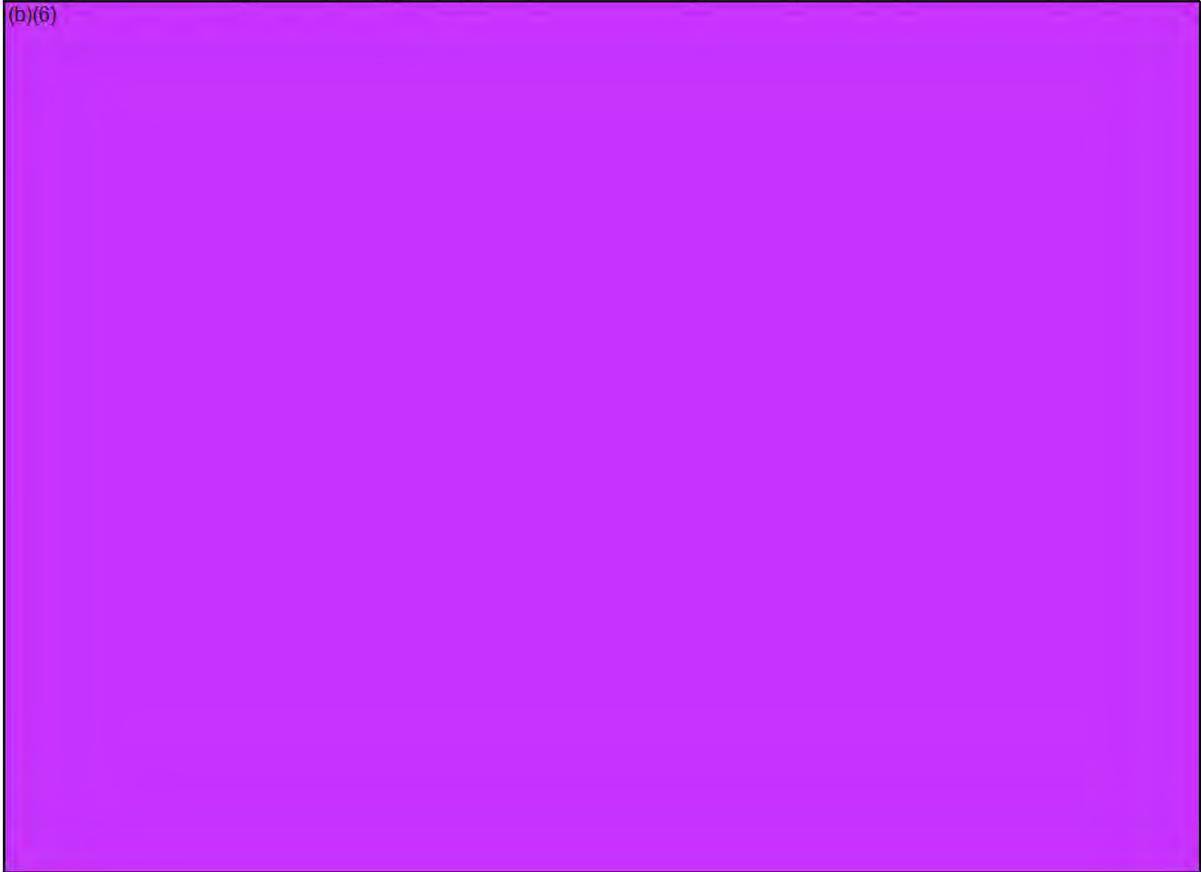
SMALL BUSINESS AND
ENTREPRENEURSHIP COMMITTEE
MEMBER

The Honorable Richard Cordray
Director
Consumer Financial Protection Bureau
1700 G St. NW
Washington, DC 20552

Dear Director Cordray,

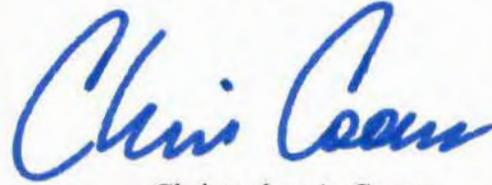
I would like to take this opportunity to recommend (b)(6) for
appointment to CFPB's Consumer Advisory Board. I ask that you give his application
your full and fair consideration.

(b)(6)



I encourage you to take (b)(6) relevant experience, expertise, and contributions to professional associations into consideration when making your selection. Please do not hesitate to contact me if you have any further questions.

Sincerely,

A handwritten signature in blue ink that reads "Chris Coons". The signature is fluid and cursive, with the first name "Chris" and last name "Coons" clearly distinguishable.

Christopher A. Coons
United States Senator

KEITH ELLISON
5TH DISTRICT, MINNESOTA

2263 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-4755

2100 PLYMOUTH AVENUE NORTH
MINNEAPOLIS, MN 55411
(612) 522-1212

ellison.house.gov
TWITTER: @keithellison



CHIEF DEPUTY WHIP
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FINANCIAL SERVICES COMMITTEE
SUBCOMMITTEE ON
OVERSIGHT AND INVESTIGATIONS
SUBCOMMITTEE ON CAPITAL MARKETS AND
GOVERNMENT SPONSORED ENTERPRISES
SUBCOMMITTEE ON
HOUSING AND INSURANCE

CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES

April 4, 2017

The Honorable Richard Cordray
Director
Consumer Financial Protection Bureau
1625 Eye Street N.W.
Washington, D.C. 20006

Dear Mr. Cordray:

I write to invite you to join my constituents in Minnesota for a discussion on the work of the Consumer Financial Protection Bureau (CFPB). Last year, you attended a very informative event on payday lending in my District. I believe financial firms, government officials, consumer advocates and others would benefit from a discussion of the work your staff and you have done to protect the American people from unfair, deceptive or abusive practices and from discrimination.

In the Fifth District of Minnesota, the tireless work of you and your staff has already returned nearly \$12 billion to 29 million Americans. You have also made our economy stronger by putting in place strong new rules that will protect consumers for years to come. You have also enforced rules that were ignored for too long. Your leadership on rules that stop predatory payday lending and incentive pay compensation systems that can lead to fraud are high priorities of mine. I'm also supportive of rules that protect student borrowers from fraud and buyers of manufactured homes from high-cost loans.

We are grateful for your consideration of this request to stop in the 5th District of Minnesota sometime in the coming year. We look forward to continuing to work with you to strengthen our financial system and ensure that it works for all Americans. Please contact Elyse Johnson in my office to coordinate a date and time that you may join us to talk about consumer protections. She may be reached at (b)(6)@mail.house.gov or by phone at (b)(6)

Sincerely,

Keith Ellison
Member of Congress

(b)(6)



Consumer Financial
Protection Bureau

1700 G Street, N.W., Washington, DC 20552

April 4, 2017

The Honorable Emanuel Cleaver, II
U.S. House of Representatives
2335 Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Cleaver:

Thank you for your letter seeking information about the Consumer Financial Protection Bureau's regulation and oversight of fintech firms engaged in small business lending. The Bureau notes your concern regarding the potential risks associated with new and evolving lending platforms, as well as your commitment to ensuring that small business consumers who participate in these platforms receive basic consumer protections. Small businesses, including those owned by women and minorities, are critical engines for economic growth and responsible access to credit is a crucial component of their success.

Fintech companies increasingly are providing consumer financial products and services similar to those offered by traditional banks; because most fintech companies are not themselves banks, however, there has been much discussion about whether they are or should be subject to the same federal regulatory oversight as banks. The Bureau's work in the fintech space is grounded in a belief that everyone who provides consumers with financial products and services must adhere to the same standards and will be held to the same expectation under Federal consumer financial law. The Bureau has authority over both banks and non-bank financial companies, which means we are charged with overseeing the entire marketplace to protect consumers, regardless of institutional type.

The Bureau is in the early stages of work to implement section 1071 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which, as you know, amends the Equal Credit Opportunity Act to require financial institutions to report information concerning credit applications made by women-owned, minority-owned, and small businesses. The Bureau is focusing on outreach and research to develop its understanding of the players, products, and practices in the small business lending market and of the potential ways to implement section 1071.

Your letter also asks about the Bureau's authority in the small business lending market. In general, many of the laws administered by the Bureau are specific to transactions primarily for personal, family, or household purposes, or activities in connection with such transactions. However, the ECOA, implemented through Regulation B, prohibits creditors engaged in commercial as well as personal credit transactions from discriminating against applicants on prohibited bases with respect to any aspect of credit transactions. The Bureau has initiated supervisory activity in this area, which we hope will help expand and enhance our knowledge base on small business lending,

including the credit process; existing data collection processes; and the nature, extent, and management of fair lending risk.

Your letter also notes concerns that new forms of small business lending may incorporate existing biases that could perpetuate discrimination against minority-owned small business. You note in particular your concern that such discrimination could be amplified by the use of “biased algorithms.” On this topic, the Bureau recently issued a Request for Information that seeks insights into the benefits and risks of such data and the techniques used to compile and analyze it, including in the context of small business lending.¹ The RFI specifically seeks information about the impact on fair lending of using data that may be correlated to a person’s race, ethnicity, gender, or other attribute, and how such risks could be managed. The comment period for the RFI closes on May 19, 2017.

Finally, your letter also asks about how consumers can submit complaints to the Bureau. The Bureau currently accepts complaints about a variety of consumer financial products and services, including mortgages, bank accounts and services, student loans, vehicle and other consumer loans, credit reporting, money transfers, virtual currency, debt collection, payday loans, prepaid cards, and other financial services. The Bureau refers consumers to other regulators or additional resources, as appropriate. The Bureau accepts complaints via telephone, fax, email, referral or through our online form.² By handling consumer complaints, the Bureau learns about consumers’ experiences in the consumer financial marketplace, about company practices and behaviors, and about emerging trends in the marketplace.

Thank you for your continued interest in the Bureau’s work. Please do not hesitate to contact me or have your staff contact Patrick O’Brien in the Bureau’s Office of Legislative Affairs. Mr. O’Brien can be reached at (202) 435-7180. I look forward to working with you on this and other consumer financial protection matters of importance to you and your constituents.

Sincerely,



Richard Cordray
Director

¹ <https://www.consumerfinance.gov/about-us/newsroom/cfpb-explores-impact-alternative-data-credit-access-consumers-who-are-credit-invisible/>

² <https://www.consumerfinance.gov/complaint/>



Consumer Financial
Protection Bureau

1700 G Street, N.W., Washington, DC 20552

April 4, 2017

The Honorable Henry Cuellar
U.S. House of Representatives
2209 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Emanuel Cleaver, II
U.S. House of Representatives
2335 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Bennie G. Thompson
U.S. House of Representatives
2466 Rayburn House Office Building
Washington, D.C. 20515

Dear Congressmen Cuellar, Cleaver, and Thompson:

Thank you for your letter concerning the solar financing market. The Consumer Financial Protection Bureau is committed to ensuring that all consumers benefit from fair, transparent, and competitive consumer financial markets, and that consumers are protected under applicable Federal consumer financial laws.

Your letter raises several concerns about the solar financing market, including consumer understanding, questionable sales tactics, and the effect of placing a lien on the home to secure the financing. As you know, solar financing provides a way for consumers to fund energy efficiency home improvements. It is my understanding that state laws sometimes allow solar financing to be secured by a super-priority lien on the property, but that only a few states have adopted these programs. The Bureau continues to research the complexities of the solar financing market and to engage with industry stakeholders and other agencies in order to better understand the market and to identify areas of potential consumer harm. As part of that effort, we will carefully consider the issues you raise and welcome any additional information or feedback stakeholders may have regarding potential consumer impacts.

Thank you for your continued interest in the Bureau's work. Should you have any additional questions, please do not hesitate to contact me or have your staff contact Patrick O'Brien in the Bureau's Office of Legislative Affairs. Mr. O'Brien can be reached at (202) 435-7180.

Sincerely,

A handwritten signature in blue ink that reads 'Richard Cordray'.

Richard Cordray
Director



Consumer Financial
Protection Bureau

April 7, 2017

The Honorable Sherrod Brown
Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, DC 20510

Dear Ranking Member Brown:

Enclosed please find the Consumer Financial Protection Bureau's Office of Minority and Women Inclusion Annual Report to Congress, as required under Section 342(e) of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Should you have any questions about the enclosed report, please contact me at (202) 435-9711.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Galicia', written over a light blue horizontal line.

Catherine Galicia
Assistant Director for Legislative Affairs

March 2017

Office of Minority and Women Inclusion Annual Report to Congress

Message from Richard Cordray



Director of the CFPB

I am pleased to share the 2016 Diversity and Inclusion Annual Report, which outlines the CFPB's demographic diversity as well as the strategies and initiatives in place to ensure that the Bureau is diverse and inclusive in all areas of its operations. The report also addresses efforts to fulfill statutory mandates to increase opportunities for minority-owned and women-owned businesses and to assess diversity practices in entities regulated by the Bureau. The focus on diversity and inclusion in the Bureau is developed and implemented under the leadership of the Office of Minority and Women Inclusion (OMWI). This report is presented to fulfill the Bureau's statutory responsibilities and its commitment to accountability pursuant to Section 342(e) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. § 5452)(e).

Sustainability is an underlying driver of the Bureau's diversity and inclusion strategy. To ensure sustainability, we systematically work to integrate diversity and inclusion into the policies, procedures, processes and culture of the Bureau. In doing so, attending to diversity and inclusion has become a routine part of the way the Bureau functions, thereby ensuring lasting impact. While the diversity and inclusion work is spearheaded by OMWI, the implementation takes place in all areas of the Bureau and throughout its divisions with specific points of collaboration with the Office of Civil Rights (OCR), the Office of Human Capital (OHC), the Procurement Office, the Strategy Office, the Workforce of the Future Committee, and various Bureau-wide committees, such as the Executive Advisory Council and the Diversity and Inclusion Council of Employees.

Our diversity and inclusion initiatives for 2016 were focused in the following broad areas: increasing the diversity of our workforce; ensuring that the work environment is inclusive and

hospitable for all employees; expanding our supplier diversity focus; and preparing to implement the Joint Standards for Assessing the Diversity Policies and Practices of Entities Regulated by the Agencies (“Joint Standards”)¹ developed collaboratively by the Bureau, the Office of the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Corporation, the National Credit Union Administration, and the Securities and Exchange Commission, to assess the diversity policies and practices of entities regulated by these agencies.

This year, I am especially pleased with the progress we have made in our workplace diversity initiatives. In our approach to diversity and inclusion at the Bureau, we have focused on integrating diversity and inclusion into the fabric of the Bureau’s organizational structure and functions. Among our accomplishments this year are the following:

- Increased collaboration between OHC and OMWI to incorporate diversity and inclusion competencies into our leadership and employee training, job descriptions, and performance objectives;
- Incorporated diversity and inclusion goals into division-level strategic plans and built-in accountability measures to meet those goals by reporting on progress on our meetings with the divisions;
- Enhanced required training for managers to help them better lead the diversity and inclusion efforts in their divisions, and for all non-supervisory employees to strengthen their awareness of diversity and inclusion in their work and interactions;
- Strengthened our effectiveness in attracting and retaining an increasingly diverse staff through collaborative efforts between OHC, OMWI, and OCR; and
- Initiated contact with entities we regulate to begin discussing the Joint Standards for assessing their diversity policies and practices.

One of the many ways we track our progress is through our annual employee survey (AES). The

¹ <https://www.federalregister.gov/articles/2015/06/10/2015-14126/joint-standards-for-assessing-the-diversity-policies-and-practices-of-entities-regulated-by-the>

2016 results reflect our continued overall upward trend in employee ratings on inclusion and on commitment to the Bureau's mission.

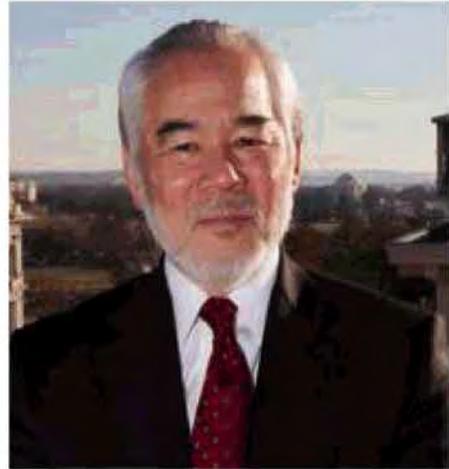
While we are pleased with the progress we have achieved, we are aware that our work to build a fully diverse and inclusive workplace is not done. Our employees span a wide spectrum of demographic groups, and as a result, establishing an inclusive workplace culture with shared norms and values is an ongoing and evolving effort for all of us. The dedication and commitment that our employees from all backgrounds have to our mission continues to be an important asset upon which we rely to accomplish our goals.

Sincerely,

A handwritten signature in blue ink that reads "Richard Cordray". The signature is written in a cursive, flowing style.

Richard Cordray

Message from Stuart Ishimaru



Director of OMWI

Over the past year, the Office of Minority and Women Inclusion (OMWI) has continued to focus on building a diversity and inclusion strategy that is integrated into the fabric of our organizational culture and the work that the Bureau does for all consumers. The approaches OMWI has used were designed to ensure sustainability of diversity and inclusion as core aspects of the Bureau's overall operations.

Attention to diversity and inclusion is important to all staff and has been proven to help increase the effectiveness of our teams, to drive innovative thinking, and to help ensure that Bureau programs and services have relevance for consumers². This report details the approaches that have been used to build sustainability of diversity and inclusion as well as the specific programs and initiatives that OMWI has developed, implemented and collaborated on, over the past year in our key areas of focus: workforce diversity and inclusion, supplier diversity, and diversity within our regulated entities.

Bureau-wide workforce diversity and inclusion initiatives have been central to our strategic

² *How Diversity Can Drive Innovation*, Sylvia Ann Hewlett, Melinda Marshall, Laura Sherbin, Harvard Business Review, December, 2013.

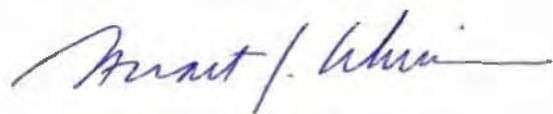
planning process. In addition to the OMWI diversity and inclusion strategic plan, the Bureau has instituted a Bureau-wide diversity and inclusion strategic plan. The diversity and inclusion strategy remains one of the areas of focus in the Bureau-wide Government Performance and Results Act report (GPRA). Each division has a diversity and inclusion goal, initiatives and outcomes in its divisional strategic plan. OMWI has begun to work with each division on setting and implementing its divisional diversity and inclusion goals and the framework that has been established for divisions to provide periodic reports to the Bureau's leadership team.

OMWI is pleased to continue to work with the diverse supplier industry to provide information on how the federal contracting process works, and on opportunities available to bid on contracts with the CFPB. Similarly OMWI is pleased to have spearheaded a roundtable discussion with members of the mortgage industry to better learn about current diversity and inclusion challenges that they face.

In the coming year, OMWI will continue to work closely with each division on developing and implementing their diversity and inclusion efforts; providing training and consultation to managers and staff to support their efforts; expanding our outreach to the vendor community and working with the CFPB Office of Procurement to ensure minority-owned and women-owned businesses are aware of, and considered for contracting opportunities with the Bureau; and developing and providing diversity best practices information to the entities we regulate.

While we are pleased with the overall progress on our diversity and inclusion initiatives, we acknowledge that there are additional areas that can be addressed to improve the overall diversity and inclusion culture of the Bureau, and we look forward to continuing to do so.

Sincerely,

A handwritten signature in blue ink, appearing to read "Stuart J. Ishimaru".

Stuart Ishimaru

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1. Executive summary

At the Consumer Financial Protection Bureau (CFPB or Bureau), the focus on diversity and inclusion is an important aspect of the overall drive to achieve the Bureau's mission. The Bureau draws on its diversity and inclusion in developing innovative approaches to protecting the financial interests of all consumers. In so doing, the Bureau has taken deliberate steps to incorporate strategies for supporting diversity and inclusion into its functioning with a view toward ensuring the sustainability of the changes in this area.

The Bureau's diversity and inclusion strategic plan is built on five broad areas of focus: Workforce Diversity, Workplace Inclusion, Sustainability, Minority and Women Owned Businesses, and Diversity Practices of Regulated Entities. The definitions of workforce diversity and inclusion are constructed broadly to encompass all employees. The strategies are designed with particular emphasis on incorporating diversity and inclusion into the routine functioning of the Bureau, thereby ensuring its sustainability for years to come. The Bureau's diversity and inclusion initiatives are driven by best practices in the fields of diversity and inclusion, human capital management, legal compliance, and by data. The data sources used include, among others, the Annual Employee Survey (AES), particularly the Inclusion Quotient (IQ), and analyses of employee data on hiring, promotions, separations, performance management and training.

In 2016, under the leadership of OMWI, the CFPB continued to implement strategies from previous years while adding a number of new initiatives to further the work of building a diverse and inclusive workplace and meeting the mandates related to supplier diversity and for assessing the diversity practices of the entities regulated by the Bureau. The following are some of the key accomplishments and initiatives that the Bureau focused on in 2016:

- Created the Non-Discrimination and Inclusion Policy for Transgender Applicants and Employees.
- Created the Employee Resource Group Policy and launched two new Employee Resource

Groups (ERGs).

- Recognized by the Professional Diversity Network, the Partnership for Public Service and the disABLED magazine for having innovative diversity policies and practices.
- Implemented steps to have a diversity and inclusion goal in divisional strategic plans, and established a process for reporting on progress in this area.
- Continued efforts to foster an inclusive work environment for employees through initiatives and engagements such as: educational and interactive training programs; cultural events; development of a cross-Bureau employee diversity and inclusion council, the Diversity Inclusion Council of Employee (DICE); implementation of efforts to strengthen organizational cultural norms, done by a dedicated cross-Bureau working group, The Workforce of the Future Committee (WFF); and the solicitation of advice and counsel from a diversity and inclusion leadership group, the Executive Advisory Council (EAC) which champions strategies to incorporate diversity and inclusion throughout the Bureau.
- Analyzed employee data to understand the experiences of demographic groups in the Bureau and to ensure that the impact of policies and practices are equitable for all groups.
- Began implementation of efforts related to the joint standards for assessing diversity practices at the entities the Bureau regulates.

While the Bureau has made noteworthy progress in 2016, there is also a clear understanding that there is more work to be done, and the Bureau confidently faces new challenges with the innovation and dedication needed to address them.

2. Introduction

The CFPB is presenting this annual report in fulfillment of its statutory responsibility and its commitment to accountability, pursuant to Section 342(e) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). This report provides detailed information about the CFPB’s diversity and inclusion strategy and initiatives from January 1, 2016 through December 31, 2016, unless otherwise noted. The report presents a comprehensive view of diversity and inclusion at the Bureau. It includes work spearheaded by OMWI, as well as work done in collaboration with the Office of Civil Rights (OCR), the Office of Human Capital (OHC), the Office of Procurement and the Bureau’s divisions. The initiatives undertaken served to integrate diversity and inclusion into the Bureau’s routine functioning thereby ensuring their sustainability and lasting impact.

The CFPB was created to provide a single point of accountability for enforcing federal consumer financial laws and protecting consumers in the financial marketplace.³ In order to serve the interests of all groups of consumers, it is critical that the CFPB understands how consumers of different backgrounds, cultures, perspectives, experiences and interests interact in the financial marketplace within the context of wide ranging backgrounds, cultures, perspectives, experiences and interests. Additionally, in keeping with its mandates, the Bureau is committed to promoting diversity and inclusion within its workplace, in the suppliers with whom it does business and in the financial entities that it regulates.

At the CFPB, “diversity” and “inclusion” are defined as follows:

- **Diversity:** the range of differences including backgrounds, identities (including but not

³ <https://www.consumerfinance.gov/about-us/the-bureau/>

limited to, race, ethnicity, age, sexual orientation, disability, gender, gender identity, religion, disability, and sex), perspectives, and working styles that employees and stakeholders bring to the CFPB to better serve consumers.⁴

- **Inclusion:** the process of fostering a collaborative, flexible, and fair environment in which all employees feel valued and empowered to share their views and ideas to inform the CFPB's work, and which allows us to leverage the broad talents of our diverse workforce.⁵

Diversity and Inclusion Vision Statement: The Bureau works to incorporate diversity and inclusion in all areas of its work and work environment. Its vision statement for diversity and inclusion conveys the significance of that connection to the Bureau's overall mission.

"We value diversity and inclusion and drive innovation by leveraging the talents and perspectives of the CFPB's diverse workforce and stakeholders to best protect the financial interests of all consumers."

The Bureau's diversity and inclusion approach is implemented under the broad goals of the Bureau's Diversity and Inclusion Strategic Plan for 2016 -2020⁶, which are covered in this report:

- Workforce Diversity
- Workplace Inclusion
- Sustainability
- Minority and Women Owned Businesses (covered under the heading of Supplier

⁴ https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201611_cfpb_diversity-and-inclusion-strategic-plan-2016-2020.pdf

⁵ https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201611_cfpb_diversity-and-inclusion-strategic-plan-2016-2020.pdf

⁶ https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201611_cfpb_diversity-and-inclusion-strategic-plan-2016-2020.pdf

Diversity)

- **Diversity Practices of Regulated Entities**

Ensuring that the diversity and inclusion efforts are woven into all areas of the Bureau's work and work environment is an important aspect of the Bureau's overall approach. As a result, the Bureau's focus on sustainability shapes the approaches used to embed the initiatives, outputs and outcomes into the fabric of the Bureau, for lasting impact.

This report is organized into the following four broad goals: 1) Workforce Diversity, 2) Workplace Inclusion, 3) Supplier Diversity (including Minority-owned and Women-owned businesses) and 4) Regulated Entities. Sustainability, the fifth goal, as a recurring and connective theme throughout all four.

3. Workforce diversity

3.1 Demographics of current workforce

The Bureau is committed to understanding and drawing upon the broad range of backgrounds, cultures, perspectives and experiences of its employees, to serve the interests of consumers and to make sure that consumers are treated fairly in the financial marketplace. Having a workforce that is diverse, is essential to carrying out the mission, and helps the Bureau to create innovative solutions that are relevant to all segments of consumers. Therefore the Bureau fosters diversity and inclusion in recruitment, hiring, career development, employee engagement and all other areas of the workplace culture and operations. As a result, workforce diversity is one of the five goals of the Bureau’s Diversity and Inclusion Strategic Plan and is defined as: recruiting from a diverse group of potential applicants to develop a high-performing workforce drawn from all segments of American society⁷.

Following are demographics⁸ of a) the Bureau’s total workforce, b) employees in permanent positions, and c) employees in Mission Critical Occupations.

⁷ www.consumerfinance.gov/data-research/research-reports/cfpb-diversity-and-inclusion-strategic-plan-2016-2020.

⁸ Data are reported in keeping with OMB standards which allow individuals to identify ethnicity as well as race separately. For example, “Two or More Races” could be read to indicate an ethnicity (i.e.: Hispanic) and a race. The methodology used for the Ethnicity and Race Indicator (ERI) varies in this report from the methodology used in the MD-715. In this report, individuals who selected two or more races (e.g., Asian and White), were counted as Two or More Races.

In 2016, the CFPB had a workforce of 1633 employees, consisting of 833 men and 800 women, an increase of 124 employees from 2015, after accounting for turnover. There was a slight increase of 1.81% in the percentage of minority ethnic and race indicator (ERI)⁹ employees from 35.85% in 2015 to 37.66% in 2016, with a corresponding slight decrease in white employees. There was a slight increase in the percentage of female employees, up 0.94% from 48.05% in 2015 to 48.99% in 2016, with a corresponding slight decrease in male employees. Compared to the U.S. Census Civilian National Labor Force (CLF), overall CFPB demographics have not changed significantly since fiscal year (FY) 2015.¹⁰ White men, followed by White women, comprise the largest racial groups in CFPB, followed by Black women and Black men, respectively.

TABLE 1: CALENDAR YEAR 2016 TOTAL WORKFORCE¹¹ BY GENDER, RACE AND ETHNICITY¹²

	TOTAL	HISPANIC ¹³	WHITE	BLACK	ASIAN	NH/OPI ¹⁴	AI/AN ¹⁵	TWO OR MORE ¹⁶
TOTAL	1633	96	1018	324	142	3	5	45
%	100%	5.87%	62.34%	19.84%	8.70%	0.18%	0.31%	2.76%

⁹ ERI: OPM uses Ethnic and Race Indicator (ERI) to include employees who are Hispanic, Black, Asian, Native Hawaiian/Other Pacific Islander (NH/OPI), American Indian/Alaska Native (AI/AN) and employees of Two or More races. <https://www.fedscope.opm.gov/rno/eri.asp>.

¹⁰ The CLF is derived from the 2006-2010 American Community Survey (ACS) Equal Employment Opportunity Tabulation (EEO Tabulation). The EEO Tabulation was originally released by the U.S. Census Bureau on November 29, 2012. It provides external benchmarks to assist federal agencies in monitoring employment practices and enforcing workforce civil rights laws. Federal agencies are required to use the EEO Tabulation in preparing their annual MD-715 EEO Program Status reports. See https://www1.eeoc.gov/federal/directives/tech_assistance_06-10_EEO_tabulation.cfm.

¹¹ Total workforce encompasses employees on permanent and temporary appointments including interns.

¹² In the data tables in this report, total percentages across rows may not always equal 100% due to rounding.

¹³ Hispanics who also identify by a race are only counted as Hispanic here.

¹⁴ NI/OPI: Native Hawaiian/Other Pacific Islander.

¹⁵ AI/AN: American Indian/Alaska Native.

¹⁶ In all of the tables with demographic data, the methodology used for the ethnicity and race indicator (ERI) varies in this report from the methodology used in the MD-715. For individuals who selected Two or More Races (e.g., Asian and White), they are counted as two or more races for purposes of this report.

	TOTAL	HISPANIC ¹³	WHITE	BLACK	ASIAN	NH/OPI ¹⁴	AI/AN ¹⁵	TWO OR MORE ¹⁶
Community Labor Force (CLF) ¹⁷		9.96%	72.36%	12.02%	3.90%	0.14%	1.08%	0.54%
Male	833	51	569	119	71	1	3	19
%	51.01%	3.12%	34.84%	7.29%	4.35%	0.06%	0.18%	1.16%
Female	800	45	449	205	71	2	2	26
%	48.99%	2.75%	27.50%	12.55%	4.35%	0.12 %	0.12%	1.59%

TABLE 2: CALENDAR YEAR 2015 TOTAL WORKFORCE BY GENDER, RACE AND ETHNICITY¹⁸

	TOTAL	HISPANIC	WHITE	BLACK	ASIAN	NH/OPI	AI/AN	TWO OR MORE
TOTAL	1509	90	968	277	126	2	6	40
CLF	100%	9.96%	72.36%	12.02%	3.90%	0.14%	1.08%	0.54%
%	100%	5.97%	64.15%	18.36%	8.35%	0.13%	0.40%	2.65%
Male	784	48	543	104	66	0	4	19

¹⁷ The CLF is derived from the 2006–2010 American Community Survey (ACS) Equal Employment Opportunity Tabulation (EEO Tabulation). The EEO Tabulation was originally released by the U.S. Census Bureau on November 29, 2012. It provides external benchmarks to assist federal agencies in monitoring employment practices and enforcing workforce civil rights laws. Federal agencies are required to use the EEO Tabulation in preparing their annual MD-715 EEO Program Status reports. See https://www1.eeoc.gov/federal/directives/tech_assistance_06-10_EEO_tabulation.cfm.

¹⁸ Calendar year (CY) data encompasses pay period one that began on January 10, 2016 through pay period 26 that ended on January 7, 2017. Workforce numbers for CY 2015 included in this CY 2016 OMWI Annual Report may differ slightly from corresponding data reported in the CY 2015 Status Report. This is due to retroactive processing of personnel actions, late processing of personnel actions, or other changes made in applicable data systems since the data was finalized for the CY 2015 OMWI Annual Report.

	TOTAL	HISPANIC	WHITE	BLACK	ASIAN	NH/OPI	AI/AN	TWO OR MORE
%	51.95%	3.18%	35.98%	6.89%	4.37%	0.00%	0.27%	1.26%
Female	725	42	425	173	60	2	2	21
%	48.05%	2.78%	28.16%	11.46%	3.98%	0.13%	0.13%	1.39%

3.2 Demographics of mission critical occupations

The CFPB has four Mission Critical Occupations (Miscellaneous Administration and Program Series, Economists, Examiners and General Attorneys) that comprise the largest occupational categories (0301, 0110, 0570, and 0905, respectively). As a result, the Bureau is committed to ensuring that these key positions particularly reflect the diverse makeup of the American marketplace.

In 2016, among the permanent employees, 308 were employed in the Miscellaneous Administration and Program Series, of which 44.81% were minorities and 55.19% were white; 44.16% were men and 55.84% were women. Of the 34 Economists employed by the Bureau in CY 2016, 76.47% were white and 23.53% were minority; 64.71% were men and 35.29% were women. Of the 429 Examiners at the Bureau in CY 2016, 59.21% were white and 40.79% were minority; 284 (66.20%) were men and 145 (33.80%) were women. Of the 299 General Attorneys employed by the Bureau in CY 2016, 75.92 were white and 24.08% were minority; 45.48% were men and 54.52% were women.

TABLE 3: CALENDAR YEAR 2016 MISSION CRITICAL OCCUPATIONS BY ERI AND GENDER (PERMANENT WORKFORCE)

ERI/GENDER	MISC. ADMIN. & PROGRAM (0301)	ECONOMISTS (0110)	EXAMINERS (0570)	GENERAL ATTORNEYS (0905)
TOTALS	308	34	429	299
%	100.00%	100.00%	100.00%	100.00%
Hispanic	20	1	28	14
%	6.49%	2.94%	6.53%	4.68%

ERI/GENDER	MISC. ADMIN. & PROGRAM (0301)	ECONOMISTS (0110)	EXAMINERS (0570)	GENERAL ATTORNEYS (0905)
CLF	8.60%	5.10%	3.80%	4.30%
White	170	26	254	227
%	55.19%	76.47%	59.21%	75.92%
CLF	70.90%	81.00%	72.40%	84.40%
Black	80	2	97	23
%	25.97%	5.88%	22.61%	7.69%
CLF	11.90%	5.50%	12.30%	4.70%
Asian	27	5	33	25
%	8.77%	14.71%	7.69%	8.36%
CLF	6.20%	7.60%	7.70%	3.60%
NH/OPI	1	0	2	0
%	0.32%	0.00%	0.47%	0.00%
CLF	0.10%	0.10%	0.00%	0.00%
AI/AN	1	0	4	0
%	0.32%	0.00%	0.93%	0.00%
CLF	0.70%	0.60%	0.40%	0.50%
Two or More	9	0	11	10
%	2.92%	0.00%	2.56%	3.34%
CLF	0.50%	0.20%	0.50%	0.40%
Male	136	22	284	136
%	44.16%	64.71%	66.20%	45.48%
CLF	36.70%	67.10%	54.70%	66.70%
Female	172	12	145	163
%	55.84%	35.29%	33.80%	54.52%
CLF	63.30%	32.90%	45.30%	33.30%

During 2016, the CFPB employed 299 permanent employees in the General Attorney (0905 series) occupational series, 136 (45.48%) were men and 163 (54.52%) were women. The percentage of women and men attorneys on permanent appointments remained essentially unchanged from 2015 (men were 45.71% and women were 54.29%). The percentage of minority attorneys on permanent appointments also remained essentially unchanged, from 23.93% in 2015 to 24.08% in 2016.

At the end of 2016, there were 34 employees on permanent appointments as Economists. Of these Economists, 64.71% were men and 35.29% are women. Of this population, 26 (76.47%) of the Economists were white and 8 (23.53%) were minorities.

TABLE 4: CALENDAR YEAR 2016 PAYBANDS FOR MISSION CRITICAL OCCUPATIONS BY GENDER/ERI ATTORNEYS (0905) (PERMANENT WORKFORCE)¹⁹

ERI/GENDER	ALL	GS-11-13 /CN-51-53	GS-14/ CN-60	GS-15/ CN-71	SENIOR LEVEL ²⁰
Totals	299	38	81	167	13
%	100.00%	12.71%	27.09%	55.85%	4.35%
Hispanic	14	5	1	7	1
%	4.68%	1.67%	0.33%	2.34%	0.33%
White	227	24	68	126	9
%	75.92%	8.03%	22.74%	42.14%	3.01%
Black	23	4	5	11	3
%	7.69%	1.34%	1.67%	3.68%	1.00%
Asian	25	5	4	16	0
%	8.36%	1.67%	1.34%	5.35%	0.00%
NH/OPI	0	0	0	0	0

¹⁹ Table 4 reflects the percentage of a specific ERI or Gender out of the entire permanent workforce of the particular mission critical occupation (MCO). The same is true for the Tables 5 and 6 which show MCO by pay band groupings.

²⁰ Senior level pay bands include the CN-81, CN-82, CN-90, 02 and 03.

ERI/GENDER	ALL	GS-11-13 /CN-51-53	GS-14/ CN-60	GS-15/ CN-71	SENIOR LEVEL ²⁰
%	0.00%	0.00%	0.00%	0.00%	0.00%
AI/AN	0	0	0	0	0
%	0.00%	0.00%	0.00%	0.00%	0.00%
Two or More	10	0	3	7	0
%	3.34%	0.00%	1.00%	2.34%	0.00%
Male	136	19	40	71	6
%	45.48%	6.36%	13.38%	23.75%	2.01%
Female	163	19	41	96	7
%	54.52%	6.35%	13.71%	32.11%	2.34%

The permanent Bureau Examiner workforce was 429 employees at the end of 2016. The workforce was approximately two thirds men (66.20%) and one third women (33.80%). All minority employees who were Examiners were in the CN-51 to CN-53 pay band groupings. 59.21% of all Examiners were White and 40.79% were minorities. Of the minority Examiners, 22.61% were Black, 7.69% were Asians and 6.53% were Hispanics, the remaining 3.96% included Hawaiian Pacific, American Indian and employees of Two or More Races. The Examiner population is the most geographically dispersed population at the Bureau.

TABLE 5: CALENDAR YEAR 2016 PAYBANDS FOR MISSION CRITICAL OCCUPATIONS BY GENDER/ERI EXAMINERS (0570) (PERMANENT WORKFORCE)

ERI/ GENDER	TOTAL	GS-10 AND BELOW/ CN-43 AND BELOW	GS-11-13/ CN-51-53	GS-14/ CN-60	GS-15/ CN-71	SENIOR LEVEL ²¹
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²¹ Senior level pay bands include the CN-81, CN-82, CN-90, 02 and 03.

ERI/ GENDER	TOTAL	GS-10 AND BELOW/ CN-43 AND BELOW	GS-11-13/ CN-51-53	GS-14/ CN-60	GS-15/ CN-71	SENIOR LEVEL ²¹
Totals	429	23	285	93	24	4
%	100%	5.36%	66.43%	21.68%	5.59%	0.93%
Hispanic	28	0	22	4	2	0
%	6.53%	0.00%	5.13%	0.93%	0.47%	0.00%
White	254	10	157	68	16	3
%	59.21%	2.33%	36.60%	15.85%	3.73%	0.70%
Black	97	13	65	13	6	0
%	22.61%	3.03%	15.15%	3.03%	1.40%	0.00%
Asian	33	0	27	5	0	1
%	7.69%	0.00%	6.29%	1.17%	0.00%	0.23%
NH/OPI	2	0	2	0	0	0
%	0.47%	0.00%	0.47%	0.00%	0.00%	0.00%
AI/AN	4	0	3	1	0	0
%	0.93%	0.00%	0.70%	0.23%	0.00%	0.00%
Two or More	11	0	9	2	0	0
%	2.56%	0.00%	2.10%	0.47%	0.00%	0.00%
Male	284	17	184	60	20	3
%	66.20%	3.96%	42.89%	13.99%	4.66%	0.70%
Female	145	6	101	33	4	1
%	33.80%	1.40%	23.53%	7.69%	0.93%	0.23%

TABLE 6: CALENDAR YEAR PAYBANDS FOR MISSION CRITICAL OCCUPATIONS BY GENDER/ERI MISCELLANEOUS ADMINISTRATION & PROGRAM SERIES (0301) (PERMANENT WORKFORCE)

ERI/GENDER	TOTAL	GS-10 AND BELOW/CN-43 AND BELOW	GS-11-13/ CN-51-53	GS-14/ CN-60	GS-15/ CN-71	SENIOR LEVEL ²²
Totals	308	13	166	70	27	32
%	100.00	4.22	53.90	22.73	8.77	10.39
Hispanic	20	1	11	4	2	2
%	6.49	0.32	3.56	1.29	0.65	0.65
White	170	6	82	44	18	20
%	55.19	1.95	26.62	14.29	5.84	6.49
Black	80	6	54	10	7	3
%	25.97	1.95	17.53	3.25	2.27	0.97
Asian	27	0	14	6	0	7
%	8.77	0.00	4.55	1.95	0.00	2.27
NH/OPI	1	0	0	1	0	0
%	0.32	0.00	0.00	0.32	0.00	0.00
AI/AN	1	0.00	1	0	0	0
%	0.32	0.00	0.32	0.00	0.00	0.00
Two or More	9	0	4	5	0	0
%	2.92	0.00	1.30	1.62	0.00	0.00
Male	136	2	73	28	15	18
%	44.16	0.65	23.70	9.09	4.87	5.84
Female	172	11	93	42	12	14

²² Senior level pay bands include the CN-81, CN-82, CN-90, 02 and 03.

ERI/GENDER	TOTAL	GS-10 AND BELOW/CN-43 AND BELOW	GS-11-13/ CN-51-53	GS-14/ CN-60	GS-15/ CN-71	SENIOR LEVEL ²²
%	55.84	3.57	30.19	13.64	3.90	4.55

3.3 New hires: Permanent

In CY 2016, the Bureau hired 197 new permanent employees, 84 men (42.64%) and 113 women (57.36%). This overall number represented an increase from CY 2015 when 165 new permanent employees were hired, 75 men (45.45%) and 90 women (54.55%). Of the 113 women hired in 2016, 48 (24.37%) were White, 41 (20.81%) were Black, 12 (6.09%) were Asian and 7 (3.55%) were Hispanic. When compared to 2015, there was an increase in the percentage of hires who were Black (7.02%), Asian (2.88%), and a slight decrease of Hispanics (-0.52%). Of the 84 men (43.48%) who were new hires in 2016, 52 (26.40%) were White, 17 (8.63%) were Black, 8 (4.06%) were Asian and 5 (2.55%) were Hispanic. There was a slight decrease in the overall percentage of new hires who were men, down 2.81% from 2015, with White and Hispanic men accounting for most of the decline by 4.51% and 3.30%, respectively.

TABLE 7: CALENDAR YEAR 2016 NEW PERMANENT HIRES BY GENDER, RACE AND ETHNICITY

2016	TOTAL	HISPANIC	WHITE	BLACK	ASIAN	NH/OPI	AI/AN	TWO OR MORE RACES
Total #	197	12	100	58	20	1	0	6
%	100	6.10	50.76	29.44	10.15	0.51	0.00	3.05
Male	84	5	52	17	8	1	0	1
%	42.64	2.55	26.40	8.63	4.06	0.51	0.00	0.51
Female	113	7	48	41	12	0	0	5

2016	TOTAL	HISPANIC	WHITE	BLACK	ASIAN	NH/OPI	AI/AN	TWO OR MORE RACES
%	57.36	3.55	24.37	20.81	6.09	0.00	0.00	2.54

TABLE 8: CALENDAR YEAR 2015 NEW PERMANENT HIRES BY GENDER, RACE AND ETHNICITY

2015	TOTAL	HISPANIC	WHITE	BLACK	ASIAN	NH/OPI	AI/AN	TWO OR MORE RACES
Total #	165	11	101	37	12	0	0	4
%	100	6.66	61.21	22.42	7.27	0.00	0.00	2.42
Male	75	8	51	11	4	0	0	1
%	45.45	5.85	30.91	6.67	2.42	0.00	0.00	0.61
Female	90	3	50	26	8	0	0	3
%	54.55	1.82	30.30	15.76	4.85	0.00	0.00	1.82

Temporary hires, which included interns in the Pathways program, as well as legal, technology and management fellows, are an important part of the Bureau’s diversity hiring strategy because they provide a ready pool of potential applicants for vacancies in the Bureau. In CY 2016, there were 115 new temporary hires, consisting of 53 (46.09%) women and 62 (53.91%) men. Of the 53 women, 33 (28.70%) were White, 7 (6.09%) were Black, 8 (6.96%) were Asian, 1 (0.87%) was Hispanic, and 4 (3.48%) were Two or More Races. Of the 62 men hired, 43 (39.13%) were White, 6 (5.22%) were Black, 6 (5.22%) were Asian and 4 (3.48%) were Hispanic and 1 (0.83%) was Two or More Races.

TABLE 9: CY 2016 NEW TEMPORARY HIRES BY GENDER, RACE AND ETHNICITY

CY2016	TOTAL	HISPANIC	WHITE	BLACK	ASIAN	NH/OPI	AI/AN	TWO OR MORE RACES
Total #	115	5	78	13	14	0	0	5
%	100	4.35	67.83	11.30	12.17	0.00	0.00%	4.35
Male	62	4	45	6	6	0	0	1
%	53.91	3.48	39.13	5.22	5.22	0.00	0.00	0.83
Female	53	1	33	7	8	0	0	4
%	46.09	0.87	28.70	6.09	6.96	0.00	0.00	3.48

3.4 Separations (Permanent workforce)

The number of permanent employees who separated from the Bureau over the past three years has remained relatively consistent. During 2016, 102 employees on permanent appointments separated from the Bureau compared with 101 employees in 2015 and 98 employees in 2014. Of the permanent employees separated in 2016, there was a slightly lower percentage of women than men, 48.04% compared with 51.96%. There was a much lower percentage of minorities separated than whites, 38.24% for minorities and 61.76% whites.

TABLE 10: CALENDAR YEAR 2016 SEPARATIONS OF PERMANENT EMPLOYEES BY GENDER, RACE AND ETHNICITY

2016	TOTAL	HISPANIC	WHITE	BLACK	ASIAN	NH/OPI	AI/AN	TWO OR MORE RACES
Total #	102	9	63	17	9	0	1	3
%	100%	8.72%	61.76%	16.67%	8.82%	0.00%	0.98%	2.94%

2016	TOTAL	HISPANIC	WHITE	BLACK	ASIAN	NH/OPI	AI/AN	TWO OR MORE RACES
Male	53	6	36	3	5	0	1	2
%	51.96%	5.88%	35.29%	2.94%	4.90%	0.00%	0.98%	1.96%
Female	49	3	27	14	4	0	0	1
%	48.04%	2.94%	26.47%	13.73%	3.92%	0.00%	0.00%	0.98%

3.5 Outreach and recruitment

In 2016, the CFPB continued its commitment to recruit and hire highly qualified individuals from diverse backgrounds to fill positions at all Bureau locations across the country. OMWI collaborated closely with the OHC’s Talent Acquisition team and the OCR to advance the Bureau’s recruitment and hiring strategies. Additionally, the Bureau continued to leverage the diverse networks available through its own employees and through professional associations, to broaden the recruitment efforts in order to reach larger pool of potential applicants. To achieve the goal of hiring as diverse a pool of employees as possible, two key strategies were implemented: 1) recruiting widely to make sure that the pool of applicants was as diverse as possible; and 2) continuously improving the hiring processes to ensure an equitable process for all applicants.

In 2016, the OHC’s Talent Acquisition team and OMWI undertook outreach efforts and continued to build relationships with membership organizations and associations serving diverse professionals, as part of the overall recruitment strategy to build a pool of diverse talent interested in working at the Bureau. Among the approaches used to reach a wide pool of highly-qualified, diverse applicants for the CFPB positions were the following:

- Engaged the Professional Diversity Network (PDN) and other organizations to promote the CFPB and published all available job opportunities to diverse audiences, including minorities, women, veterans, persons with disabilities and LGBT individuals.
- Participated at professional conferences and university events, with a special focus on

building relationships and marketing to affinity organizations serving underrepresented groups, including the National Black MBA Association, the National Society of Hispanic MBAs, and the Association of Latin Professionals for America, Ascend Pan Asian Leaders, and the National Association of Black Accountants²³.

- Enlisted senior leadership and Bureau champions to promote the Bureau’s employer identity at outreach events in order to attract candidates to the CFPB as a best place to serve.
- Enhanced the program that engages existing employees as ambassadors of the Bureau and provided them with the tools, messages, and resources to reach out to their own professional networks.
- Leveraged and promoted flagship professional development programs, such as the Bureau’s Technology and Innovation Fellows Program, the Director’s Financial Analyst Program, and the Louis Brandeis Honors Attorney Program, to find entry-level talent, and to promote the Bureau as an employer of choice.
- Continued to utilize intern and professional development programs to build a robust pipeline of talent to meet current and emerging workforce needs, including through the Federal Pathways Program.
- Continued to develop and deploy a digital strategy, which included posting on social media sites to allow for ongoing connections with a wide range of audiences, ensuring engagement was timed with available opportunities.
- Posted job opportunities on the Bureau’s public website and utilized an internal network of staff to share information about employment opportunities²⁴.

The following are some of the internal hiring processes the Bureau has implemented in keeping with federal hiring goals and standards to ensure equitable access for everyone:

²³ A comprehensive list of organizations to which OHC and OMWI conducted outreach is listed in Appendix A.

²⁴ <http://www.consumerfinance.gov/about-us/careers/>

1. OHC institutionalized a new annual hiring planning process that supported divisions in using more systematic approaches, including assessment strategies. For some divisions, this included structured interviews and the use of a new Subject Matter Expert (SME) review of minimum qualifications process. These approaches enabled hiring managers to make objective, data-driven employee selection decisions which helped to ensure an equitable process for all candidates including those from underrepresented groups.
2. Training was provided by the OHC and the OCR to staff involved in the hiring process to help increase awareness and competence for conducting unbiased selection and hiring processes.
3. The OHC administered a New Employee survey and Hiring Manager survey to identify processes that were working well and those that could be improved. Using survey responses OHC made hiring process improvements, such as creating a seamless onboarding experience.

3.6 Promotions

Employees at the Bureau can receive a promotion²⁵ through the competitive process (e.g., apply for a promotion and get selected) or through the non-competitive process (e.g., on a career ladder and receive a promotion to the next pay band).

There were 405 promotions in the total workforce in CY 2016. Of the employees promoted, 47.41% were men and 52.59% were women, compared to the total Bureau workforce of 51.01% men and 48.99% women. While these percentages are relatively aligned, the percentage of women who received promotions was higher than their representation in the Bureau's workforce. Of the promotions, 59.51% were White and 40.49% were of a minority group, compared to the Bureau's total workforce of 62.34% white employees and 37.66% minority

Employees. Similar to the gender comparison, the percentage of minorities who were promoted

²⁵ For purposes of this report and related tables, a promotion is defined as a change to a higher pay band (e.g., CN-51 to CN-52).

was slightly higher than their representation in the Bureau's workforce.

TABLE 11: CALENDAR YEAR 2016 PROMOTIONS RECEIVED BY ETHNICITY AND RACE (TOTAL WORKFORCE)

2016	TOTAL	HISPANIC	WHITE	BLACK	ASIAN	NH/OPI	AI/AN	TWO OR MORE RACES
Total # Received	405	27	242	80	36	0	2	19
% Received	100%	6.66%	59.51%	19.75%	8.89%	0.00%	0.49%	4.69%

TABLE 12: CALENDAR YEAR 2016 PROMOTIONS RECEIVED BY ETHNICITY, RACE AND GENDER (TOTAL WORKFORCE)

2016	TOTAL	HISPANIC	WHITE	BLACK	ASIAN	NH/OPI	AI/AN	TWO OR MORE RACES
Men Promoted	192	15	130	18	20	0	2	7
% Men Promoted	47.41%	3.70%	32.10%	4.44%	4.94%	0.00%	0.49%	1.73
Women Promoted	213	12	111	62	16	0	0	12
% Women Promoted	52.59	2.96	27.41	15.31	3.95	0.00	0.00	2.96

4. Workforce inclusion

The CFPB's diversity and inclusion strategy includes specific emphasis on creating an inclusive work environment for all employees. This focus is based on evidence that the benefits of having a diverse workforce are only fully realized when the work environment is inclusive²⁶. These benefits include having greater productivity and innovation and arriving at solutions that have greater relevance for consumers. In addition, having a workplace that employees find inclusive and hospitable supports employee engagement which can contribute to longer term retention. With that in mind, the CFPB had the following inclusion-focused initiatives in place in 2016:

- Divisions included diversity and inclusion objectives in their strategic plans.
- The Workforce of the Future, a Bureau-wide initiative designed to establish a common culture and workforce experience, had diversity and inclusion as a foundational norm to ensure continued Bureau success.
- Diversity and inclusion training for managers and non-supervisory employees provided by OMWI which emphasized increasing awareness, developing skills for interacting effectively in an inclusive work environment, and working to mitigate bias in the performance management process.
- The competency model, developed by the OHC in collaboration with OMWI, included a core diversity and inclusion competency for managers, Modeling Inclusive Communications, as well as for non-supervisory employees, Building Inclusive

²⁶ *How Diversity Can Drive Innovation*, Sylvia Ann Hewlett, Melinda Marshall, Laura Sherbin, Harvard Business Review, December, 2013.

Relationships.

The Bureau used the Annual Employee Survey (AES) which is administered by OPM (titled The Federal Employee Viewpoint Survey) to track progress on the inclusion efforts. The AES assessed a broad range of employee perspectives and experiences, among them perspectives and experiences on the rate of inclusion in the workplace.²⁷ In 2016, a total of 1372 (87.6%) of all employees completed the survey, compared to 45.8% government-wide.²⁸ Results for 2016 showed that overall the Bureau continued on its positive trend when compared to government benchmarks, with modest improvements over AES 2015 and a sustained rebound from 2014 results. The most notable challenges reported continued to be in the areas of performance-based recognition and rewards. The results also showed differences by demographic population comparisons, including, more favorable responses from men than women on 31 items (up from 14 in 2015) and more favorable responses by White than Black employees on 28 items (up from 11 in 2015).

The Annual Employee Survey measures inclusion through the use of the Inclusion Quotient which is a subset of 20 survey items that focuses on employees' perception of, and experience in the workplace. The Inclusion Quotient consists of five aspects of inclusion: Fair, Open, Cooperative, Supportive, and Empowering. These five areas are defined as follows²⁹:

- **Fair:** perception of fairness in performance, evaluation, rules and procedures.
- **Open:** extent to which diversity and inclusion are promoted by the agency and/or managers.
- **Cooperative:** extent to which managers promote communication and support collaboration.

²⁷ For more information on the CFPB 2016 AES results, see <http://www.consumerfinance.gov/data-research/research-reports/2016-cfpb-annual-employee-survey-results>.

²⁸ CFPB named our survey the AES; it is called Federal Employee Viewpoint Survey by OPM. https://www.fedview.opm.gov/2016FILES/2016_FEVS_Gwide_Final_Report.PDF

²⁹ Inclusion Quotient Results, pgs. 22 – 23, CFPB 2016 AES results, see <http://www.consumerfinance.gov/data-research/research-reports/2016-cfpb-annual-employee-survey-results>.

- **Supportive:** management and leadership style of managers.
- **Empowering:** employees' participation in decision-making.

In all three years (2016, 2015 and 2014) that the CFPB included all 20 questions on the Inclusion Quotient, results have exceeded the government-wide results on all of the five indices. In 2016, the Bureau's overall score on the Inclusion Quotient was close to ten percentage points (9.5%) above the overall government-wide results.

In 2016, as in 2015, the Bureau's highest score for an individual index was on the "Supportive" index, 84.3%, just slightly down from the 85.5% in 2015. Also as in past years, the 2016 "Fair" index continued to be an area of opportunity for the Bureau, showing a steady, but small (almost two percent) increase each year over the previous year from 2014 to 2016. This trend on the CFPB "Fair" index result was similar to the government-wide scores on that index, both in being the lowest of all the indices, and in the slight improvement seen in 2016. At a score of 68.8%, the Bureau's "Cooperative" index showed the largest increase in 2016, up 5.5% from 2015 when it was 63.3%. The "Cooperative" Index also had the largest increase (14.8%) over government-wide results. In summary, the Bureau's continued to outperform the government-wide averages on all indices of the Inclusion Quotient.

Table 13 below, shows the results for the CFPB Inclusion Quotient 2016 compared to 2015 and to the government-wide results.

TABLE 13: THE CFPB INCLUSION QUOTIENT³⁰

INCLUSION QUOTIENT INDICES	CFPB 2016	GOV'T WIDE 2016	CFPB 2015	GOV'T WIDE 2015
Inclusion Quotient	67.5%	58%	65.8%	57%
Fair	47.9%	45%	46.0%	43%

³⁰ Inclusion Quotient Results, pgs. 22 – 23, CFPB 2016 AES results, see <http://www.consumerfinance.gov/data-research/research-reports/2016-cfpb-annual-employee-survey-results>.

INCLUSION QUOTIENT INDICES	CFPB 2016	GOV'T WIDE 2016	CFPB 2015	GOV'T WIDE 2015
Open	69.7%	57%	69.9%	56%
Cooperative	68.8%	54%	63.3%	52%
Supportive	84.3%	75%	85.4%	75%
Empowering	66.6%	58%	64.6%	57%

The following are some of the specific initiatives that were newly created, or continued, in 2016 in support of the diversity and inclusion priorities:

- The Bureau launched a five-year diversity and inclusion strategic plan that outlined specific goals and strategies to increase diversity and support inclusion at the Bureau.
- OMWI facilitated the Executive Advisory Council (EAC), a cross-divisional group of senior leaders working with OMWI to strengthen and integrate diversity and inclusion into the Bureau's functioning by providing strategic guidance, advocacy and support for diversity and inclusion in the Bureau.
- OMWI worked with divisions to develop and implement diversity and inclusion objectives in their divisional strategic plans aimed at increasing diversity among their staff and ensuring that the work environment was inclusive for all employees.
- OMWI continued to provide mandatory training on diversity and inclusion to managers, and the OCR continued to provide mandatory training on Equal Employment Opportunity (EEO) compliance, provided by the U.S. Equal Employment Opportunity Commission (EEOC) Training Institute. The two sets of training helped supervisors and managers to strengthen their skills in leading and managing a diverse and inclusive workforce, and in attending to equity and fairness issues.
- OMWI continued to provide mandatory training for all non-supervisory employees to increase their awareness and understanding of the importance of diversity and inclusion and the ways in which it enhances the overall effectiveness of the Bureau.
- OMWI, OHC and OCR collaborated to enhance their supervisory and employee training to ensure that compliance, diversity and inclusion concepts were addressed. Training

included the supervisory development seminars, leadership effectiveness seminars, and structured interview training.

- OMWI presented a seminar to managers on identifying and utilizing effective strategies for mitigating unconscious bias and ensuring compliance with civil rights mandates in performance evaluations, in collaboration with the OCR.
- OMWI and OHC established and maintained relationships with, and outreach to, professional organizations that represent Veterans, Disabled Veterans, Hispanics and other minority constituencies. This outreach included attending career fairs and professional association meetings throughout the year to meet and provide information on the CFPB, and on employment opportunities to these groups. Bureau vacancies were also posted on bulletin boards geared to those groups of professionals.
- OMWI established the Diversity and Inclusion Council of Employees (DICE) with members from all geographic areas of the Bureau. DICE worked with OMWI to ensure that employees' perspectives were taken into consideration in all aspects of OMWI's work. DICE provided a feedback mechanism for OMWI and the Bureau's Director. DICE members provided thought leadership and work on diversity and inclusion initiatives at the Bureau.
- The Bureau established a new Employee Resource Group (ERG) Policy to serve as a guide to employees who want to form interest-based groups to assist the Bureau in understanding and considering broad perspectives in providing service to the diverse spectrum of consumers. In 2016, OMWI approved the charter of two ERGs formed by employees. The ERGs served as a vehicle for networking, recruiting and retaining a diverse workforce.
- OMWI partnered with OHC and used the AES results, including perceptions across demographic groups and the Inclusion Quotient, to analyze employee perceptions and take actions to help all employees feel included in the Bureau.
- The Bureau continued to organize and host a series of cultural events in recognition of national Heritage Months as part of ongoing efforts to increase awareness of employees' cultural backgrounds and to foster inclusion across the Bureau. A listing of events hosted is included in Appendix B.

The following three Bureau-wide groups are part of the ongoing overall approach used to ensure the sustainability of the Bureau's diversity and inclusion strategy. All three groups work to embed diversity and inclusion in the organizational fabric of the Bureau:

- The Diversity and Inclusion Executive Advisory Council (EAC)
- The Diversity and Inclusion Council of Employees (DICE)
- The Workforce of the Future Committee (WFF)

The Diversity and Inclusion Executive Advisory Committee (EAC)

The Diversity and Inclusion Executive Advisory Committee (EAC) is a cross-divisional advisory group of senior leaders, including Associate and Deputy Associate Directors and Assistant and Deputy Assistant Directors. The EAC works under the leadership of the OMWI Director to help strengthen and integrate the Bureau's diversity and inclusion strategic plan into the CFPB's functioning and mission-related work. EAC members have a deep commitment to diversity and inclusion and prioritize diversity and inclusion in their work. EAC members serve a two-year term and function in the following broad roles:

- **Advisory:** OMWI brings matters to the EAC members for their input based on their knowledge of the Bureau and leadership roles in the organization. In some specific situations, the EAC may be asked to review and recommend a position, policy or initiative presented by OMWI.
- **Informed Champions/Advocates:** OMWI presents information to the EAC to update the members on new or ongoing projects and plans; to seek the EAC's assistance in socializing new initiatives throughout the Bureau; or to help socialize a Bureau-endorsed position on a matter.

The EAC provides advice and recommendations on the Bureau's diversity and inclusion strategy. Its objectives are focused on policies and processes that support the efforts to:

- Recruit and retain a diverse workforce reflecting the best talent;
- Foster inclusion throughout the Bureau; and
- Support opportunities for professional development.

In the two-year term that ended in 2016, the EAC weighed in on the following matters that helped ensure the sustainability of the Bureau's diversity and inclusion initiatives by providing input on existing policies and procedures including:

- Provided input on mandatory training for managers to support them in managing diversity and inclusion in their units.
- Provided input and perspective to OMWI's recommendations to the OHC on incorporating diversity and inclusion in the competency models that serve as the cornerstone for hiring and promotion decisions.
- Provided input to OMWI on policy proposals for the development of an employee diversity and inclusion council of employees, the DICE, a Mentoring Bank program and a policy for establishing ERGs.
- Provided input on the Bureau's Transgender Policy developed by the Office of Civil Rights.
- Reviewed recruitment and hiring data and made recommendations to ensure attention to diversity at all stages of the recruitment and hiring process.
- Participated in diversity-related performance evaluation training and made that training available to managers in their divisions.
- Studied the Inclusion Quotient results in the Annual Employee Survey and recommended that it be used as a benchmark by divisions to track outcomes on their diversity goals in their strategic plans.
- Communicated the Bureau's diversity and inclusion strategy and initiatives throughout the organization, thereby helping to make them a focus in the Bureau's functioning.

The Diversity and Inclusion Council of Employees (DICE)

In February 2016, the CFPB officially launched DICE. DICE is a volunteer body of employees that provides employee perspectives on the Bureau's diversity and inclusion efforts, works with OMWI on diversity and inclusion initiatives and serves as a peer leadership opportunity for Bureau employees.

DICE members are Bureau employees who were selected based on demographics, pay band

levels, regions, positions and union/non-union status. A leadership core consisting of two co-chairs, a vice chair, and a recording secretary managed DICE's overall operations. DICE formed internal working groups that focused on key issues such as recruitment, retention, promotions and employee engagement. Meetings of the full DICE membership and an OMWI representative were held monthly. The working groups and leadership core met regularly in the weeks between the full body meetings.

In 2016, its first year of operation, DICE had 17 members serving a two-year term. Its members had the opportunity to think deeply about diversity and inclusion at the Bureau, hone their leadership skills, and develop key relationships among members and with Bureau senior leadership. Members attended training on both unconscious bias and team-based communications to prepare them to build their skills for promoting diversity and inclusion at the Bureau. DICE is an important source of feedback for OMWI on employees' experiences in the Bureau and has provided a strong sense of engagement for employees serving as members.

In 2016, the DICE undertook the following:

- Developed recommendations to OMWI related to recruitment, retention and promotions.
- Presented at the annual CFPB "All-Hands" meeting and to their divisions.
- Shared their perspectives with the Director on ways to improve and sustain diversity and inclusion at the Bureau.
- Published articles in internal newsletters on the importance of diversity and inclusion.
- Served as diversity and inclusion advocates by representing the Bureau at diversity and recruitment conferences in several locations across the United States.
- Provided input to OHC regarding its recruitment materials helping to make them more relevant to all audiences.
- Compiled a list of speakers to be considered for the Bureau's Heritage Month events.
- Collaborated with numerous stakeholders across the Bureau to enhance inclusive communication to employees by recommending a public loan forgiveness awareness campaign.

- Ensured that the Bureau used inclusive language for parental leave policies that included LGBTQ parents.
- DICE members who are also members of the National Treasury Employees Union provided input to NTEU on items in the Collective Bargaining Agreement and shared their perspectives and recommendations related to diversity and inclusion with the union.

Workforce of the Future Committee (WFF)

In November 2014, the CFPB launched WFF, an initiative designed to establish a common culture and workforce experience where everyone feels included, valued, and empowered to do their best work for sustainable, long-term impact. One of the first major WFF activities completed was the development of four norms that describe the common behaviors that Bureau employees aspire to practice more consistently and embed into the culture of the Bureau. The four norms are:

- Value diversity and inclusion
- Treat each other as partners
- Be more disciplined in how we make decisions and set priorities
- Hold ourselves and each other accountable for the norms

Following the ratification of these norms, senior management was responsible for their implementation, after which the responsibility fell to the management team, and then supervisors. To measure awareness and practice of the norms, the Bureau conducted surveys periodically to determine progress in implementing the norms. The management team was surveyed in January 2016 on senior leadership's progress. In October 2016, survey administration was expanded to all supervisors and management team members to assess awareness and practice of the norms for all levels of management.

The key findings on the diversity and inclusion norms from the October 2016 survey were:

- Senior leadership made some progress in creating a workforce experience where everyone felt valued, included and empowered.
- The management team had roughly the same amount of norms' awareness as they did in

January (100% of respondents in both surveys were aware of the four norms). The management team's understanding of expectations for practicing and leading teams in practicing the norms increased since January.

- Baseline data revealed the majority of supervisors had seen positive behavior changes in the division's management team over the past six months, with slightly more progress inside their own divisions.
- The majority of front line supervisors had awareness of the norms (88%).
- The majority of supervisors had some understanding of expectations in practicing the norms (83%) and leading their teams in practicing the norms (81%).

4.1 Training and leadership development

The Bureau provided diversity and inclusion training through OMWI to managers and non-supervisory employees as part of the Bureau's strategy to ensure that the workplace is diverse and inclusive.

Managing Diversity and Inclusion for Supervisors and Managers. Beginning in Calendar Year 2015, the Bureau's Director required managers and leaders to attend a workshop entitled, "Leading Diversity and Inclusion at the Bureau." The workshop was made available to managers in small groups to allow for interaction between participants. As of the end of 2016, 247 (84.6%) managers completed the training. The Bureau will continue to offer the workshop in 2017 for managers who have not yet completed it, and for new managers. Evaluations of the training indicated that participants had a very high level of satisfaction with the content they learned and with the workshop facilitators.

Diversity and Inclusion Awareness Training for Non-Supervisory Employees. Beginning in Fall, 2012, OMWI has been offering a workshop to employees to help increase awareness of diversity and inclusion and to develop a shared understanding of the ways in which the diversity and inclusion strategy contributes to the Bureau's mission. In 2015, the Director required that all non-supervisory employees attend that workshop. As of year-end 2016, 1,227 (75.1%) of the 1,633 employees have completed the training and the remaining employees are expected to complete in FY 2017. Evaluations of the training indicated that it was well received and that it was effective in increasing employees' awareness of the importance of diversity and

inclusion to the Bureau's overall effectiveness.

Other Diversity and Inclusion Training. OMWI, in collaboration with OCR, provided training to managers on diversity and inclusion in the performance evaluation process. The training focused on increasing managers' awareness of various types of implicit biases and the ways in which bias can impact the performance evaluation process. This workshop was offered by request to managers in both the headquarters and regional offices.

Mandatory 2-Day Manager EEO Training for new managers. This mandatory training, led by the EEOC Training Institute, helped managers to strengthen their skills in addressing EEO and compliance matters in the workplace. A total of 65 supervisors and managers completed a mandatory 2-day EEO Training conducted by the EEOC Training Institute in FY 2016, for a total of over 250 to date. The training is ongoing to cover new managers.

Leadership Development. In Calendar year 2016, the OHC provided three broad categories of leadership development: the Leadership Excellence Seminars (LES) series, the Supervisory Development Seminars (SDS) programs, and individual coaching through Executive Coaching. The leadership development training programs are mandatory for all supervisory level individuals at the CFPB (supervisors, managers and senior leaders), and the Executive Coaching offering is optional (available to executives and managers of managers).

As of the end of FY2016, over 75% of all managers had completed the first five modules of the LES training, and close to 50% had completed the sixth module. This training program will continue in FY 2017, with the majority of the CFPB managers on track to complete all modules by the end of 2017.

The CFPB SDS is a 3-day, mandatory training for all new CFPB supervisors. It covers leading people, making the transition to supervisor, human resources technical knowledge, performance management and addressing performance problems and conduct issues. It also incorporates leadership competencies including diversity and inclusion. As of end the end of FY 2016, 265 (94.6%) of all managers had completed the training, of those 56 supervisors completed the training in FY 2016.

4.2 Performance management

Beginning in FY 2014, the CFPB has been operating under a negotiated collective bargaining agreement article for performance management with performance ratings consisting of two levels: “Accomplished Performer” and “Unacceptable”. Under this agreement, 100% of employees received a performance rating of “Accomplished Performer” over the past three years. The absence of any “Unacceptable” ratings reflects the Bureau’s policy of giving employees who are not performing at acceptable levels the opportunity to improve, prior to receiving their performance rating.

Under this agreement, employees whose performance was unacceptable or was approaching an unacceptable level would be notified of being at risk for a poor performance rating. If the employee improved to acceptable performance, then he or she would receive an “Accomplished Performer” rating at the end of the improvement period. For employees who did not improve during that period, appropriate actions could be taken, such as voluntary separation, reassignment, demotion, or involuntary termination of employment. In such cases, the employee would not be given a final performance rating but would be advised of the failure to improve performance and the consequences of that condition.

4.3 Reviews of CFPB programs

During Calendar Year 2016, a number of external assessments reported on the Bureau’s diversity and inclusion efforts. In the 2016 annual study of Best Places to Work conducted by the nonprofit Partnership for Public Service, the CFPB placed eighth out of 27 for mid-size agencies overall, and ranked fourth out of 26 peer agencies for support for diversity (a category measuring the extent to which employees believe that actions and policies of leadership and management promote and respect diversity).³¹

Also in 2016, the Professional Diversity Network (PDN) selected the CFPB for its “Diversity

³¹ Best Places to Work Agency Rankings, <http://bestplacestowork.org.BPTW/rankings/overall/mid>.

Excellence Award” and named the Bureau one of PDN’s “Top 10 Leading Employers in Diversity” from among 2200 employers across the nation. The criteria PDN used to make this award included:

- Percentage of resources and outreach budget assigned specifically to diversity;
- Number of job openings actively promoted to a diverse audience;
- Senior leadership statements, policies, and objectives specific to diversity recruitment;
- Quality of content in diversity recruitment outreach;
- A culture of inclusion within HR and throughout the organization as a whole; and
- A systematic, comprehensive and defined diversity recruitment strategy.

In addition, in January 2016, disABLED Magazine, a magazine targeted to the recruitment of persons with disabilities, named the CFPB the thirteenth Best Federal Agency Employer for persons with disabilities.

On June 21, 2016, the Government Accountability Office (GAO) released a report describing the CFPB’s ongoing work to foster a diverse and inclusive workforce and positive organizational culture.³² The report examined a wide variety of diversity and inclusion efforts underway at CFPB, noted progress that the Bureau has made, and identified recommendations on how to further enhance initiatives to promote the Agency’s broad diversity and inclusion goals.

After its two-year review, GAO reached a number of important conclusions. First, GAO recognized that CFPB has engaged in ongoing improvement efforts in response to challenges that the Bureau first identified in late 2013 and early 2014, including working “to strengthen personnel management practices and enhance its diversity and inclusion efforts.” GAO also noted that CFPB has expanded management training, developed new guidance on personnel practices, developed a new performance management system, and “made progress in adopting

³² See *Consumer Financial Protection Bureau: Additional Actions Needed to Support a Fair and Inclusive Workplace* (pub. June 20, 2016), available at <http://www.gao.gov/products/GAO-16-62>.

leading diversity management practices identified in prior GAO work, such as finalizing a diversity strategic plan, creating employee diversity groups, and expanding diversity training.” GAO further noted that the CFPB “launched a new initiative to strengthen its organizational culture that includes obtaining employee input on ideas for improving CFPB’s culture and addressing employee concerns. Finally, CFPB has strengthened its employee complaint processes by providing new training and guidance and creating feedback mechanisms to help evaluate progress in some areas.” GAO stated that “CFPB’s diversity, inclusion, fairness, and culture efforts represent a significant change management initiative.”³³

GAO’s report recognized that CFPB had undertaken many actions and initiatives on diversity, inclusion and fairness, citing “new policies, guidance, and training; efforts to enhance communication about personnel practices; several enhancements to diversity and inclusion efforts; and the new Workforce of the Future initiative to strengthen the organizational culture, among others.” (p.46)

The GAO report made only two limited recommendations, none of which was specific to OMWI operations:

- CFPB should more “comprehensively report on its implementation goals and progress across these efforts.”
- CFPB has developed feedback mechanisms to evaluate the effectiveness of its EEO complaint process, and should expand those same mechanisms for its non-Part 1614 employee grievance processes (i.e., the negotiated grievance process for bargaining unit members and the administrative grievance process administered by OHC for non-bargaining unit members).³⁴

Bureau leadership immediately began working to implement both of GAO’s recommendations.

³³ See *Consumer Financial Protection Bureau: Additional Actions Needed to Support a Fair and Inclusive Workplace* (pub. June 20, 2016), available at <http://www.gao.gov/products/GAO-16-62>.

³⁴ See *Consumer Financial Protection Bureau: Additional Actions Needed to Support a Fair and Inclusive Workplace* (pub. June 20, 2016), available at <http://www.gao.gov/products/GAO-16-62>.

In 2016, as part of its oversight responsibility, the EEOC made a technical assistance visit to the Bureau's equal employment opportunity program and gave the program an overall positive report³⁵.

³⁵ For more information on this report, see the Bureau's 2016 MD-715 report at:

<https://www.consumerfinance.gov/data-research/research-reports/equal-employment-opportunity-eeo-program-status-report-fiscal-year-fy-2015/> [to be updated when 2016 report is posted]

5. Supplier Diversity³⁶

Under [Section 342](#) of the Dodd-Frank Act, OMWI is required to “implement standards and procedures to ensure, to the maximum extent possible, the fair inclusion and utilization of...minority-owned and women-owned businesses in all business and activities of the agency at all levels....including in procurement.”³⁷ The CFPB recognizes the benefits of doing business with a broad spectrum of businesses across all demographic backgrounds and is committed to supporting the growth and success of businesses owned by women, minorities and marginalized groups. Below are specifics related to the Bureau’s procurement activities with minority-owned and women-owned businesses in FY 2016.

5.1 Minority-owned and women-owned businesses

In 2016, OMWI continued the process of implementing procedures to comply with the statutory requirement. OMWI will continue to work with the Office of Procurement to raise awareness among current vendors and within the Bureau about Dodd-Frank requirements.

Table 14 provides a breakdown of contract dollars obligated with women and minority-owned businesses for the past four years. In FY 2016, the Bureau entered into contract actions totaling \$189,880,158, down by \$54,284,026 from obligations of \$244,164,184 in FY 2015. Of those

³⁶ All Supplier Diversity data are reported for FY 2016, unlike Workforce and Workplace Inclusion data which are for CY 2016.

³⁷ <http://www.cftc.gov/LawRegulation/DoddFrankAct/index.htm>, Section 342, p.166.

obligations, 26.24% were with women- and minority-owned businesses. This percentage more than doubled the 11% awarded to those businesses in FY 2015 and resumed the upward trend of FY 2013 (19%) and FY2014 (21%). As part of that upward trend, awards to African American owned business showed a small, but continued increase, from 3% in FY 2014 and FY 2015 to 3.36% in FY 2016. Awards to American Indian/Alaskan Native businesses on the other hand, declined from 2% in FY 2013 to 0.03%in FY 2016.

TABLE 14: OVERALL MINORITY-OWNED AND WOMEN-OWNED BUSINESS (MWOB)³⁸ CONTRACTS BY OBLIGATION DOLLARS AND ACTION COUNT FOR FISCAL YEARS 2013 - 2016

TYPE OF VENDOR	FY 2016	FY 2015	FY 2014	FY 2013
Total Obligated Dollars	\$189,880,158	\$244,164,184	\$151,024,453	\$ 111,680,021
% of Total	100%	100%	100%	100%
MWOB	\$49,830,656	\$26,388,324	\$31,713,034	\$ 20,920,245
% of Total	26.24%	11.00%	21.00%	19.00%
Women Owned (WO)	\$16,606,582	\$12,762,670	\$15,376,560	\$ 9,830,322
% of Total	8.75%	5.00%	10.00%	9.00%
Minority Owned (MO)	\$33,224,074	\$21,424,081	\$21,646,173	\$ 16,972,273
% of Total	17.50%	9.00%	14.00%	15.00%
Asian American ³⁹	\$21,665,144	\$10,215,953	\$12,043,603	\$ 7,391,732

³⁸ *MWOB: Minority-Owned, Women-Owned or Both also include self-certified small disadvantaged businesses. Note: Contracting Awards represent the total obligation dollars and contract actions during the given year. Federal Procurement Data System (FPDS) combines classification for Asian and Pacific Islander owned businesses. FPDS data was consolidated on 2/2/2015. Some actions may fall into more than one category. Women/Minority includes all women and/or minority-owned businesses, with each action counted once regardless of falling into multiple categories.

³⁹ Includes Subcontinent Asian (Indian) and Pacific Islander

% of Total	11.41%	4.00%	8.00%	7.00%
African American	\$6,384,444	\$6,809,789	\$4,711,373	\$ 5,202,290
% of Total	3.36%	3.00%	3.00%	5.00%
Hispanic American	\$2,663,624	\$2,281,320	\$540,295	\$ 1,160,524
% of Total	1.40%	1.00%	0.40%	1.00%
American Indian/ Alaskan Native	\$56,623	\$518,500	\$664,808	\$ 896,301
% of Total	0.03	0.20%	0.40%	1.00%
Other Minority	\$2,454,237	\$955,580	\$2,570,951	\$ 1,968,999
% of Total	1.29%	0.40%	1.70%	2.00%

The total number of actions obligated in FY 2016 was 1364, down by 86 from 1450 in FY 2015, as indicated in Table 15. There was a decrease in the total percentage of actions with MWOB (down 6.7%) and with MOB (down 3.5%) even though the total dollar amount awarded to those businesses increased, as indicated in Table 16 below, which would indicate that the average dollar amount of actions with these business was higher in FY 2016 than in FY 2015. For women-owned businesses, the percent of actions increased slightly from 22% in FY 2015 to 22.65% in FY 2016. For African American-owned and American Indian/Alaskan Native-owned businesses, the trend noted above for the dollar amounts obligated were also reflected in the number of actions, namely from 91 actions with African American businesses in FY 2015 to 61 in FY 2016 and from four with American Indian/Native American businesses in FY 2015 to one in FY 2016.

TABLE 15: OVERALL MINORITY-OWNED AND WOMAN-OWNED BUSINESS CONTRACTS BY TRANSACTION COUNT FOR FISCAL YEARS 2013 – 2016

TYPE OF VENDOR	FY 2016	FY 2015	FY 2014	FY 2013
Total Actions	1364	1450	1247	922
% of Total	100%	100%	100%	100%
MWOB	318	438	355	240

% of Actions	23.31%	30.00%	28.00%	26.00%
Women Owned (WO)	309	323	253	157
% of Actions	22.65%	22.00%	20.00%	17.00%
Minority Owned (MOB)	198	264	201	157
% of Actions	14.52%	18.00%	16.00%	17.00%
Asian American/ Pacific Islander	20	46	25	20
% of Actions	1.47%	3.00%	2.00%	2.00%
African American	60	91	76	61
% of Actions	4.40%	6.00%	6.00%	7.00%
Hispanic American	57	35	19	19
% of Actions	4.18%	2.00%	1.50%	2.00%
American Indian/ Alaskan Native	1	4	2	8
% of Actions	0.07%	0.30%	0.20%	1.00%
Other Minorities	60	20	21	25
% of Actions	4.4%	1.00%	1.70%	3.00%

Table 16 shows the breakdowns of contract dollars awarded for FY 2013 through FY 2016 to small and marginalized businesses; women-owned small businesses; service-disabled, veteran-owned small businesses; and HUB Zone businesses.

To ensure that small businesses are encouraged to receive a portion of federal procurements, the Federal Acquisition Regulations (FAR) established annual goals that 23% of Federal procurement dollars should be directed toward different socioeconomic categories of small businesses. The CFPB, in its commitment to promoting small businesses, has individually set a higher goal than that required under the FAR, of 28.5% for small business procurement awards. In FY 2016, the CFPB met its goal of awarding 28.5% of all contracts to small businesses. As shown in Table 16 below, the Bureau contracted \$50,555,855 to small businesses, a total

representing approximately 26.62% of all CFPB contract awards. This was a 10.6% increase from amounts awarded in FY 2015, arising from both an increase in the number of awards to small businesses and a decrease on the overall number of awards.

TABLE 16: OVERVIEW OF SMALL BUSINESS AWARDS FOR FISCAL YEARS 2013-2016

CONTRACTING ACTIONS	FY2016	FY 2015	FY2014	FY 2013
Small Business Total	\$50,555,855	\$40,051,121	\$45,431,232	\$34,191,750
% of Total Obligations	26.62%	16.00%	31.00%	32.00%
Small Disadvantaged Business	\$16,630,151	\$12,041,674	\$14,157,591	\$ 9,747,372
% of Total	8.76%	5.00%	10.00%	9.00%
Women Owned Small Business	\$417,492,720	\$12,726,829	\$15,328,669	\$ 9,830,322
% of Total	9.21%	5.00%	10.00%	9.00%
Service Disabled Veteran Owned Small Business	\$4,087,779	\$5,544,318	\$5,167,743	\$ 1,797,082
% of Total	2.15%	2.00%	3.00%	2.00%
HUB Zone Small Business	\$3,711,700	\$2,029,328	\$2,889,320	\$ 2,561,903
% of Total	1.95%	1.00%	2.00%	2.00%

In FY 2016, the Bureau's total spend was \$259,132,970, of which \$38,386,242 (14.8%) was spent with minority-owned and women-owned businesses as shown in Table 17 below. Amount of spend with women-owned businesses was \$12,774,353 (4.98%) with minority-owned businesses was \$32,129,390 (12.53%).

TABLE 17: OVERVIEW OF SPEND FOR ALL MINORITY AND WOMEN OWNED BUSINESSES

CONTRACTING SPEND	FY2016	% OF TOTAL SPEND
Total Spend		
All Vendors	\$259,132,970	100%
MWOB	\$38,386,242	14.81%
Women Owned Business	\$12,774,353	4.98%
Minority Owned	\$32,129,390	12.53%
Asian/Pacific Islander	\$20,286,790	7.91%
African American	\$4,877,447	1.90%
Hispanic	\$2,350,737	0.92%
American Indian Alaska Native	\$573,698	0.22%
Other Minorities	\$2,856,413	1.11%

As shown in Table 18 below, the money spent with small businesses in FY 2016 was \$56,646,358, 22.09% of all spending, of which \$18,443,103, or 7.19% was spent with Small Disadvantaged businesses.

TABLE 18: OVERVIEW OF SPEND FOR ALL SMALL BUSINESSSES

CONTRACTING SPEND	FY 2016	% of TOTAL SPEND
Small	\$56,646,358	22.09%
Small Disadvantaged	\$18,443,103	7.19%
Women Owned Small	\$7,496,395	2.92%
Service-Disabled Veteran Owned Small	\$4,894,536	1.9%
HUB Zone	4,002,617	1.56%

The following Tables 19 through 22 detail the historical obligations by the North American Industry Classification System (“NAICS”) code which identifies products and service categories of purchase for Fiscal Years 2013 - 2016.

As shown in Table 19 below, over half of the total obligations made in FY 2016 were in Professional, Scientific & Technical Services. The two largest contracts in this grouping were for approximately \$34.6 million for other computer related services and approximately \$24.9 million for administrative management and general management consulting services. In FY 2016, Information had the second largest amounts obligated with a total of \$23.2 million.

FIGURE 1: PERCENTAGE OF TOTAL OBLIGATIONS BY NAICS CODE GROUPING FOR FISCAL YEAR 2016



FIGURE 2: PERCENTAGE OF TOTAL OBLIGATIONS BY NAICS CODE GROUPING FOR FISCAL YEAR 2015

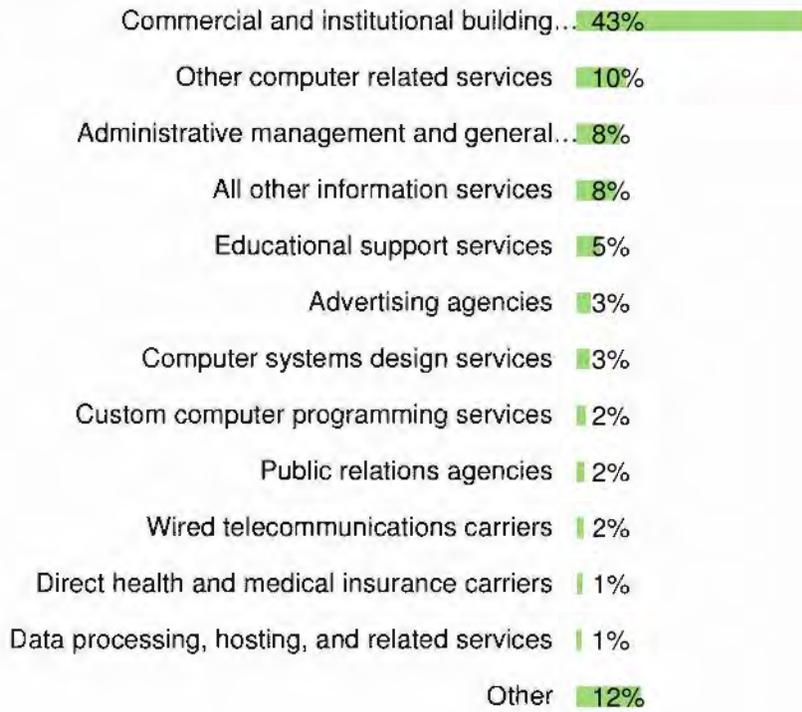


FIGURE 3: PERCENTAGE OF TOTAL OBLIGATIONS BY NAICS CODE GROUPING FOR FISCAL YEAR 2014

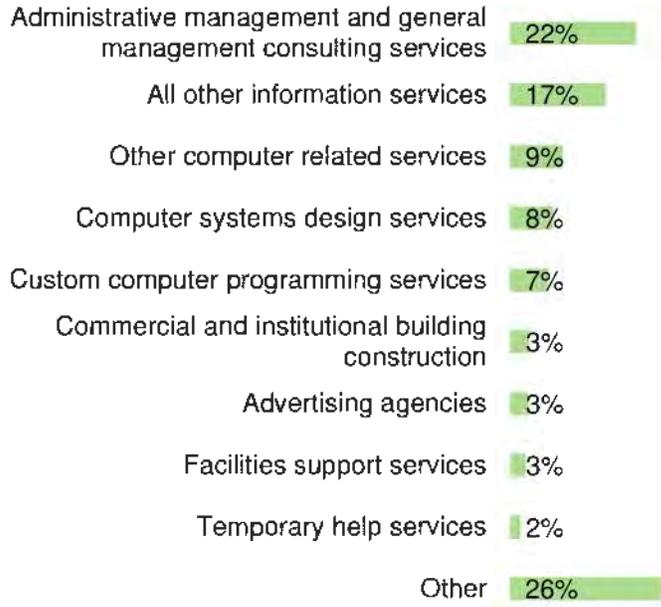
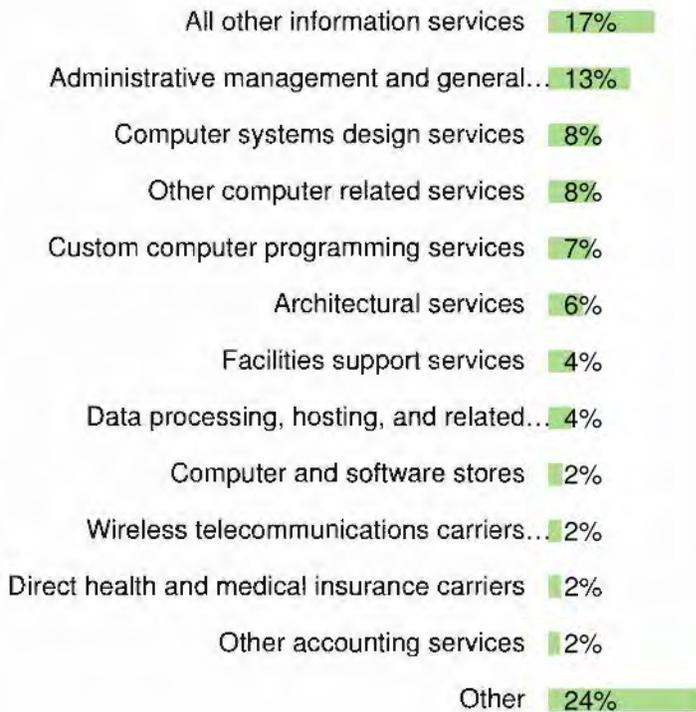


TABLE 19: PERCENTAGE OF TOTAL OBLIGATIONS BY NAICS CODE GROUPING FOR FISCAL YEAR 2014



5.2 Interagency collaboration on supplier diversity initiatives

The CFPB OMWI is a member of an interagency working group of OMWIs which includes the Federal Deposit Insurance Corporation, the Federal Housing Finance Agency, the Federal Reserve Board of Governors, the Department of the Treasury, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the Securities and Exchange Commission. This working group meets on a regular basis to explore shared supplier diversity issues and to plan and implement initiatives that foster supplier diversity within the agencies.

In Calendar Year 2016, the CFPB and interagency partners participated in a number of procurement events targeted at establishing connections and recruiting diverse suppliers. OMWI has continued to distribute materials developed jointly with partners, including information on OMWI's directives and other financial agency contracting information. OMWI also provided information on Federal contracting processes when meeting with minority-owned

and women-owned businesses seeking Federal procurement opportunities. The working group is currently working on developing standardized supplier diversity metrics that will provide data for reports to the public.

5.3 Supplier diversity training and resources

One of the strategies proven to be effective in expanding the pool of minority-owned and women-owned businesses interested in procurement opportunities with the Bureau has been to provide potential business partners with information on the process for doing business with the Bureau. Over the past three years, OMWI and the Office of Procurement have increased their outreach and information sessions and have provided training on how to do business with the Bureau. In Calendar Year 2016 this program was put on hold due to personnel shortages.

In addition, OMWI has developed and continually updated a number of practical resources for minority-owned and women-owned businesses seeking to do business with the Bureau. These materials included information on historical obligations by products and services categories, a forecast of future procurements, and information on small business set-asides. In Calendar Year 2016, OMWI worked with the Office of Procurement to make these resources available digitally and updated them regularly on the CFPB's website: <http://www.consumerfinance.gov/doing-business-with-us/>.

5.4 Outreach for supplier diversity

One of the key supplier diversity priorities continues to be familiarizing minority-owned, women-owned and other disadvantaged businesses with the Bureau's procurement policies and with information on the opportunities for doing business with the Bureau. To address that priority, OMWI has developed an outreach program to introduce the Bureau to the vendor community, and to begin to build relationships with prospective vendors. The expected outcome is continued growth in the award of contracts. This program which was developed in FY 2013 has continued to evolve over the past three years. Components of the program include:

- Establishing and developing relationships with key business stakeholders, industry

groups, and trade groups;

- Participating as speakers on panels, attending supplier diversity events, and co-locating with other federal partners at events when available;
- Distributing literature and educational materials aimed at minority-owned and women-owned businesses;
- Collaborating with the Office of Procurement on a series of outreach events targeted at minority-owned and women-owned businesses; and
- Establishing recurring Supplier Diversity Procurement Workshops to assist minority-owned and women-owned businesses seeking CFPB opportunities.

Over the past two years, OMWI engaged with several organizations to increase the participation by minority-owned and women-owned businesses in procurement activities. To develop and maintain relationships and partnerships with business organizations, OMWI participated in “matchmaking” events, business fairs, and scheduled OMWI Director and other OMWI staff to speak on a number of panels. A comprehensive list of the organizations that OMWI engaged with is included in Appendix C.

6. Regulated entities

As mentioned above, the CFPB is a regular participant in an interagency working group consisting of OMWI Directors from the Federal Deposit Insurance Corporation, the Federal Housing Finance Agency, the Federal Reserve Board of Governors, the Department of the Treasury, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the Securities and Exchange Commission.

On October 25, 2013, the CFPB, along with the OCC, the Federal Reserve Board, the FDIC, the NCUA, and the SEC, released a proposed policy statement establishing joint standards for assessing the diversity policies and practices of entities regulated by the agencies. These standards were published in the Federal Register for comment, and comments were sent back to the agencies by February 7, 2014. These agencies reviewed the comments and developed a final policy statement which was published in the Federal Register on June 10, 2015. In 2016, OMWI continued the planning needed for initiatives related to the new standards.⁴⁰ This planning work included:

- Creating a self-assessment tool that will be offered to entities to assess their diversity and inclusion policies and practices,
- Identifying key stakeholders, both internal and external to the CFPB, and establishing lines of collaboration so that when the standards are implemented, the process will be smooth and effective; and

⁴⁰ <https://www.federalregister.gov/documents/2015/06/10/2015-14126/final-interagency-policy-statement-establishing-joint-standards-for-assessing-the-diversity-policies>

- Building the Bureau processes for ensuring separation of the implementation of the standards from other Bureau engagements with the regulated entities.

In November 2016, the CFPB OMWI hosted an initial roundtable listening session with members of the mortgage industry in order to learn more about their experiences, practices and challenges with diversity and inclusion management practices. The roundtable was attended by 20 variously-sized organizations in the mortgage industry, and OMWI Directors from other financial regulatory agencies. The meeting was designed to provide an opportunity for participants to exchange ideas and to learn about common practices that currently exist in the mortgage industry to further diversity and inclusion among participants in that industry.

7. Summary of Major Accomplishments, Challenges and Next Steps

7.1 Major accomplishments

The CFPB has made important strides in diversity and inclusion in 2016. The following are some of the Bureau's key accomplishments:

- The CFPB earned acknowledgment for its diversity and inclusion initiatives by external organizations, among them: 1) the Partnership for Public Service ranked the CFPB fourth among 26 peer agencies in its "Support for Diversity" category ranking for 2016; 2) the Professional Diversity Network (PDN) named the Bureau as one of the "Top 10 Leading Employers in Diversity"; and 3) *disABLED* magazine named the CFPB one of the top thirteen Best Federal Agency Employers for persons with disabilities.
- On the 2016 Annual Employee Survey (AES) conducted by OPM, the Bureau consistently outperformed the government-wide average on the Inclusion Quotient, which is a measure of the extent to which employees experience the Bureau as inclusive.
- In Calendar year 2016, the divisions of the Bureau began to develop and implement diversity and inclusion goals and objectives in their divisional strategic plans reporting

on their progress to the Bureau Director. The Bureau also developed its first Bureau-wide diversity and inclusion strategic plan in 2016.⁴¹

- OMWI continued training managers on leading practices in diversity and inclusion. By the end of Calendar Year 2016, over 75% of managers had completed the required training. Likewise, over 75% of non-supervisory employees completed a two-hour mandatory introductory training on diversity and inclusion principles.
- The CFPB implemented a policy for the creation of Employee Resource Groups, (ERG) and two ERGs were created in 2016.
- The Bureau created a Diversity and Inclusion Council of Employees (DICE) that has been well received by employees and managers. The DICE advises OMWI on diversity and inclusion matters of importance to employees, and assists in the implementation of new initiatives.
- The Bureau developed a policy to protect transgender employees' rights and to ensure an inclusive and hospitable work environment for all.
- The Bureau began working to implement the *Joint Standards for Assessing the Diversity Policies and Practices* of entities it regulates.⁴²

7.2 Challenges and next steps

While the Bureau has made substantial progress on its strategies for diversity and inclusion in 2016, there is still work ahead. The following are some of the areas the Bureau is working on going forward:

⁴¹ https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201611_cfpb_diversity-and-inclusion-strategic-plan-2016-2020.pdf

⁴² <https://www.federalregister.gov/documents/2015/06/10/2015-14126/final-interagency-policy-statement-establishing-joint-standards-for-assessing-the-diversity-policies>.

- The Bureau has reviewed and revised its hiring processes as appropriate to ensure continued access to opportunity for all applicants. Because some mission critical occupations show an underrepresentation of certain demographic groups and a limited pool of qualified professionals from which to draw for certain positions, efforts are ongoing to support recruitment in those occupations. To help in doing so, revisions include training for hiring managers to minimize any unconscious bias in the hiring processes and to level the playing field for all applicants;⁴³ and the effectiveness of the hiring processes is reviewed on an ongoing basis to ensure that they are effective and relevant in achieving results.
- In the fast-paced work environment of the CFPB, the time and effort needed to develop and implement meaningful and sustainable diversity and inclusion strategies could sometimes be seen as a diversion from mission critical work, were it not for the Bureau's work in closely linking diversity and inclusion with mission critical work. Therefore, the Bureau has intentionally developed and discussed the Bureau's business case for diversity and inclusion and the critical connection of diversity and inclusion to creating relevant and innovative solutions for all consumers.
- In 2017, the CFPB will continue prioritizing initiatives that strengthen diversity and inclusion in the workplace, which will include:
 - Continuing to work with divisions on strengthening their diversity and inclusion goals and initiatives into their strategic plans.
 - Providing training to managers and non-supervisory employees to build their competence for managing and interacting effectively in the Bureau's diverse workplace.

⁴³ For a detailed report on this see the Bureau's MD-715 report at: <https://www.consumerfinance.gov/data-research/research-reports/equal-employment-opportunity-eeo-program-status-report-fiscal-year-fy-2015/> [to be updated when 2016 report is posted]

- Continuing the efforts to better understand and close gaps in hiring individuals from underrepresented groups where barriers to access exist.
- Implementing programs to raise awareness among current vendors and within its business units about the good faith requirements of the Dodd-Frank Act.
- Promoting supplier diversity by identifying potential minority-owned and women-owned businesses with the capability needed to provide the goods and services being procured by the Bureau, and inviting them into the competitive bidding process for such contracts.
- Hosting industry-focused events at the CFPB to connect potential diverse suppliers to the CFPB buyers.
- Tracking supplier diversity spending and sharing information broadly with divisions to encourage the use of diverse suppliers as part of the routine business practice.
- Continuing to increase opportunities for minority-owned and women-owned businesses at the CFPB by providing tools, resources and technical assistance to such businesses about the processes involved in government contracting.

APPENDIX A:

Recruitment outreach

TABLE 20: UNIVERSITY RECRUITMENT

2016 College, University and Graduate School Recruiting
Barnard College
University of California – Berkeley
California State University – Fullerton
University of California – Riverside
University of Chicago
Columbia University
Duke University
University of Florida
Gallaudet University
George Mason University
George Washington University
Georgetown University
Hampton University
Harvard University
University of Houston
Howard University
Johns Hopkins University
University of Maryland

2016 College, University and Graduate School Recruiting

Massachusetts Institute of Technology

University of Illinois – Urbana Champaign

University of Michigan

Michigan State University

Morehouse College

Morgan State University

New York University

University of North Carolina – Chapel Hill

North Carolina A&T University

Northwestern University

University of Pennsylvania

Greater Philadelphia Area Law Schools

Rice University

Rutgers University

Spelman College

Stanford University

University of Texas at Austin

Texas A&M University

Tufts University

Utica College

University of Virginia

College of William & Mary

University of Wisconsin

Yale University

The CFPB also engages in extensive outreach for experienced professionals and experts and utilizes the broad reach of professional organizations to access potential candidates. In 2016 the Bureau attended the following recruiting events:

- Association of Latino Professionals in Finance & Accounting (“ALPFA”) Central Region Student Symposium Career Fair – Houston, TX ALPFA Southeast Region Student Symposium Career Fair – Orlando, FL
- ALPFA National Convention – Lake Buena Vista, FL
- ALPFA Northeast Region Student Symposium Career Fair – Newark, NJ
- Congressional Black Caucus (“CBC”) Annual Conference – Washington, D.C.
- East Coast Asian American Student Union (“ECAASU”) Conference – Washington, D.C.
- Equal Opportunity Publications STEM Career Fair - Washington, D.C.
- Hispanic National Bar Association (“HNBA”) 40th Annual Convention – Boston, MA.
- Lavender Law Conference & Career Fair (LGBT Bar Association) - New York, NY
- The League of United Latin American Citizens (“LULAC”) National Conference & Expo – Salt Lake City, UT
- National Asian Pacific American Bar Association (“NAPABA”) Annual Convention – New Orleans, LA
- National Association for the Advancement of Colored People (“NAACP”) Annual Convention – Philadelphia, PA
- National Association of Asian American Professionals (“NAAAP”) National Conference & Diversity Career Fair – Anaheim, CA
- National Association of Black Accountants (“NABA”) – Eastern and Southern Conferences
- National Association of Women MBAs (“NAWMBA”) Conference & Career Fair – Houston, TX
- The National Bar Association Annual Convention – Los Angeles, CA

- National Black MBA Association (“NBMBA”) Annual Conference & Expo – Orlando, FL
- National Council of La Raza (“NCLR”) National Expo – Kansas City, MO
- National Society of Hispanic MBAs (“NSHMBA”) Conference & Career Expo – Chicago, IL
- National Urban League Annual Conference – Ft. Lauderdale, FL
- Women of Color (STEM)

APPENDIX B:

Heritage months diversity events

TABLE 21: HERITAGE MONTH AND DIVERSITY EVENTS

Heritage Month and Diversity Events	Date
National Disability Employment Awareness Month Panel Presentation	February 10, 2016
Black History Month: Lunch and Learn featuring U.S. Representative Keith Ellison, Minnesota's 5 th Congressional District	February 23, 2016
Public Service Recognition Week: Presentation from the Hon. Andrew Young, former Ambassador to the United Nations, U.S. Congressman, and Mayor	May 4, 2016
World Day for Cultural Diversity: A day to learn about and celebrate the cultures of CFPB employees	May 19, 2016
The Life and Experiences of a Supreme Court Justice: A Conversation with the Hon. Sonia Sotomayor	June 7, 2016
LGBTQ+ Pride Month: Presentation on LGBTQ+ Workplace Rights featuring Louis Lopez, Associate Special Counsel, U.S. Office of Special Counsel, and two OCR employees/LGBTQ+ legal experts, and Observance Honoring the Victims of Orlando Hate Crime	June 22, 2016
LGBTQ+ Pride Month: Screening of a film, narrated by Michael Isakoff that explored the U.S. Government's policies related to LGBTQ+ employees and the impact of those policies on the lives of those employees.	June 29, 2016
Caribbean American Heritage Month: A cultural celebration to educate about the Caribbean region and its role in American History	June 30, 2016
10/12/16- 4 th Annual Hispanic Heritage Month Potluck a celebration of culture and contributions from the Hispanic community	October 12, 2016

APPENDIX C:

Organizations with which OMWI had outreach engagements in 2015-2016

- The Congressional Black Caucus Foundation
- The National Urban League
- CFPB Supplier Diversity Workshop
- The Federal Reserve Board Vendor Outreach Fair
- 25th Annual Government Procurement Conference
- OMWI Interagency Technical Assistance Day
- The League of United Latin American Citizens
- The National Council of La Raza
- National Minority Supplier Development Council Conference & Business Opportunity Fair
- The Women Business Enterprise National Council (WBENC)
- National Contract Management Association World Congress 2016
- National Hispanic Leadership Agenda [NHLA]

January 2017

Equal Employment Opportunity (EEO) program status report for fiscal year (FY) 2016

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1. Agency identifying information

TABLE 1: AGENCY IDENTIFYING INFORMATION

Part A	
1. Agency	Consumer Financial Protection Bureau (CFPB or Bureau)
2. Address	1700 G Street NW
3. City, State, Zip code	Washington, D.C. 20552
4. CPDF Code	FRFT
5. ANSI codes	11001, 06075, 17031, 36061

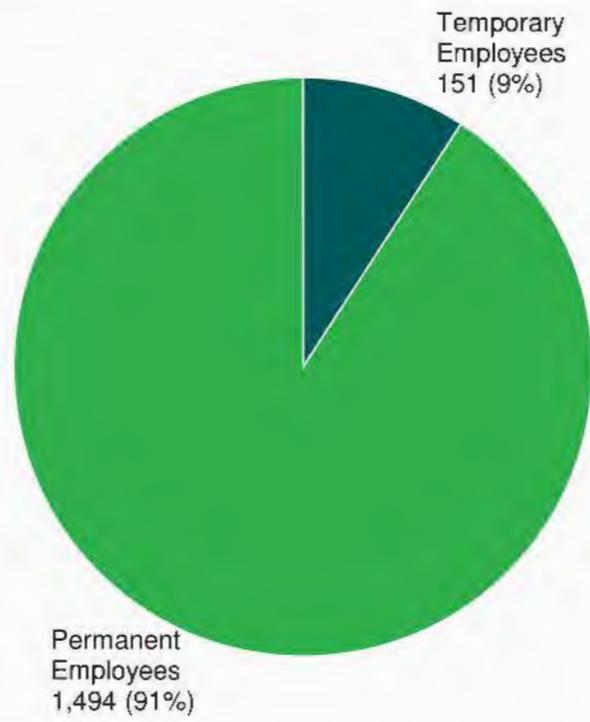
2. Total employment

TABLE 2: TOTAL EMPLOYMENT

Part B	
Permanent full-time and part-time employees	1,494
Temporary employees	151
Employees paid from non-appropriated funds	0
Total employment	1,645

Data as of September 30, 2016. Workforce numbers for FY 2015 included in this FY 2016 Status Report may differ slightly from corresponding data reported in the FY 2015 Status Report. This is due to retroactive processing of personnel actions, late processing of personnel actions, or other changes made in applicable data systems since the data was finalized for the FY 2015 Status Report.

FIGURE 1: TOTAL EMPLOYMENT



3. Leadership

TABLE 3: LEADERSHIP

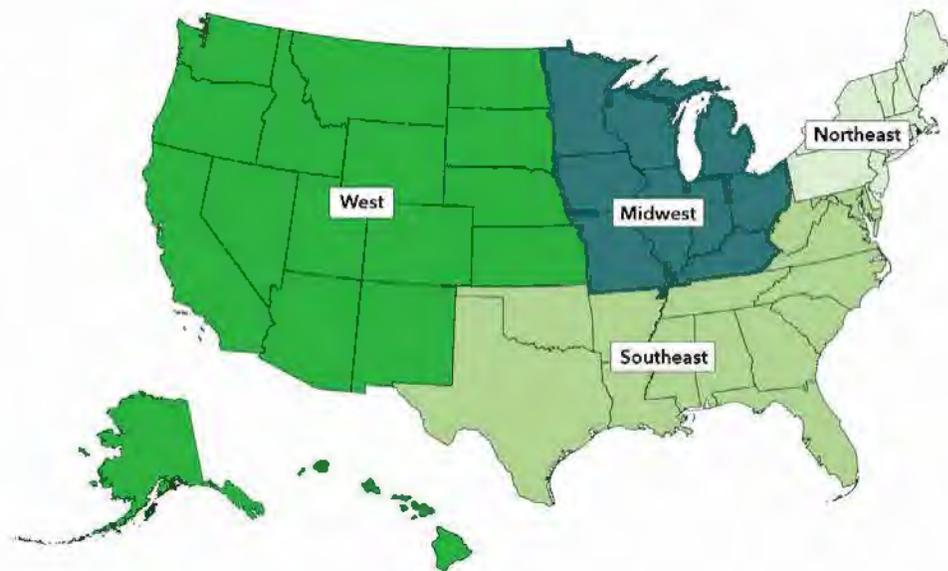
Part C	
Head of agency	Richard Cordray Director Consumer Financial Protection Bureau
Agency Head Designees	Stuart Ishimaru Director Office of Equal Opportunity & Fairness M. Stacey Bach Director Office of Civil Rights



Richard Cordray, Director, Consumer Financial Protection Bureau

4. List of subordinate components covered in this report

FIGURE 2: CFPB SUPERVISION REGIONS



Regions

- Northeast
- Southeast
- Midwest
- West

5. Executive summary

Overview

This Equal Employment Opportunity (EEO) Program Status Report for Fiscal Year (FY) 2016 is prepared and submitted pursuant to the Equal Employment Opportunity Commission's Management Directive 715 (MD-715), and accompanying instructions and guidance. This report highlights accomplishments by the Consumer Financial Protection Bureau (CFPB or the Bureau or the Agency) in FY 2016 in continuing to establish and solidify its EEO Program. This report also identifies areas where the Bureau will take further actions to enhance its EEO Program.

Mission

CFPB is the nation's first federal agency focused solely on consumer financial protection. The Dodd-Frank Wall Street Reform and Consumer Protection Act (Pub. L. No. 111-203) (July 21, 2010) (Dodd-Frank Act) created CFPB to protect consumers and to encourage fair and competitive consumer financial markets. CFPB officially began operations on July 21, 2011. At the end of FY 2016, the Bureau consisted of 1,645 employees (permanent and temporary).

CFPB's mission is to make markets for consumer financial products and services work for people in America – whether they are applying for a mortgage, choosing among credit cards, or using any number of other consumer financial products. CFPB helps 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 lives. When CFPB achieves its mission, it will have facilitated the development of a consumer finance marketplace where consumers can see prices and risks and can easily make product comparisons. The envisioned consumer finance marketplace will work for consumers in America, responsible providers, and the economy.

CFPB is achieving its mission and vision through data-driven analysis, innovative use of technology, and valuing great teamwork and top talent. CFPB is using data purposefully to support informed decision-making in all internal and external functions. CFPB strives to be an

innovative, 21st century agency in its approach to technology. Finally, CFPB invests in world-class training, development, and support to create an environment that encourages employees at all levels to tackle complex challenges.

To accomplish these goals, CFPB is divided into six Divisions:

- Consumer Education & Engagement (CEE)
- Supervision, Enforcement, & Fair Lending (SEFL)
- Research, Markets, & Regulations (RMR)
- External Affairs (EA)
- Legal (LD)
- Operations (OPS)

These Divisions work together to:

- Write rules, supervise regulated entities, and enforce federal consumer financial protection laws;
- Restrict unfair, deceptive, or abusive acts or practices;
- Take consumer complaints;
- Promote financial education;
- Research consumer behavior;
- Monitor financial markets for new risks to consumers; and
- Enforce laws that prohibit discrimination and other unfair treatment in consumer finance.

EEO Structure

The accomplishments and developments highlighted in this report stem from collaboration between the various CFPB offices responsible for aspects of the Agency's EEO program. The Bureau has an Office of Equal Opportunity & Fairness (OEOF), which is housed directly in the Office of the Director of CFPB. OEOF is comprised of the Office of Civil Rights (OCR) and the

Office of Minority and Women Inclusion (OMWI). The Director of OEOF reports directly to the Director of CFPB.

OCR has operated since February 2013. It works to ensure that CFPB complies with all federal EEO laws and related civil rights protections; provides a neutral forum for the discussion, investigation, and resolution of certain EEO matters; and strives to integrate EEO into CFPB's everyday work. OCR also works to empower individuals to participate constructively to their fullest potential in support of CFPB's mission. OCR endeavors to ensure that CFPB reflects the rich diversity of the nation and provides a full and fair opportunity for all employees and applicants, and that CFPB employees have the working environment that will support them in their efforts to protect consumers.

Among other services, OCR provides policy and technical advice on EEO and civil rights to the CFPB Director and senior leadership, and manages the Bureau's EEO complaint process pursuant to 29 C.F.R. Part 1614. The Bureau's EEO Program works to ensure the EEOC's six essential elements of a model EEO Program are incorporated into the fabric of the Bureau, thus supporting the goal of maintaining a discrimination-free workplace for all.

The Director of OCR (like the Director of OEOF) reports directly to the Director of CFPB.¹ OCR emphasizes and maintains its neutrality and impartiality, which is critical to having an efficient and fair EEO complaint resolution process. This ensures that employees and managers know that the pre-complaint and investigation stages of the Part 1614 process are not adversarial, that OCR will provide a neutral and impartial factual record, and that, when requested, OCR will issue a final decision assessing the facts and law to determine whether or not one or more of the applicable employment discrimination laws have been violated.

The OCR Director exercises full authority to carry out the Part 1614 functions of OCR without Legal Division (i.e., General Counsel) involvement, thus ensuring impartiality and removing any possible conflict of interest. Legal resources within OCR make this possible. OCR staff, sometimes with the assistance of contractors, conducts legal sufficiency reviews of EEO matters,

¹ The OCR Director is a CFPB Assistant Director. For purposes of this report, the term "OCR Director" will be used.

which includes issuing accept/dismiss decisions addressing jurisdiction over and scope of claims set forth in formal complaints, Reports of Investigations (ROIs), and Final Agency Decisions (FADs). The Legal Division, which defends the Bureau in these matters, is firewalled from all activities within OCR and only participates during adversarial portions of the EEO process (hearings and appeals), and during settlement negotiations, or to provide appropriate legal advice or assistance when a manager or supervisor requests it during the course of an EEO investigation. All other Bureau offices are similarly firewalled and kept separate as necessary and appropriate to avoid conflicting or competing interests.

At the same time, while OCR maintains primary responsibility for the Agency's overall EEO program, it collaborates extensively with both OMWI and the Bureau's Office of Human Capital (OHC) to ensure fairness and equality under the law for all employees and applicants for employment. Pursuant to Section 342 of the Dodd-Frank Act, OMWI develops standards for equal employment opportunity and diversity, which OHC incorporates into CFPB Human Capital Management. OCR, OMWI, and OHC monitor the impacts and results of these standards, cultivate successful policies and practices to reinforce them, and develop enhancement strategies to strengthen all EEO and diversity and inclusion programs Bureau-wide. OCR cooperates with OHC, in particular, related to the reasonable accommodation and harassment prevention programs OHC administers. OCR maximizes appropriate partnerships with Bureau leadership, management, diversity committees (such as the Agency's Executive Advisory Council (EAC) and Diversity and Inclusion Council of Employees (DICE)), Employee Resource Groups, other employees, and with the National Treasury Employees Union (NTEU) to achieve OCR's and the Bureau's mission and vision.

EEO self-assessment and action items

Throughout FY 2016, CFPB made significant strides in developing a model EEO Program by conducting self-assessments pursuant to MD-715. CFPB also implemented various action items delineated in its FY 2015 Program Status Report. The Bureau incorporated each of the Six Essential Elements for a model EEO program outlined in MD-715:

- Demonstrated commitment from Agency leadership;
- Integration of EEO into the Agency's strategic mission;
- Management and program accountability;

- Proactive prevention of unlawful discrimination;
- Efficiency; and
- Responsiveness and legal compliance.

5.1 Essential Element 1: Demonstrated commitment from agency leadership

Management Directive 715 requires agency heads and other senior management officials to demonstrate a firm commitment to equality of opportunity for all employees and applicants for employment. According to MD-715:

Agencies must translate equal opportunity into every day practice and make those principles a fundamental part of agency culture. This commitment to equal opportunity must be embraced by agency leadership and communicated through the ranks from the top down. It is the responsibility of each agency head to take such measures as may be necessary to incorporate the principles of equal employment opportunity into the agency's organizational structure. To this end, agency heads must issue a written policy statement expressing their commitment to equal employment opportunity (EEO) and a workplace free of discriminatory harassment.²

During FY 2016, CFPB demonstrated its commitment to ensuring that talented and diverse staff have equal employment opportunities and are treated fairly and with respect, and that Bureau leadership enforces the standards of fairness that it expects of the companies and industries it regulates. The Bureau is dedicated to maintaining a workplace that promotes professionalism and productivity, respects the dignity of all, and embraces education of employees about their

² See Management Directive 715 (Oct. 2003) (MD-715), Model Agency Title VII and Rehabilitation Act Programs, at Section II.A., available at <https://www.eeoc.gov/federal/directives/md715.cfm>.

EEO rights and responsibilities.

Further demonstrating commitment from CFPB leadership, the Bureau ensures that all EEO policy statements are timely and current. Every year, the Agency reissues EEO policy/anti-harassment and No FEAR Act statements. CFPB's Director, Richard Cordray, issued the most recent EEO policy/anti-harassment statement in September 2016, reaffirming the Bureau's zero tolerance for workplace discrimination, harassment, or retaliation. Director Cordray also issued a No FEAR Act statement in September 2016, which is available to all CFPB employees, former employees, and applicants on CFPB's external website (as well as on the Bureau's intranet). CFPB provides all new employees with the No FEAR Act statement, the EEO policy/anti-harassment statement, and other relevant policies during orientation through a live presentation and a take-away "Guide to the Office of Civil Rights," and provides them again to all employees promoted to supervisory ranks. These policy statements affirm that the CFPB Director, the OCR Director, CFPB managers, and front-line supervisors will uphold and enforce EEO and merit system principles. The policy statements make it clear that equal employment opportunities exist for all employees and applicants for employment, regardless of their race, color, religion, sex (including pregnancy, sexual orientation, transgender status, gender identity or expression, gender non-conformity, or sex stereotyping of any kind), national origin, age, disability, genetic information, prior protected EEO-related activity, and/or whistleblower activity.

Further, Director Cordray and senior leadership have publically demonstrated commitment to the EEO program in additional ways. In FY 2016, Director Cordray elevated the position of OCR Director to Executive, reflecting his recognition of the importance of this role to the Bureau's diversity and inclusion and EEO compliance efforts. He also meets monthly with the OCR Director to stay apprised of important EEO-related developments and trends. Similarly, Director Cordray meets monthly with leadership from OMWI to stay informed about diversity-focused initiatives. In FY 2016, Director Cordray also led quarterly diversity and inclusion discussions with leadership of each of the Bureau's various Divisions.

Director Cordray also participates – often in a key role – in the Bureau's special observance celebrations. For instance, during the Bureau's National Disability Employment Awareness Month celebration in the fall of 2015, the Director engaged in a robust discussion with CFPB staff about the experiences of Bureau employees with disabilities. In May 2016, Director Cordray participated in an event for Public Service Recognition Week featuring remarks by Ambassador Andrew Young, who shared about his personal story, his work with Dr. Martin Luther King Jr.,

and his service to the country as U.S. Ambassador to the United Nations and as the mayor of Atlanta. In June 2016, Director Cordray gave opening remarks at CFPB’s LGBTQ+ Pride Month celebration, as well.

In addition, every week the Director sends out a “Weekly Message” to all employees highlighting the important work the Bureau has recently accomplished. These communications often include messages regarding EEO and diversity and inclusion, and how these principles relate in practice to the mission and operations of the Bureau. Relevant examples are included in the table below.

TABLE 4: EEO TOPICS IN DIRECTOR'S WEEKLY MESSAGE DURING FY 2016

EEO Topics in Director's Weekly Message	Date of Weekly Message
Highlighted National Disability Employment Awareness Month & Helpful Disability Etiquette Tips	October 5, 2015
Announced Solicitor General Donald Verrilli's upcoming CFPB presentation to discuss LGBTQ+ rights	October 19, 2015
Referenced Dr. Martin Luther King Jr.'s <i>Letter from a Birmingham Jail</i>	October 26, 2015
Announced CFPB NDEAM Event: "My Disability Is One Part of Who I Am"	November 2, 2015
Reflected on Veterans' Day	November 9, 2015
Discussed implementation of Bureau cultural norms, including diversity and inclusion, into day-to-day activities	November 23, 2015
Referenced unfortunate general discourse in the public arena based on race, ethnicity, and religion	December 14, 2015
Noted Ambassador Andrew Young's remarks about the later stages of Dr. Martin Luther King's work	January 19, 2016
Announced the launch of the Bureau's Diversity and Inclusion Council of Employees (DICE)	February 1, 2016
Mentioned Lilly Ledbetter Fair Pay Act Anniversary	February 1, 2016
Announced Black History Month event featuring U.S. Representative Keith Ellison from Minnesota's 5th Congressional District	February 22, 2016
Noted Office of Civil Rights employee Melissa Brand has been honored by the John Jay College of Criminal Justice for her efforts to help transgender employees and federal agencies navigate the gender transition process	February 22, 2016
Discussed CFPB participation at the winter board meeting of the National Hispanic Leadership Agenda	March 7, 2016

EEO Topics in Director's Weekly Message	Date of Weekly Message
Discussed African American Community Leadership roundtable	March 21, 2016
Mentioned Perspective on Civil Rights and Economic Rights Presentation from Ambassador Andrew Young	May 2, 2016
Announced World Day for Cultural Diversity Celebration	May 16, 2016
Addressed Bureau efforts to engage with Spanish-speaking consumers using Twitter and Facebook	May 16, 2016
Discussed Older Americans Month campaign to combat consumer scams	May 16, 2016
Noted Office of Civil Rights employee Daniel Vail Received the EEOC Pride Chai Feldblum Award for LGBTQ+ rights work	May 23, 2016
Noted LGBTQ+ Pride Month and announced release of new Bureau Transgender Non-Discrimination and Inclusion Policy	June 6, 2016
Addressed Orlando shooting impact on LGBTQ+ community, Latino community, and communities of color	June 20, 2016
Announced upcoming LGBTQ+ Pride Month Lunch and Learn events	June 20, 2016
Acknowledged the importance of Ramadan	June 20, 2016
Recapped screening of documentary, "Uniquely Nasty: The U.S. Government's War on Gays" for LGBTQ+ Pride Month	June 27, 2016
Addressed discriminatory practices in mortgage lending that harmed African Americans and other minorities	July 5, 2016
Mentioned Twitter chat in Spanish hosted by the National Council of La Raza in honor of National Homeownership Month	July 5, 2016
Discussed participation in meeting of Federal Interagency Reentry Council on issues relating to how the nation can be more successful in integrating justice-involved individuals back into our society so that they are able to lead productive lives	July 11, 2016
Recapped presentation of keynote remarks at the NAACP's 107th annual convention and discussed economic justice	July 25, 2016
Noted consumer advocates representing national civil rights organizations spoke at CFPB All Hands Meeting	August 8, 2016
Discussed Director's meeting with the Bureau's Diversity and Inclusion Council of Employees (DICE)	August 15, 2016
Announced response to Services and Advocacy for LGBT Elders (SAGE) inquiry regarding coverage of sexual orientation- and gender-identity-related discrimination under laws Bureau enforces	September 6, 2016
Announced the Professional Diversity Network bestowed its Diversity Excellence Award on Bureau, naming it as one of its	September 19, 2016

EEO Topics in Director's Weekly Message	Date of Weekly Message
Top 10 Leading Employers in Diversity from 2,200 employers across the nation	
Discussed roundtable on how student debt affects communities of color	September 19, 2016
Highlighted release of Director's Annual EEO and Workplace Harassment Statement and No Fear Act Notice	September 19, 2016

These are just a few examples of the many actions senior leaders have taken to demonstrate their strong personal commitment to guaranteeing equal employment opportunities for all employees. Director Cordray is a champion of the Bureau's EEO program.

5.2 Essential Element 2: Integration of EEO into agency's strategic mission

Management Directive 715 notes that equality of opportunity is essential to attracting, developing, and retaining the most qualified workforce to support an agency's achievement of its strategic mission. To this end, under MD-715 (and in addition to the regulatory requirements found at 29 C.F.R. § 1614.102(b)(4), as interpreted in Management Directive 110) the Bureau must:

- Maintain a reporting structure that provides the Agency's EEO Director with regular access to the Agency head and other senior management officials for reporting on the effectiveness, efficiency, and legal compliance of the Agency's Title VII and Rehabilitation Act programs. To emphasize the importance of the position, the Agency head should be involved in the selection and performance review of the EEO Director.
- Ensure EEO professionals are involved with, and consulted on, the management and deployment of human resources. The EEO Director should be a regular participant in senior staff meetings and regularly consulted on human resources issues.
- Allocate sufficient resources to create and/or maintain Title VII and Rehabilitation Act programs that (1) identify and eliminate barriers that impair the ability of individuals to compete in the workplace because of race, national origin, sex, or disability; (2) establish and maintain training and education programs designed to provide maximum

opportunity for all employees to advance; and (3) ensure that unlawful discrimination in the workplace is promptly corrected and addressed.

- Attract, develop, and retain EEO staff with the strategic competencies necessary to accomplish the Agency's EEO mission, and interface with Agency officials, managers and employees.
- Recruit, hire, develop, and retain supervisors and managers who have effective managerial, communications, and interpersonal skills. Provide managers and supervisors with appropriate training and other resources to understand and successfully discharge their duties and responsibilities.
- Involve managers and employees in the implementation of the Agency's Title VII and Rehabilitation Act programs.
- Use various media to distribute EEO information concerning federal EEO laws, regulations and requirements, rights, duties, and responsibilities and to promote best workplace practices.³

These aspects of integrating EEO into the Bureau's strategic mission are discussed in greater detail below.

Reporting structure

CFPB's reporting structure allows the OCR Director to have direct and regular access to CFPB's Director and other senior level management officials. OCR is located within OEOF, which is a part of the CFPB Director's Executive Office. The OCR Director reports directly to the CFPB Director on EEO matters and to the OEOF Director on all administrative matters. This reporting structure allows the EEO program to be run efficiently and effectively. Critically, this reporting structure provides the OCR Director with the autonomy and authority needed to carry out a successful EEO Program while also leveraging synergies between the work of OCR and OMWI.

³ See MD-715, Model Agency Title VII and Rehabilitation Act Programs, at Section II.B., available at <https://www.eeoc.gov/federal/directives/md715.cfm>.

The major duties and responsibilities of the OCR Director are clearly defined and include developing, implementing, and managing comprehensive, broad-scope CFPB EEO policies, programs, and services. The OCR Director also serves as the principal technical advisor to the CFPB Director and to the Bureau's leadership on EEO and civil rights issues and policies, and is readily available for consultation purposes.

Further, the OCR Director has access to other senior management officials for reporting on the effectiveness, efficiency, and legal compliance of the Bureau's EEO program. The OCR Director meets monthly with CFPB's Director and the CFPB Chief of Staff, and meets with senior leadership, including the CFPB Director, the CFPB Deputy Director, the OMWI Director, and all CFPB Associate Directors to provide updates on the EEO Program. For example, following the submission of the Bureau's FY 2015 EEO Program Status Report, the OCR Director presented to the CFPB's Director and other senior officials the "State of the Agency" briefing, which covered all components of the Bureau's EEO Program Status Report. During other senior leadership meetings, the OCR Director provided additional EEO-related updates to management and supervisory officials. In FY 2016, the Bureau's Quarterly Performance Review (QPR) process also allowed a guided dialogue between OEOF, individual divisions, and the Office of the Director where compliance, diversity, and inclusion metrics are assessed.

Collaboration

To ensure integration of EEO into the Bureau's strategic mission, the OCR Director collaborates closely with OHC and OMWI, as well as other stakeholders across CFPB. Positive working relationships have been established that support information-sharing and best practices among the offices. The Chief Human Capital Officer (CHCO) and OCR Director meet to discuss whether personnel programs, policies, and procedures are in conformity with instructions contained in EEOC regulations, Management Directives, and other guidance. Further, OHC confers with OMWI and OCR for advice and consultation for guidance on diversity outreach strategy and approach, training curriculum and goals, and operational improvements that support compliance and diversity before making decisions. For instance, OCR has:

- Continued to participate in the Bureau's efforts to implement the agency's Diversity and Inclusion (D&I) Strategic Plan, first adopted in 2015. This plan outlines CFPB's affirmative employment and diversity and inclusion goals and priorities, and the specific actions that will support them.
- Continued to collaborate with OHC to enhance supervisory and employee training

offered by OHC, to ensure that EEO compliance and diversity and inclusion concepts are addressed in New Employee Orientation, supervisory development and leadership excellence seminars, performance management training, etc.

- Continued to work with OHC to encourage and maintain relationships with, and outreach to, professional organizations that represent Veterans, Disabled Veterans, Hispanics, and other minority constituencies. This includes attending career fairs and professional association meetings throughout the year to meet and provide information on CFPB, and on employment opportunities, including posting vacancies on bulletin boards geared to these groups of professionals. (*See more information on the Bureau's overall recruiting efforts below.*)
- Partnered with OHC to analyze the results of the Annual Employee Survey (AES) to examine employee perceptions of the Bureau across demographic groups, and to use the Inclusion Quotient index, included in the AES, in planning to help all employees feel a greater sense of inclusion.
- Helped assemble a cross-agency workgroup comprised of senior leaders in OCR, OWMI, OHC, the Executive Advisory Council (EAC), and the Bureau's Office of Strategy to recommend improvements to CFPB's hiring processes to minimize the potential for barriers to employment by various demographic groups.
- Participated on the Working Committee for the Bureau's "Workforce of the Future" (WFF) initiative. WFF was established to focus the Bureau's efforts in building a great organization with the overarching goal of making CFPB a sustainable organization and a great place to work. WFF adopted four "norms" for Bureau culture: (1) We will value diversity and inclusion; (2) We will treat each other as partners, not adversaries; (3) We will be disciplined in how we make decisions and set priorities; and (4) We will hold ourselves and each other accountable for these norms.
- Advised on the development and implementation of the Bureau's new Awards and Recognition program, established to recognize and reward employees for exceptional achievements above and beyond the scope of their normal duties and responsibilities, and to promote the Bureau's core values to Serve, Lead, and Innovate, and the Agency's WFF cultural and behavioral norms.
- Provided technical assistance to the Bureau's Legal Division, OHC Employee and Labor Relations Team, and NTEU in the negotiation of EEO-related articles in the Bureau's

collective bargaining agreement.

- Consulted and collaborated with OHC to analyze and encourage OHC to implement recommendations contained in the Report of Co-Chairs Commissioner Chai Feldblum and Victoria Lipnic of the EEOC's Select Task Force on the Study of Harassment in the Workplace related to effective anti-harassment programs.⁴

OHC, OCR, and OMWI also have continued discussions to better define roles and responsibilities among the offices, and then to acquire and assign additional personnel resources, as necessary, to support the EEO Program.

Resources for the EEO program

During FY 2016, the Bureau allocated additional resources OCR requested to ensure that the EEO Program remains successful and operates in an effective manner. This has proved vital to ensuring integration of EEO into the Agency's strategic mission.

During FY 2016, OCR secured approval to onboard additional full-time and shared resources. OCR hired an individual formerly from the EEOC's Office of Federal Operations (OFO) – with extensive experience as an Appellate Review Attorney and as an Administrative Judge – to serve as the Bureau's EEO Complaints Program Manager. This new program manager focuses on maintaining and enhancing the quality and timeliness of all aspects of the Part 1614 complaint process. OCR also now has a data analyst (sited within OHC and shared with OMWI) to perform trend and other data analyses, such as identifying triggers and barriers to EEO throughout the Bureau.⁵ In addition, OCR procured approval to hire a Conflict Prevention Program Manager to focus on enhancements to EEO and non-EEO alternative dispute resolution (ADR) options. This

⁴ This report can be found at https://www.eeoc.gov/eeoc/task_force/harassment/report.cfm.

⁵ The EEOC defines a "trigger" to mean merely a data point "which alerts the agency to the possible existence of a barrier to equal opportunity." See Frequently Asked Questions About Management Directive 715, at Question 7 (emphasis added), available at https://www.eeoc.gov/federal/directives/qanda_md715.cfm. A "barrier" is a specific agency policy, procedure, or practice that limits employment opportunities for members of a particular EEO group. The presence of a "trigger" does not necessarily suggest that a barrier to equal employment opportunity exists, much less that any possible barrier is unlawful.

individual onboarded early in FY 2017, and has brought extensive expertise from prior positions with the EEOC, the Employment Litigation Section in the Civil Rights Division of the U.S. Department of Justice, and (most recently) the Office of Compliance in Congress, where he led the nationwide ADR program for Congress (30,000+ employees). In an attempt to leverage expertise from within the Bureau, OCR also has detailed a Senior Attorney and leader from another CFPB division for a four-month period to assist OCR in evaluating ADR efforts.

These newer resources add to the existing permanent, full-time OCR staff, which includes the OCR Director, a Senior Counsel, a General Attorney, an EEO Specialist, a Paralegal Specialist, and a Senior Administrative Officer. OCR also shares an Administrative Assistant with OMWI.

The Bureau does not yet have a Disability Program Manager and intends to hire one as soon as feasible. OCR will continue to leverage existing resources and to work with partners in OHC and OMWI to facilitate disability-related programming and affirmative employment efforts, including enhancing efforts as feasible given competing demands – consistent with MD-715 and the EEOC’s new Section 501 affirmative action regulations⁶ – regarding the hiring, promotion, and retention of individuals with disabilities and targeted disabilities at all CFPB pay bands.

In addition, resources (through CFPB staff in OEOF and OHC, contractors, and detailees) are available to identify and work to eliminate barriers to employment for all protected groups. Personnel work together to gather and analyze relevant data (e.g., workforce statistics, complaints data, surveys, focus groups, exit interviews, anecdotal accounts), identify triggers and barriers, devise action plans, and then follow-up to determine the success of the action plans. OCR also has resources available through staff and contractors to ensure that allegations of unlawful discrimination in the workplace are processed in accordance with 29 C.F.R. Part 1614 requirements.

Finally, CFPB has allocated financial resources to create and/or maintain necessary Title VII and Rehabilitation Act programs.

⁶ See 82 Fed. Reg. 654 (Jan. 3, 2017).

Attracting, developing, and retaining EEO staff

One vital element to ensuring that EEO is integrated into the mission of the Bureau is to attract, train, and keep well-qualified staff within OCR. As mentioned above, during FY 2016, OCR hired an EEO Complaints Program Manager who previously worked at the EEOC (for approximately 9 years) as both an Administrative Judge and an Appellate Review Attorney within the EEOC's OFO. As also mentioned above, in FY 2016 OCR was allocated additional personnel resources to address critical programmatic needs, such as ADR. During FY 2016, OCR retained all of its permanent, full-time staff members, many of whom were first hired soon after OCR was established in FY 2013. (In FY 2016 an administrative assistant in OEOF did depart to join another federal agency, and OEOF has subsequently onboarded this person's replacement. In early FY 2017, an OCR EEO Specialist retired.)

OCR staff has also received training to maintain the competencies necessary to accomplish the Bureau's EEO functions and mission. OCR management has provided or authorized various types of training (including webinars and presentations on significant EEOC cases) and procured helpful resources (such as current-awareness periodicals, treatises, and advanced research tools) to equip EEO staff with the knowledge and skills essential for a successful EEO program. Many of these trainings involve personnel from other Bureau divisions, such as OHC, presenting excellent opportunities for knowledge-sharing and collaboration across the Agency. Formal trainings attended by EEOC staff are included in the table below.

TABLE 5: RECENT EEO STAFF TRAINING

Training	Date
Privacy/PII Training	October 20, 2015
iComplaints Basics	December 2, 2015
Encrypted Email Procedures	April 12, 2016
Employees with Psychiatric Disabilities	April 19, 2016
Pregnancy in the Workplace	April 20, 2016
7 Habits of Highly Effective People	April 25-27, 2016
Email Management for Lawyers	May 10, 2016
7 Common Mistakes Agencies Make in the EEO Process	May 18, 2016

Training	Date
EEO Counselor Refresher Training	May 26, 2016
Deterring and Responding to Harassment	June 8, 2016
Westlaw Training	June 14, 2016
Crucial Conversations (Team-based Communications Training)	June 20-21, 2016
Leveraging Disability-Inclusive Outreach	June 30, 2016
Hiring, Promotions, and Internal Placement Actions	July 12, 2016
EXCEL	July 19-21, 2016
Federal Dispute Resolution	August 1-4, 2016
Executive Leadership Training	September 19-20, 2016
EEO Trends in LGBT & Pregnancy Discrimination	September 21, 2016
Pay Equity Demystified: Practical Legal, Data, and Statistical Considerations	October 31, 2016

Recruiting, hiring, developing, and retaining supervisors and managers

To ensure the Bureau integrates EEO into its daily mission, CFPB works to hire, develop, and retain supervisors and managers who have effective managerial, communication, and interpersonal skills to supervise most effectively in a workplace with diverse employees and to avoid disputes arising from ineffective communications. One of the Bureau's top diversity and inclusion goals is to recruit talent from a diverse group of potential applicants to develop a high-performing workforce drawn from all segments of American society.

Each year, OHC's Talent Acquisition (TA) Team and OMWI, in consultation with OCR, collaborate to develop and execute a comprehensive recruiting program. The Bureau focuses on cultivating relationships with core universities and organizations that best align with the Bureau's hiring needs; conducting targeted diversity outreach through student-based programs and affinity affiliated industry events (e.g., Women in Technology, Hispanics in Law); and making special efforts to enhance the Bureau's visibility with organizations representing diverse populations.

This outreach allows the Bureau to market CFPB as an employer of choice and to inform

potential candidates of upcoming job openings. CFPB’s recruitment activity serves as a key part of the Bureau’s overall strategy to promote opportunities to a diverse range of candidates from all segments of society. CFPB’s goals include:

- *Recruit students and recent graduates.* Changing societal demographics and an increase in federal government retirement create an opportunity to hire, promote, and retain new talent at the entry level.
- *Recruit experienced professionals.* The Bureau values the experience and expertise of seasoned professionals and alumni whom CFPB encounters at affinity events. These events provide access to mid-level and senior-level talent from the private and public sectors who add to the Bureau’s expertise and are potential candidates for management and executive positions (should internal executive selections not be made from the internal management pools).
- *Exposure.* Recruiting events provide the Bureau with access to diverse talent pools designed to facilitate connections among parties and build visibility and credibility.
- *Awareness.* Recruiting events enable the Bureau to promote its work and job opportunities to external populations unfamiliar with CFPB.

A sampling of recruitment events originally planned for FY 2016 is included in the table below.

TABLE 6: 2016 RECRUITMENT EVENT SPONSORS

2016 Recruitment Event Sponsors
Recruitmilitary
Peace Corps
Equal Opportunity Publications
National Association of Black Accountants
Association for Latin Professionals in Finance and Accounting (ALPFA)
The League of United Latin American Citizens (LULAC)
Public Policy & International Affairs Program (PPIA)
National Association for the Advancement of Colored People (NAACP)

2016 Recruitment Event Sponsors

National Bar Association (NBA)

National Council of La Raza (NCLR)

Ascend Pan-Asian Leaders

National Urban League (NUL)

National LGBT Bar Foundation

Hispanic National Bar Association (HNBA)

National Association of Asian MBAs (NAAMBA)

Congressional Black Caucus

Gallaudet University

National Black MBA Association

National Asian Pacific American Bar Association (NAPABA)

Howard University

Atlanta University Consortium (Spelman, Morehouse, Clark Atlanta)

The Bureau also uses the Professional Diversity Network (PDN) to advertise opportunities for employment at CFPB. PDN connects the Bureau to eight affinity career sites that provide access to three million registered users. Websites included in this network include ihispano.com, BlackCareerNetwork.com, WomensCareerChannel.com, Military2Career.com, ProAble.net, Acareers.net, OutProNet.com, Black Data Processing Associates, and disABLEDperson.com.

To develop and retain managers and supervisors, the Bureau provides appropriate and critical training. This helps ensure CFPB managers and supervisors have – and feel properly equipped with – the skills and competencies needed to fulfill their responsibilities and duties under the Bureau’s EEO program, as well as the ability to properly supervise a diverse staff of employees. Relevant training provided includes a mandatory 2-day EEO training through the EEOC Training Institute, a mandatory 2-day diversity and inclusion training, a mandatory 3-day Supervisory Development Seminar (SDS), 8 days of mandatory Leadership Excellence Seminars (LES), and a mandatory training on structured interviewing techniques for all “lead

interviewers” (as well as annual mandatory No FEAR Act and harassment prevention training required of all Bureau employees). A number of these trainings are sequenced over a multi-year period.

For instance, beginning in 2015, the Bureau has required all supervisors and managers to attend a two-day workshop entitled, “Leading Diversity and Inclusion at the Bureau.” This workshop focuses on providing managers the awareness, knowledge, and skills needed to give due consideration to differences in culture, backgrounds, and experiences of staff and managers in managerial/supervisory processes, decisions and actions. The training content includes: the business case for managing diversity; the subtle behaviors that signal unconscious bias; the manager’s role in creating an inclusive workplace; equitable and bias-free approaches for managing diverse teams; giving effective feedback to diverse teams; managing disagreements across cultural differences; and action planning. Evaluations of the training indicated that participants had a very high level of satisfaction with the content and with the workshop facilitators.

OMWI, in collaboration with OCR, also provided training to managers on legal compliance and diversity and inclusion in the performance evaluation process. This training focused on increasing awareness of legal compliance requirements and the types of biases and the ways in which bias can impact the performance evaluation process.

TABLE 7: SAMPLE OF TRAININGS FOR MANAGERS AND SUPERVISORS IN FY 2016

Training	Audience	Date
Diversity and Inclusion in the Performance Evaluation Process	All Managers and Supervisors	Various Dates
Diversity and Inclusion Leaders Training	All Managers and Supervisors	Various dates
Leadership Excellence Seminars (LES)	All Managers and Supervisors	Various dates
Supervisory Development Seminars (SDS)	All Managers and Supervisors	Various dates
EEOC Training Institute 2-Day Manager Training	All Managers and Supervisors	Various dates
Structured Interview Training (including D&I and EEO modules)	All Managers and Supervisors who serve as lead interviewers	Various dates

Manager and employee engagement

To ensure integration of EEO into its strategic mission, the Bureau also must engage managers and all employees in the Bureau's EEO Program and overall diversity and inclusion efforts. In part to enhance employee engagement, CFPB in 2015 implemented a Diversity and Inclusion (D&I) Strategic Plan. The plan outlines the Agency's affirmative employment and diversity and inclusion goals and priorities, and the specific actions that will support them. From 2016 until 2020, the D&I Strategic Plan will govern diversity and inclusion in the Bureau's workforce, its supplier diversity efforts, and its work to promote diversity among regulated entities. The Bureau engages Division leadership to advance diversity and inclusion initiatives through assignment of a D&I goal in each Divisional Strategic Plan (developed in collaboration with OMWI and the Bureau's Office of Strategy) aimed at increasing the diversity among Division staff, and ensuring that the work environment is inclusive for all employees. The Bureau also facilitates engagement of senior leaders via the Quarterly Performance Review (QPR) process for all Divisions managed by the Office of Strategy. (In FY 2017, the QPR process has changed to a Triannual (three times per year) Performance Review (TPR) process.)

The following are some additional specific initiatives currently in place at the Bureau to engage supervisors and managers, as well as the overall workforce, in advancing diversity and inclusion Agency-wide:

- *Executive Advisory (Diversity and Inclusion) Council (EAC)*. This cross-divisional group of 12 senior leaders works to strengthen and integrate diversity and inclusion at CFPB by providing strategic guidance, advocacy, and support.
- *Diversity and Inclusion Council of Employees (DICE)*. In FY 2016, the Bureau launched the inaugural term for this cross-agency group of employees. DICE is a group of 17 employees from various demographics, pay band levels, positions, and geographic locations. DICE and the EAC both advocate for and provide critical perspectives. DICE is providing a platform for employees to give feedback to OCR and OMWI regarding EEO and diversity and inclusion efforts at CFPB, and will support affirmative employment and special emphasis programming efforts. (For instance, OCR received approval to leverage members of DICE to potentially serve as collateral duty special emphasis program managers.)
- *Employee Resource Group Policy*. In FY 2016, the Bureau finalized and adopted an official Employee Resource Group (ERG) policy to facilitate employee efforts to form

interest-based groups. ERGs at the Bureau will serve as advocates for equality and diversity and inclusion, and provide a means for employees to be active in supporting programs aligned with the Bureau’s mission, such as the EEO Program. ERGs will foster employee engagement throughout CFPB by strengthening inclusion and understanding of cultural differences. ERGs also will contribute in ways that help the Bureau hire, retain, and develop its diverse workforce. Recently, the Bureau’s first official ERGs – CFPB Pride (for LGBTQ+ employees and allies) and CFPB Adelante! (for Hispanic/Latino employees and allies) formed. Additional ERGs are being planned and will be created soon.

- *Union Outreach.* OCR has engaged in outreach to the leadership of the NTEU chapter representing (as of the end of FY 2016) approximately 1,115 Bureau employees. OCR leadership met with the NTEU local board to understand how OCR could better educate bargaining unit members, and subsequently presented a one-hour training for bargaining unit members titled “Everything You Ever Wanted to Know About the Bureau’s Office of Civil Rights and the ‘EEO Process’ (But May Have Been Afraid to Ask!).”

Further, OCR, in collaboration with OHC, OMWI, External Affairs, and CFPB’s Culture Team, has been successful in getting employees and managers involved in Heritage Month/Special Observances and other diversity-related events. For example, in FY 2016, various employees and managers helped plan and present the widely attended events listed in the table below.

TABLE 8: HERITAGE MONTH AND DIVERSITY EVENTS

Heritage Month and Diversity Events	Date
National Disability Employment Awareness Month: “My Disability Is One Part of Who I Am – A Conversation with Bureau Colleagues” moderated by OCR Director and featuring an OCR employee	November 3, 2015
National Native American Heritage Month: Lunch and Learn featuring Ann Marie Bledsoe Downes, the Deputy Assistant Secretary, Indian Affairs for Policy and Economic Development, Department of the Interior	November 19, 2015
Black History Month: Lunch and Learn featuring U.S. Representative Keith Ellison, Minnesota’s 5 th Congressional District	February 23, 2016
Public Service Recognition Week: Presentation from the	May 4, 2016

Hon. Andrew Young, former Ambassador to the United Nations, U.S. Congressman, and Mayor

World Day for Cultural Diversity:

A day to learn about and celebrate the cultures of CFPB employees May 19, 2016

The Life and Experiences of a Supreme Court Justice: A Conversation with Hon. Sonia Sotomayor June 7, 2016

LGBTQ+ Pride Month: Presentation on LGBTQ+

Workplace Rights featuring Louis Lopez, Associate Special Counsel, U.S. Office of Special Counsel, and two OCR employees/LGBTQ+ legal experts, and Observance Honoring the Victims of Orlando Hate Crime June 22, 2016

LGBTQ+ Pride Month: Screening of "Uniquely Nasty: A History of the U.S. Government's War on Gay Employees" featuring narrator and reporter Michael Isikoff June 29, 2016

Caribbean American Heritage Month: A cultural celebration to educate about the Caribbean region and its role in American History June 30, 2016

Distributing EEO information

The Bureau uses various media and other innovative means to distribute EEO information. These efforts assist in ensuring that EEO is integrated into the Agency's strategic mission and crucial EEO-related information is readily accessible at all times. The Bureau makes use of virtually all of the ideas suggested by the EEOC in its September 2014 publication entitled "Preserving Access to the Legal System: A Practical Guide to Providing Employees with Adequate Information about Their Rights under Federal Equal Employment Opportunity (EEO) Laws and Regulations."⁷ The various means used to distribute information is described in the table below.

⁷ This guidance is available at http://www.eeoc.gov/federal/preserving_access.cfm.

TABLE 9: MEDIA USED TO DISTRIBUTE EEO INFORMATION

Media Used To Distribute EEO Information
Regular email notifications via “Ops Digest” and “Manager Minute” publications
Regular email messages from the CFPB Director and OCR Director
Annual statements from the CFPB Director on the No FEAR Act and on the Bureau’s EEO Policy and Anti-Harassment Policy, provided in email and printed formats, and posted on the Bureau’s intranet
Posters placed throughout all Agency facilities in break rooms and work rooms
A tri-fold brochure on EEO rights and responsibilities
Display Stands with relevant hard-copy information placed near every elevator bank, in OHC, and in OCR office space
Digital Display Boards (i.e., large monitors) in elevator banks in CFPB headquarters featuring rotating slides including brief messages on EEO and diversity and inclusion-related topics
Guide to the Office of Civil Rights (distributed immediately to all new employees)
EEO Resource Manual for Managers and Supervisors (provided to all new supervisors and during mandatory 2-day EEO training)
Intranet and internet content, including all relevant policies and Frequently Asked Questions about OCR and discrimination-related topics, and periodic All-Employee “Announcements” on the homepage of the Bureau’s intranet
EEO-related notices on employee paystubs (containing a new notice each pay period)
Formal training including: New Employee Orientation (NEO); mandatory annual No FEAR Act and harassment prevention trainings; mandatory Supervisory Development Seminar (SDS); and mandatory 2-day manager EEO training led by the EEOC Training Institute; mandatory two-day diversity and inclusion training for new supervisors; mandatory diversity and inclusion training for all employees

In-person dissemination of information is perceived by many as the most effective means to distribute EEO information. To that end, a member of OCR staff distributes a hard copy “Guide to the Office of Civil Rights” to every new Bureau employee, in person, on or near his or her very first day of employment. This guide contains detailed information on discrimination, harassment, and retaliation, and the EEO process – including the Part 1614 process and the 45-calendar day timeframe for initiating EEO counseling. In addition, OCR created and distributes an “EEO Resource Manual for Managers and Supervisors” providing practical guidance on EEO compliance. Further, OHC sends each new manager a “CFPB New Manager Onboarding Information” guide that also contains critical EEO and diversity and inclusion information.

OCR also conducts, collaborates in presenting, and/or sponsors numerous in-person trainings, as well. In his FY 2016 EEO Policy/Anti-Harassment Statement, Director Cordray conveyed his expectation that all Bureau employees prioritize diversity and inclusion and EEO training and put what they learn into practice every day. For example:

- All 246 new hires at the Bureau (100%) completed mandatory New Employee Orientation Training during FY 2016, during which OCR staff provides an overview of EEO rights and responsibilities (including explaining the Part 1614 process and emphasizing the 45 calendar day timeframe for contacting an EEO counselor).
- A total of 234 employees completed mandatory diversity training in FY 2016. CFPB began offering this two-hour awareness raising workshop to non-managerial employees to help develop a shared understanding of diversity and inclusion at the Bureau. The workshop focuses on the importance of diversity and inclusion in strengthening individual competence for interacting effectively in a diverse workplace and the ways in which an understanding of diversity and inclusion contributes to the effectiveness of the Bureau's work in serving consumers. As of the end of FY 2016, 1,099 CFPB employees had completed this training, with the remainder scheduled to complete it by the end of calendar year 2016. Evaluations of the training indicated that it was well received and effective in increasing employees' awareness of the importance of diversity and inclusion to the Bureau's overall effectiveness.
- A total of 65 supervisors and managers completed a mandatory 2-day EEO Training conducted by the EEOC Training Institute in FY 2016, for a total of over 250 to date.
- A total of 47 supervisors and managers completed mandatory Leadership Excellence Seminars (LES) in FY 2016, and over 200 total supervisors and managers have completed these seminars to date.
- A total of 56 supervisors and managers completed the mandatory Supervisory Development Seminar (SDS) in FY 2016, and approximately 265 total supervisors and managers have completed this seminar to date – almost 95 percent.
- A total of 112 supervisors and managers completed the mandatory supervisor 2-day diversity training in FY 2016, and approximately 230 total supervisors and managers have completed this training to date – approximately 83 percent.

- A total of 44 employees completed structured interview training mandatory for all “lead interviews” in FY 2016, and approximately 294 total employees have completed this training to date.
- A total of 1132 employees (69 percent) and 236 supervisors and managers (82 percent) completed mandatory performance management training containing EEO and diversity and inclusion components in FY 2016.

In addition, each year all Bureau employees must take a one-hour web-based training on the No FEAR Act, and a separate one-hour, web-based training on harassment prevention. Approximately 85 percent of employees completed this mandatory No FEAR Act training in FY 2016, and over 95 percent of employees completed the mandatory harassment prevention training in FY 2016. By FY 2018, OCR hopes, depending on resource availability, to begin offering live annual mandatory No FEAR Act and harassment and retaliation training for employees, and to develop and rollout an EEO “refresher” training curriculum for experienced supervisors and managers.

In FY 2016, OCR also launched a new “Top 10 EEO Tips” series of optional webinars for all Bureau employees. This series of virtual brownbag presentations by OCR is designed for all CFPB personnel (managers/supervisors and non-supervisory employees), and provides “bite size” – 30 minutes maximum – training in the form of practical tips on EEO rights and responsibilities. The first installment of the series was for Mental Health Awareness Month in May 2016, and offered tips on “Mental Health Awareness and You.” OCR will continue to offer new webinars as part of this series in FY 2017, with upcoming installments likely addressing topics such as Top 10 EEO Pitfalls, reasonable accommodations (including for pregnancy-related limitations and religion), and retaliation. In FY 2017, OCR also hopes to develop and launch web-based training on compliance with Sections 504 and 508 of the Rehabilitation Act of 1973.

Further, the OCR intranet page is an excellent resource for individuals wanting information about the EEO process. The OCR intranet page clearly describes the Part 1614 process, contains links to all pertinent policies and procedures, and offers a section of plain-language Frequently Asked Questions (FAQs) that is updated and augmented routinely. (This section of the intranet also welcomes and solicits ideas for additional FAQs, encouraging those visiting the site to email OCR with suggestions for topics about which additional guidance or clarification could be helpful.) The OCR intranet page also contains contact and location information for OCR,

including contact information for all OCR staff, to ensure that employees can easily seek OCR's assistance in person or virtually.

5.3 Essential Element 3: Management and program accountability

Management Directive 715 explains that a model Title VII and Rehabilitation Act program will hold managers, supervisors, EEO officials, and personnel officers accountable for the effective implementation and management of an agency's program. Per MD-715, in ensuring such accountability, the Bureau must:

- Conduct regular internal audits, on at least an annual basis, to assess the effectiveness and efficiency of the Title VII and Rehabilitation Act programs and to ascertain whether the Agency has made a good faith effort to identify and remove barriers to equality of opportunity in the workplace.
- Establish procedures to prevent all forms of discrimination, including harassment, retaliation, and failure to provide reasonable accommodation to qualified individuals with disabilities.
- Evaluate managers and supervisors on efforts to ensure equality of opportunity for all employees.
- Maintain clearly defined, well-communicated, consistently applied, and fairly implemented personnel policies, selection and promotion procedures, evaluation procedures, rules of conduct, and training systems.
- Implement effective reasonable accommodation procedures that comply with applicable executive orders, EEOC guidance, the Architectural and Transportation Barriers Compliance Board's Uniform Federal Accessibility Standards and Electronic, and Information Technology Accessibility Standards (and ensure that EEOC has reviewed those procedures when initially developed and if procedures are later significantly modified).
- Be mindful of the Agency's disability program obligations, including the provision of reasonable accommodations, when negotiating collective bargaining agreements with

recognized labor organization(s) representing Agency employees.

- Ensure effective coordination between the Agency's EEO programs and related human resource programs, including the Federal Equal Opportunity Recruitment Program (FEORP), the Selective Placement Programs, and the Disabled Veterans Affirmative Action Program (DVAAP).
- Review each finding of discrimination to determine the appropriateness of taking disciplinary action against Agency officials involved in the matter. Track these decisions and report trends, issues, and problems to Agency leadership for appropriate action.
- Ensure compliance with settlement agreements and orders issued by the Agency, EEOC, and EEO-related cases from the Merit Systems Protection Board, labor arbitrators, and the Federal Labor Relations Authority.⁸

Audits and Reviews of CFPB programs

The Bureau uses internal audits and assessments (among other methods) to ensure management and program accountability. In FY 2016, CFPB conducted or was involved in various audits and reviews of its EEO program to ascertain whether the Bureau has made a good faith effort to identify and remove barriers to equal opportunities in the workplace and promote diversity and inclusion Agency-wide.

Most notably, as part of the EEOC's oversight responsibility for federal agency EEO programs and per the EEOC's Federal Sector Complement Plan (FCP), the EEOC's OFO conducts technical assistance visits to various federal agencies each year. For FY 2016, EEOC selected 74 agencies, including CFPB, for technical assistance visits. On January 11, 2016, OFO staff met with personnel from OCR, OHC, and OMWI to review the status of CFPB's EEO program with respect to its: (1) Schedule A conversions; (2) anti-harassment program; (3) reasonable accommodation program; (4) barrier analysis focused on access to executive level positions; and

⁸ See MD-715, Model Agency Title VII and Rehabilitation Act Programs, at Section II.C., available at <https://www.eeoc.gov/federal/directives/md715.cfm>.

(5) compliance with EEOC's Management Directives. In a letter to the OCR Director dated June 24, 2016, the EEOC stated (among other things):

- "We are pleased to note that CFPB stated in its response to our RFI that the agency regularly converts its Schedule A appointees to competitive status after two years of satisfactory performance. We urge CFPB to continue to ensure that its Schedule A employees are timely converted to the competitive service."
- "We are pleased to note that in FY 2015, CFPB implemented a recruitment and outreach plan for individuals with targeted disability and it has established a goal of 2% to hire and retain individuals with [a] targeted disability. Although CFPB did not specifically set aside positions for Schedule A appointments in FY 2015, the Office of Human Capital, Office of Civil Rights (OCR), and Office of Minority and Women Inclusion (OMWI) urge hiring officials to consider the use of the Schedule A hiring authority to fill vacancies. Further, the agency explained that its recruitment officials are trained on all federal hiring rules, including special hiring authorities such as Schedule A. We would also like to highlight that CFPB's Director announced its plans to partner with another federal agency to increase its hiring of individuals with intellectual disabilities. We look forward to reviewing CFPB's progress in this area in its next MD-715 report."
- "Further, we commend CFPB for providing 'Disability and Reasonable Accommodation Training' to managers and supervisors and disability etiquette tips to all employees. In addition, we are pleased to note that CFPB has established a tracking system to ensure that the agency responds to accommodation requests in a timely manner. We urge the agency to continue its strong support of the reasonable accommodation program."
- "We thank CFPB for submitting its anti-harassment policy, entitled *CFPB Procedures Related to Reporting Harassment and Inappropriate Conduct*. After reviewing the policy, we determined that the document cover[s] all types of harassment and addresses all six elements [essential for an effective anti-harassment program and procedures]. However, the policy does not specifically require periodic training to all managers and supervisors. We expect CFPB to establish a plan to update its policy statement to reflect the periodic training on harassment that is currently provided to all supervisor[s] and managers."
- "[T]he Office of Human Capital, which is responsible for the anti-harassment program at the CFPB, completes management inquiries in an average of 2 to 4 months, depending

on the circumstances. With regard to prompt investigations, CFPB should be aware that management inquiries must commence within ten (10) days of receiving notice of harassment of allegation. *See Complainant v Dep't of Veterans Affairs*, EEOC Appeal No. 0120123232 (May 21, 2015). We note that at the time of our meeting in January 2016, CFPB did not yet track the number of days that have elapsed between receiving a complaint and commencing the investigation; however, the agency now monitors the timeliness of its management inquiries. We applaud CFPB for implementing a centralized tracking system to monitor the status of its management inquiries, and look forward to reviewing the agency's continued progress on this front in the Executive Summary of its next MD-715 report."

- "We note that with the exception of Men overall, Hispanic males, and Asian males, all other EEO groups had lower-than-expected participation rates in CFPB's senior level positions (SLP) in FY 2015, when compared to their rate in [A]gency's permanent workforce. In Part I of its FY 2015 MD-715 report, CFPB identified triggers involving Black males and females, but has not yet found a policy, procedure, or practice that is causing a barrier. The agency stated that its preliminary analysis did not reveal any discriminatory policies, practices, or procedures that have created a barrier. CFPB established plans in Part I to continue to examine the promotion practices and address any problematic practices, and review surveys to assess whether any information contained in results could help explain the cause of low participation among certain groups in higher banded positions."
- "We commend CFPB for its barrier analysis efforts and hope this letter will assist the agency in identifying whether a barrier exists in its SLPs. . . . [W]e suggest that CFPB focus on [possible] barriers for Black males and females. Ultimately, CFPB should look for possible connections between the triggers in its workforce statistics and any policies, procedures, or practices that might be causing those discrepancies. In particular, we suggest that CFPB implement the following planned activities: (1) identify the typical background and experience of individuals selected to the SLP and other senior pay positions; (2) review the qualifications of Black males and females seeking career advancement; (3) examine the recruitment of Black males and females into the senior grade levels and management positions; (4) investigate every phase of the merit promotion process for the senior grade positions; (5) interview employees from the human resources office about their screening process; (6) meet with members of the interview panel about their process of identifying best-qualified applicants and their

interview questions; (7) compare the qualifications of Black male and female applicants to the selectees' qualifications; (8) review the various voting stages for disapproval of Black males and female candidates; (9) conduct a longitudinal review of applicant flow statistics found in tables A7, A9, and A11; (10) review the participation of Black males and females by grade level in the occupations with upward mobility; and (11) meet with selecting officials to examine their experiences in the hiring process and to discuss their perception of Black candidates. We look forward to reviewing CFPB's continued progress on this front in Part I of its next MD-715 report. In addition, we request that CFPB provide an update on its use of a blind selection process for SLS vacancies, which EEOC considers a best practice."

- "CFPB does not yet collect all of the workforce data, including all applicant flow data, which is necessary in order to conduct barrier analysis. In Part H of its next MD-715 report, we expect CFPB to show meaningful progress toward capturing all the required workforce data. We look forward to reviewing CFPB's progress in this area in future MD-715 reports."

Notably, the EEOC did not infer or conclude that CFPB had engaged in any unlawful employment practice, and did not identify any specific barrier to equal employment opportunity for any demographic group. As feasible given competing demands and limited resources, the Bureau is focusing on incorporating all of the best practices identified as part of the EEOC's technical assistance.

OCR is currently working with various stakeholders, including OHC, OMWI and the Executive Advisory Committee (EAC), to ensure EEOC's suggestions are incorporated into the Bureau's EEO program. For instance, OCR has consulted with OHC on a process to update its anti-harassment policy to reflect that periodic training is required for all managers and supervisors. OHC is also working diligently to reduce the average number of days to complete anti-harassment inquiries in line with EEOC guidance and case law.⁹ With respect to disability

⁹ The length of the inquiries varies widely depending on the number of allegations made, the complexity of the allegations, the number of witnesses interviewed, and whether or not an outside investigator was procured to

recruitment and hiring, the Bureau in FY 2016 drafted (and in FY 2017 will finalize) an official Schedule A policy to encourage continued and greater use of this hiring flexibility. (In FY 2017, OHC will also work on finalizing a set of Standard Operating Procedures to assist applicant seeking reasonable accommodations.) Further, the Bureau's Chief Human Capital Officer has reached out to the Federal Communications Commission to leverage lessons learned and explore partnerships to increase the employment of individuals with intellectual disabilities. The Bureau's efforts to implement the EEOC's recommendations regarding lower-than-expected participation rates in CFPB's senior level positions of certain demographic groups are addressed in greater detail in Part I-4 of this report.

During FY 2016, other external reviews or assessments shed light on the Bureau's EEO and diversity and inclusion efforts. An annual comparison by the nonprofit Partnership for Public Service found that in 2016, CFPB ranked 4th out of 26 peer agencies for support for diversity (a category measuring the extent to which employees believe that actions and policies of leadership and management promote and respect diversity). Overall, CFPB placed 8 out of 27 mid-size agencies in the Partnership for Public Service's ranking of Best Places to Work.

In addition during 2016, the Professional Diversity Network selected CFPB for its "Diversity Excellence Award" and named the Bureau one of PDN's "TOP 10 Leading Employers in Diversity" from among 2200 employers across the nation. The criteria PDN used to make this award include:

- Percentage of resources and outreach budget assigned specifically to diversity;
- Number of job openings actively promoted to a diverse audience;
- Senior leadership statements, policies, and objectives specific to diversity recruitment;
- Quality of content in diversity recruitment outreach;
- A culture of inclusion within HR and throughout the organization as a whole; and

conduct the investigation. In the majority of cases, inquiries took between 2-4 months. A true "average" number would be inaccurate due to outlying cases that took significantly longer due to the particular circumstances, but in FY 2016, the shortest anti-harassment inquiry was completed in 14 days.

- A systematic, comprehensive and defined diversity recruitment strategy.

The Bureau also was featured as a “Company to Watch” in Universum’s *Top 100 Employers* publication. Universum is a global branding and consulting firm which annually surveys over 75,000 college students at over 300 institutions about the companies they admire most and would most want to work for. CFPB’s feature includes a profile of Monica Romero, an Examiner from the Bureau’s Western region.

Further, in January 2016, *Careers & the disABLED*, a magazine targeted to the recruitment of persons with disabilities, named CFPB the 13th Best Federal Agency Employer for persons with disabilities.

In FY 2015, the Office of the Inspector General (OIG) of the Board of Governors of the Federal Reserve released its results of its audit to assess the efficiency and effectiveness of the Bureau’s EEO diversity and inclusion efforts and its EEO complaint processing program. The report, *CFPB Can Enhance Its Diversity and Inclusion Efforts*, issued on March 9, 2015, states that regarding the 29 C.F.R. Part 1614 complaint process:

- “CFPB has policies and procedures for each of its employee complaint processes [e.g., EEO complaints].”
- These “processes give employees the opportunity to have their complaints heard, investigated, and redressed in a fair and equitable manner.”
- “CFPB adheres to several laws and regulations related to its OEEEO [Office of Equal Employment Opportunity – OCR] and the processing of EEO complaints.”¹⁰

During FY 2016, CFPB made substantial progress on or completed OIG recommendations including, for example, obtaining commercial software to support EEO complaint tracking and reporting requirements, mandating diversity training, creating a D&I Strategic Plan, and creating a Succession Planning and Career Pathing Guide. On September 30, 2016, the OIG

10 This report is available at <https://oig.federalreserve.gov/reports/cfpb-diversity-inclusion-mar2015.htm>.

wrote to the Bureau closing out an additional recommendation and confirming that only six¹¹ of the original 17 recommendations remain open.

In November 2015, the minority staff of the U.S. House of Representatives Committee on Financial Services issued a report titled *The Dodd-Frank Act Five Years Later: Diversity in the Financial Services Agencies*.¹² This report reviewed audits of seven financial regulatory agencies including the OIG audit of CFPB discussed above. The various OIGs for financial regulatory agencies had been asked to review the agencies' internal operations to determine whether any personnel practices have created a discriminatory workplace or have otherwise systematically disadvantaged minorities and women employees, particularly from obtaining senior management level positions. The report highlighted the number of changes CFPB has instituted to its workforce practices designed to remedy perceived past shortcomings and proactively prevent discrimination. The report commended CFPB for evaluating its Performance Management Review (PMR) program, and determined that CFPB's willingness to hold itself accountable for achieving a non-discriminatory work environment was an "agency best practice."

On June 21, 2016, the Government Accountability Office (GAO) released a report describing the CFPB's ongoing work to foster a diverse and inclusive workforce and positive organizational culture.¹³ The report examined a wide variety of diversity and inclusion efforts underway at CFPB, noted progress that the Bureau has made, and identified recommendations on how to further enhance initiatives to promote the Agency's broad diversity and inclusion goals.

After its two-year review, GAO reached a number of important conclusions. First, GAO expressly recognized that CFPB has engaged in ongoing improvement efforts in response to challenges

11 To date, only three recommendations related to OEOF remain open and the Bureau has met with the IG to discuss officially closing them out.

12 This report is available at <http://democrats.financialservices.house.gov/news/documentsingle.aspx?DocumentID=399441>.

13 See *Consumer Financial Protection Bureau: Additional Actions Needed to Support a Fair and Inclusive Workplace* (pub. June 20, 2016), available at <http://www.gao.gov/products/GAO-16-62>.

that the Agency first identified in late 2013 and early 2014, including working “to strengthen personnel management practices and enhance its diversity and inclusion efforts.” GAO also specifically noted that CFPB has expanded management training, developed new guidance on personnel practices, developed a new performance management system, and “made progress in adopting leading diversity management practices identified in prior GAO work, such as finalizing a diversity strategic plan, creating employee diversity groups, and expanding diversity training.” GAO further noted that the CFPB “launched a new initiative to strengthen its organizational culture that includes obtaining employee input on ideas for improving CFPB’s culture and addressing employee concerns. Finally, CFPB has strengthened its employee complaint processes by providing new training and guidance and creating feedback mechanisms to help evaluate progress in some areas.” All of this, GAO found, showed that “CFPB’s diversity, inclusion, fairness, and culture efforts represent a significant change management initiative.”

The GAO report made only two limited recommendations, none of which was specific to OCR operations:

- CFPB should more “comprehensively report on its implementation goals and progress across these efforts.”
- CFPB has developed feedback mechanisms to evaluate the effectiveness of its EEO complaint process, and should expand those same mechanisms for its non-Part 1614 employee grievance processes (i.e., the negotiated grievance process for bargaining unit members and the administrative grievance process administered by OHC for non-bargaining unit members).

Bureau leadership immediately began working to implement both of GAO’s recommendations. With respect to the first recommendation, OEOF, OHC, and the Office of Strategy, along with other Bureau stakeholders, have implemented a detailed D&I project tracking initiative. Regarding the second recommendation, OCR shared its current comprehensive program surveys with OHC as potential models for grievance-process feedback. The Bureau has also worked with NTEU to develop a means of collecting feedback on the current negotiated grievance process.

Diversity and inclusion form an especially critical component of an effective organizational culture. GAO’s perspective provides valuable insight and points to opportunities for continuous improvement. GAO’s report recognizes that CFPB has taken many steps considered best

practices, citing “new policies, guidance, and training; efforts to enhance communication about personnel practices; several enhancements to diversity and inclusion efforts; and the new Workforce of the Future initiative to strengthen the organizational culture, among others.”

CFPB also carefully monitors and incorporates employee feedback on its EEO program and overall diversity and inclusion efforts. For instance, during FY 2016 OCR drafted a new survey specifically soliciting feedback from relevant stakeholders about all stages of the EEO process, including the counseling and investigation stages, in addition to the use of ADR, and improved the design of the survey instrument to include a five-level rating scale instead of yes/no questions. The OCR survey includes questions about (1) whether the parties involved in alternative dispute resolution acted in good faith; (2) confidence that confidentiality was maintained during the informal process; (3) fairness of the counseling and investigative processes; and (4) the fairness and impartiality of EEO counselors and investigators (among many other items).

The Bureau conducted its most recent comprehensive employee viewpoint survey – what CFPB calls the Annual Employee Survey (AES) – in August 2016. AES measures employee engagement and satisfaction throughout the Bureau, and provides crucial insight on employee perceptions about fairness and equality at CFPB. In FY 2016, the Bureau’s survey response rate was 87.6 percent – an increase over the response rate from FY 2015.

In FY 2016, CFPB again used portions of the AES results to calculate what the Office of Personnel Management (OPM) has defined as the “Inclusion Quotient.” The Inclusion Quotient measures workplace practices or habits related to inclusiveness, which research confirms contributes to employee engagement and organizational performance. This “IQ” metric is separated into several factors or indices: Fair, Open, Cooperative, Supportive, and Empowering. Goals and progress in this IQ measure are reported annually in CFPB’s Strategic Plan, Budget and Performance Plan and Report. In FY 2016, the Bureau’s Inclusion Quotient was 67.5 percent – an improvement upon the IQ of 65.8 percent from FY 2015, and significantly higher than the FY 2016 government-wide IQ of 58 percent. On the metric of Open, specifically – questions dealing with whether diversity and inclusion are promoted by the Agency and/or managers – CFPB’s favorability score of 69.7 percent is higher than the government-wide score of 57 percent.

Bureau respondents to the FY 2016 AES across demographic groups indicated deep trust in their immediate supervisors, with 90.8 percent responding that their supervisor treats them with

respect and 87.8 percent indicating that their supervisor supports the need to balance work and other life issues.

Overall, FY 2016 AES results revealed 50 “Strengths,”¹⁴ three “Challenges,”¹⁵ seven “Issues to Watch,”¹⁶ six “Improvements,” and 0 “Declines.” Many survey items displayed no significant demographic differences, and 42 of the items represented strengths for every demographic group. Shared strengths are concentrated around the topics involving my work experience, my work unit, my supervisor, management, and overall satisfaction. These include feeling that my work is important, people in my work unit share knowledge and help each other, my supervisor treats me with respect, and I am satisfied with my job overall.

At the same time, there are some areas of difference in responses between demographic groups that present opportunities for further enhancements, and which will be monitored by OEOF, OHC, and the Bureau’s Office of Strategy. Bureau partners in OEOF, OHC, and the Office of Strategy are continuing to analyze these results to determine if there are any triggers creating barriers for equal opportunities.¹⁷

Additionally, since July 2011, CFPB has taken quarterly surveys of new employees. These surveys provide an innovative approach to engage in ongoing barrier analysis. The surveys are given to employees every quarter during the first year of their employment (four times in the first year), and ask questions about the employees’ satisfaction with various areas of employment, including the recruitment experience, the application and hiring process, new employee orientation and training, supervision, and engagement. The surveys are then analyzed

14 Items that are 65 percent or more positive (percent favorable) are strengths. Percent favorable (positive ratings) is the sum of two categories (e.g., Strongly Agree/Agree or Very Satisfied/Satisfied).

15 Items that are 35 percent or more negative (percent unfavorable) are areas of challenge. Percent unfavorable is the sum of two categories (e.g., Strongly Disagree/Disagree or Very Dissatisfied/Dissatisfied).

16 Items that are 25 percent or more negative (percent unfavorable) are issues to watch. Percent unfavorable is the sum of two categories (e.g., Strongly Disagree/Disagree or Very Dissatisfied/Dissatisfied).

17 For more information on CFPB’s FY 2016 AES survey results, see <http://www.consumerfinance.gov/data-research/research-reports/2016-cfpb-annual-employee-survey-results>.

by data experts who brief OCR, OMWI, and OHC on a quarterly basis on the results. These results are analyzed to assess the experiences of different demographic groups of employees. At the end of the year, these results are presented in the aggregate, and allow the Bureau to monitor for any potential triggers.

Similarly, exit surveys are provided to each individual who leaves the Agency for any reason, to help identify any trends and triggers related to reasons for departure. OPM provides the survey results to CFPB, and the aggregate data is compared by race, ethnicity, and gender to again facilitate the Bureau's understanding of whether (and how) the experience of different demographic groups of employees is similar or different. The aggregate data is analyzed on a quarterly and annual basis, and is compared to results from previous fiscal years, to determine whether triggers exist and further analysis is necessary to identify any potential barriers to equal employment opportunities. If any of the individual, anonymized responses indicate potential discrimination, the OCR Director is notified.

As a follow-up to survey results, various audits, and the EEOC's technical assistance visit, and in line with MD-715 guidance, in FY 2015 and continuing during FY 2016, the Bureau began conducting an analysis of historical applicant data to determine whether there were any triggers that could be creating barriers for demographic groups in the Bureau's hiring process. The preliminary data review indicated that CFPB was consistent with government-wide trends and there may be opportunities for improvement. OCR, OMWI, and OHC are currently working together to better understand and appropriately address the data results, and will apprise EEOC of progress. This progress is addressed in greater detail in Part I-1 of this report.

Evaluating Managers and Supervisors

The Bureau has taken measures to ensure that managers and supervisors are evaluated on their efforts to ensure equal opportunity for all employees. These measures are included in managers' and supervisors' performance plans. Specifically, executives' performance plans evaluate their ability to "leverage diversity," and whether they foster and develop an inclusive workplace where a diverse set of talents and perspectives are valued in accomplishing the vision and mission of the Bureau. Additionally, all non-executive supervisors are evaluated on whether they are able to grow and retain a diverse staff, support diversity and inclusion initiatives, and cooperate with EEO inquiries. The Bureau has also added a D&I competency, along with a list identifying specific behavioral indicators to evaluate, to its Leadership Competency model, and to the Non-

Supervisory Employee Competency Model that addresses the importance of D&I competency for all.

The Bureau's Associate Directors – top-level Division leaders – are also held directly accountable for fostering diversity and inclusion within their Divisions. During FY 2016, Associate Directors met with Director Cordray four times and reported on D&I progress, as part of the Quarterly Performance Review (QPR) process. These regular reviews ensure awareness at the highest leadership levels, support prompt and immediate action when issues arise, and incentivize Associate Directors to hold their management teams accountable for successful implementation of diversity, inclusion, and EEO principles and goals.

In addition, the Bureau's robust Part 1614 complaints process, which is administered by OCR, safeguards employee civil rights and provides appropriate relief for statutory violations. OCR issued a Final Agency Decision in FY 2016 finding violations of both the Rehabilitation Act and Title VII of the Civil Rights Act with respect to one individual. This was the first finding of discrimination against the Bureau to date; no other findings have been issued against the Bureau (e.g., from the Bureau itself, the EEOC, the Merit Systems Protection Board, the Office of Special Counsel, labor arbitrators, the Federal Labor Relations Authority, the Department of Labor, or a federal court). In its Final Agency Decision, OCR ordered appropriate remedies, including consideration of disciplinary action against the responsible Agency officials, appropriate training, a posting notice, and other make-whole relief for the individual victim. This finding and accompanying relief order underscore the Bureau's ability to ensure effective compliance with applicable EEO laws.

In addition, the Bureau also holds managers and supervisors accountable for compliance with the terms of settlement agreements, and OHC similarly holds managers and supervisors responsible under the Bureau's Anti-Harassment Policy. For example, in FY 2016, three employees were counseled or disciplined related to a potential or actual violation of federal anti-discrimination and retaliation laws, including whistleblower protections.

Finally, in all trainings related to any EEO topics, managers and supervisors are reminded that equal employment opportunity – including, critically, freedom from retaliation – is essential to attracting, developing, and retaining the most qualified workforce, and that a diverse workforce and a fair workplace are essential to ensuring that the Bureau achieves its mission. This emphasizes to managers that they are responsible for the success of the EEO Program, and relatedly, to the success of the employees they supervise.

5.4 Essential Element 4: Proactive prevention

According to Management Directive 715:

Agencies have an ongoing obligation to prevent discrimination on the bases of race, color, national origin, religion, sex, age, reprisal and disability, and eliminate barriers that impede free and open competition in the workplace. As part of this ongoing obligation, agencies must conduct a self-assessment on at least an annual basis to monitor progress, identify areas where barriers may operate to exclude certain groups and develop strategic plans to eliminate identified barriers.¹⁸

Self-assessments

As discussed above, CFPB has conducted or participated in various self-assessments, audits, and reviews that began or continued during FY 2016. Proactively, and in response to specific recommendations made by outside stakeholders, the Bureau has invested substantial resources in building a workplace that fosters collaboration, leverages diverse viewpoints, and offers development and advancement opportunities to all employees. Creating a positive organizational culture at a new agency is a complex task. The Bureau has been deeply committed to getting this critical task right and has taken key steps to create such a culture in the first years of its existence. To date, these efforts have included:

- Providing interactive diversity and inclusion awareness training to employees.
- Requiring managers to attend external management trainings while developing an internal training curriculum that the Bureau launched in 2014.

¹⁸ See MD-715, Model Agency Title VII and Rehabilitation Act Programs, at Section II.D., available at <https://www.eeoc.gov/federal/directives/md715.cfm>.

- Initiating a 2.5-year Bureau-wide research effort to develop robust competency models describing the skills and expertise expected for all Bureau positions.
- Building a recruitment outreach function focused on identifying diverse talent pools, including recruitment through professional organizations and online communities focused on diversity.
- Developing data-driven pay-setting processes that use objective measures without regard to race, gender, ethnicity, sexual orientation, and other protected categories in determining salary offers.
- Introducing structured interview training to guard against bias in the interview process and improve the quality of personnel selections.
- Using the Inclusion Quotient developed by OPM to monitor AES responses related to the Bureau's inclusiveness.

Over the past two years in particular, the Bureau has continued to build its organizational culture and enhance its personnel management through development of new initiatives.

Additional steps taken during this time period included:

- Creating the Office of Equal Opportunity & Fairness, thus elevating OMWI and OCR to the Office of the Director.
- Through OMWI, conducting 48 listening sessions with more than 300 employees to better understand on-the-ground employee experiences and developing and implementing recommendations based on that feedback.
- Creating the Executive Advisory Council (EAC), a cross-divisional advisory group that integrates diversity and inclusion into the Bureau's operations through strategic guidance to the Bureau's Director and senior leaders.
- Establishing the Diversity and Inclusion Council of Employees (DICE), a staff-level analogue to the EAC that provides critical input on staff experience in regular meetings with Bureau leadership.
- Working with NTEU to establish a joint Career Pathing Working Group to develop career planning strategies and provide recommendations on opportunities for employee advancement.

- Launching a detail opportunities page on the Bureau’s intranet to increase transparency and encourage more employees to apply for these valuable opportunities.
- Creating a dedicated team within the Operations Division to improve communications to staff regarding Bureau events, policies, procedures, and other issues involving Bureau culture and work life.
- Validating and launching a new Leadership Competency Model that defines expectations and requirements for leaders at all levels of the organization, as well as a new competency model for non-supervisory staff – all of which emphasize diversity and inclusion principles.
- Through the OCR, commencing a 2-day mandatory manager and supervisor training workshop led by the EEOC Training Institute and developing an Alternative Dispute Resolution training module, among other training and learning opportunities made available by OCR.
- Mandating employee participation in a Diversity and Inclusion Awareness Workshop, which over 80% of all employees have already completed.
- Mandating a 2-day training workshop for managers on effective managing diversity and inclusion, which over 80% of managers have now completed.
- Developing a comprehensive policy for the establishment of employee-led Employee Resource Groups (ERGs).
- Launching a pilot of a Mentoring Bank program that had a very positive response. (As a result, discussions are underway to expand it.)
- Offering “Crucial Conversations,” a team-based communications course, Bureau-wide.

Overall, the Bureau has made steady progress in building an infrastructure that supports a vibrant organizational culture. The Bureau recognizes that diversity and inclusion form an especially critical component of its organizational culture, and that, as stated in our Business Case for Diversity and Inclusion, “a diverse and inclusive workforce is essential to building an agency that can do its very best work.” The Bureau has taken many steps considered best practices to build and maintain such a workplace, including those highlighted above. It has also taken steps to weave diversity and inclusion efforts into the fabric of work life at the Bureau and to preserve their importance by requiring each division of the Bureau to adopt diversity and

inclusion goals and objectives, which are reviewed and discussed at regular Division-level Performance Review meetings that include both the Bureau's Director and the OMWI Director. The Bureau has embedded diversity and inclusion principles and goals into its Agency-wide strategic plan, as well, and published a Diversity and Inclusion Strategic plan aligned to OPM's Government-Wide Diversity and Inclusion Strategic Plan.

The commitment demonstrated by these many efforts comes from the very top of the organization. Senior Bureau leaders have made a sustained, substantial, and visible commitment to fostering a positive organizational culture and to integrating fairness, diversity, and inclusion into agency actions and decisions. This commitment, evidenced by initiatives outlined above, is the motivation behind the Bureau's "Workforce of the Future" program. Workforce of the Future brings together leaders from the Office of the Director, OHC, OMWI, OCR, and other Bureau divisions and offices in a focused effort to sustain a culture where everyone is empowered to do their best work. For example, as discussed above, Workforce of the Future developed norms, including a norm about valuing diversity and inclusion, to guide interactions between individual employees and between units within the Agency, and these norms are displayed throughout Bureau meeting spaces. Workforce of the Future has called on leaders at all levels – from the Bureau Director to first-line supervisors – to model these norms and to hold themselves and their colleagues accountable for upholding them. Furthermore, Workforce of the Future will hold periodic employee outreach sessions so that employees can provide feedback on the program's progress and make recommendations for improvement. The intention is that, through regular solicitation of employee feedback, the Bureau's culture will consistently represent the voices of its diverse pool of employees.

The Bureau's EEO Program Status Report for FY2017 will provide information about continued progress on these and other relevant Bureau initiatives.

Policies and procedures

To help proactively prevent discrimination, the Bureau has promulgated and enforces clear and concise EEO and anti-discrimination policies and procedures. These policies detail employee rights and responsibilities under EEO laws. Managers and supervisors share the responsibility for successful implementation of these policies, and as a result, the EEO Program. The OCR Director, along with OHC, regularly reviews these policies and procedures to ensure they are up-to-date, legally sufficient, well communicated, applied consistently, and implemented fairly.

For instance, the Bureau has in place an *Equal Employment Opportunity (EEO) and Non-Discrimination Policy*, which is easily accessible on the Bureau's intranet and is physically given to all new employees during New Employee Orientation (NEO) training (as part of an overall "Guide to the Office of Civil Rights"), and during employee and supervisor refresher trainings. This policy clearly explains the EEO process, including how to begin the process, pertinent regulatory timeframes, and the roles and responsibilities of various offices. This policy also makes clear that discrimination, harassment, and retaliation will not be tolerated at the Bureau.

In FY 2016, the Bureau also adopted a new *Non-Discrimination and Inclusion Policy for Transgender Applicants and Employees* affirming the Bureau's commitment to protect the rights of transgender and gender-non-conforming employees. The policy emphasizes the importance of creating and maintaining a welcoming environment for transgender employees and explains how the Bureau will support gender transitions in the workplace.

The Bureau also has in place *Procedures Related to Harassment and Inappropriate Conduct*, which sets forth the Bureau's anti-harassment program pursuant to the *Faragher-Elzerth* line of Supreme Court cases and the EEOC's "Enforcement Guidance on Vicarious Employer Liability for Unlawful Harassment by Supervisors."¹⁹ These Bureau procedures clearly define harassment and inappropriate conduct, and make clear that harassment and/or inappropriate conduct will not be tolerated at CFPB. To ensure as inclusive a workplace as possible, this policy is purposefully broad and states, "Even inappropriate conduct that is not of sufficient severity to constitute harassment as a matter of law is considered misconduct." This policy identifies a Bureau point-of-contact that should be used if an employee is subjected to or witnesses harassment. This policy provides multiple avenues of redress for claims of harassment, and does not limit employees to the EEO process. It also makes clear that retaliation is not tolerated. As already discussed above, the EEOC, in its June 24, 2016, technical assistance letter, determined that this policy covers all types of harassment and addresses all six elements the EEOC has deemed essential for an effective anti-harassment program and procedures.

The Bureau also has in place a *Reasonable Accommodation Policy*— approved by the EEOC — to

¹⁹ This guidance is available at <http://www.eeoc.gov/policy/docs/harassment.html>.

ensure that applicants and employees know of their right under the Rehabilitation Act to receive a reasonable accommodation for disability-related limitations if needed to apply for a Bureau job, perform the essential functions of a job, or enjoy equal benefits and privileges of employment at the Bureau. This policy also explains management's responsibilities when a supervisor or manager is put on notice that an employee requires a reasonable accommodation. *Accompanying Standard Operating Procedures Related to Reasonable Accommodation Requests* lay out the interactive process used when an employee requests a reasonable accommodation for a disability. OHC reviews disability accommodation decisions and actions to ensure that discrimination is not occurring, to confirm compliance with its written procedures, and to analyze the information tracked for trends and problems.

CFPB recently revised this reasonable accommodation policy and accompanying standard operating procedures in light of lessons learned from the Agency's first Final Agency Decision finding discrimination (issued during FY 2016). The Bureau has sent its revisions to the EEOC for comment, consistent with Executive Order 13164. In FY 2017, CFPB anticipates making additional minor revisions to these procedures to comply with the EEOC's new Section 501 affirmative action regulations requiring the provision of Personal Assistance Services to individuals with targeted disabilities.

OHC has designated two people to carry out the responsibilities of the Bureau's Reasonable Accommodation program – a Reasonable Accommodation Coordinator (RAC) and a Reasonable Accommodation Deciding Official (DO). The Reasonable Accommodation program also receives legal support from the Legal Division's Office of General Law and Ethics to ensure it is complying with all legal obligations; support from the Bureau's Section 508 Program Manager for technology issues; technical assistance from OCR staff as needed; support from the Department of Treasury's Bureau of the Fiscal Services (BFS) for applicants seeking reasonable accommodations; and contractor medical professional advice when needed. Accommodations are also centrally funded and have been since CFPB opened. In FY 2016, the Bureau received 39 reasonable accommodation requests. The Bureau took an average of 18 days to decide whether to provide reasonable accommodations, and closed all reasonable accommodations in an average of 43 days. The Bureau spent \$25,430.59 in reasonable accommodation-related purchases.

The Bureau provides a wide range of information and resources through both training and communications to managers and employees about disability-related employment topics, including providing reasonable accommodations and about the Bureau's Reasonable

Accommodation policy and procedures, specifically. From the first day employees begin their tenure at the Bureau, they are informed about their rights and obligations with respect to disability-related reasonable accommodations. As part of CFPB’s New Employee Orientation (NEO) and onboarding sessions, OCR provides a briefing to all newly appointed employees about EEO at the Bureau. At these sessions, employees are specifically told about their right to disability-related reasonable accommodations, and about the Bureau’s policy and procedures on reasonable accommodations. OCR staff gives employees the name and contact information for the RAC. Employees are also given a binder of EEO materials that describes the reasonable accommodation process. They also are told that all of this information is readily available on the intranet. All CFPB managers and supervisors are also required to attend the various training sessions (described above), which provide information about the reasonable accommodation process and legal obligations (including a 2-day EEO training led by the EEOC Training Institute). Relatedly, OCR’s intranet page has detailed information, including plain-language FAQs, about disability-related reasonable accommodations. OCR also provides supervisors and managers with an EEO Resource Manual containing information about compliance obligations, including information about complying with disability obligations and a copy of the Bureau’s reasonable accommodation policies and procedures. In FY 2017, OHC will identify avenues where the Reasonable Accommodations program staff can present information on the Reasonable Accommodations program directly to employees and supervisors.

CFPB has put in place various other personnel-related policies and procedures that aid in the proactive prevention of discrimination and increase management and program accountability. Having clear and concise policies and procedures minimizes subjectivity, prevents misunderstandings about what CFPB expects from its employees and management officials, clarifies the roles and responsibilities of the various offices within the Bureau, and creates an environment and expectation of consistency in personnel decision-making Bureau-wide. Management officials follow the policies and procedures listed in the table below.

TABLE 10: BUREAU POLICIES GOVERNING MAJOR PERSONNEL ISSUES AND PROGRAMS

Bureau Policies Governing Major Personnel Issues and Programs
Procedures Related to Harassment and Inappropriate Conduct
Hiring, Promotion, and Internal Personnel Movements Policy
Attorney Hiring and Promotion Policy

Bureau Policies Governing Major Personnel Issues and Programs

Performance Management Program Policy

Disciplinary and Adverse Action Policy

Alternative Dispute Resolution Policy

Administrative Grievance Policy

In addition to formal policies, several other tools exist to assist with evenhanded implementation of personnel-related matters including, for example, a Hiring Manager's Guide, recruitment-related resources, career planning resources, and procedures for documenting declining performance.

5.5 Essential Element 5: Efficiency

Management Directive 715 explains that agencies must:

- Have an efficient and fair dispute resolution process and effective systems for evaluating the impact and effectiveness of their EEO programs.
- Maintain an efficient, fair, and impartial complaint resolution process. Agencies should benchmark against EEOC regulations at 29 C.F.R. Part 1614 and other federal agencies of similar size highly ranked in EEOC's Annual Report on the federal sector complaints process.
- Ensure that the investigation and adjudication function of the Agency's complaint resolution process are kept separate from the legal defense arm of the agency or other agency offices with conflicting or competing interests.
- Establish and encourage the widespread use of a fair alternative dispute resolution (ADR) program that facilitates the early, effective, and efficient informal resolution of disputes. Appoint a senior official as the dispute resolution specialist of the agency charged with implementing a program to provide significant opportunities for ADR for the full range of employment-related disputes. Whenever ADR is offered in a particular workplace matter, ensure that managers at all appropriate levels will participate in the ADR process.

- Use a complaint tracking and monitoring system that permits the Agency to identify the location, status, and length of time elapsed at each stage of the Agency's complaint resolution process, the issues and the bases of the complaints, the aggrieved individuals/complainants, the involved management officials, and other information necessary to analyze complaint activity and identify trends.
- Identify, monitor, and report significant trends reflected in complaint processing activity. Analysis of data relating to the nature and disposition of EEO complaints can provide useful insight into the extent to which an agency is meeting its obligations under Title VII and the Rehabilitation Act.
- Ensure timely and complete compliance with EEOC orders and the provisions of settlement/resolution agreements.
- Maintain a system that collects and maintains accurate information on the race, national origin, sex, and disability status of agency employees.
- Maintain a system that tracks applicant flow data, which identifies applicants by race, national origin, sex, and disability status and the disposition of all applications.
- Maintain a tracking system of recruitment activities to permit analyses of these efforts in any examination of potential barriers to equality of opportunity.
- Identify and disseminate best workplace practices.²⁰

To these ends, CFPB continuously evaluates its EEO complaint resolution process to ensure it is efficient, fair, and impartial.

Neutrality

As noted above, the Director of OCR (like the Director of OEOF) reports directly to the Director

²⁰ See MD-715, Model Agency Title VII and Rehabilitation Act Programs, at Section II.E., available at <https://www.eeoc.gov/federal/directives/md715.cfm>.

of CFPB. OCR emphasizes and maintains its neutrality and impartiality, which is critical to having an efficient and fair EEO complaint resolution process. This ensures that employees and managers know that the pre-complaint and investigation stages of the Part 1614 process are not adversarial, that OCR will provide a neutral and impartial factual record, and that, when requested, OCR will issue a final decision assessing the facts and law to determine whether or not one or more of the applicable employment discrimination laws have been violated.

The OCR Director exercises full authority to carry out the Part 1614 functions of OCR without Legal Division (i.e., General Counsel) involvement, thus ensuring impartiality and removing any possible conflict of interest. Legal resources within OCR make this possible. OCR staff, sometimes with the assistance of contractors, conducts legal sufficiency reviews of EEO matters, which includes issuing accept/dismiss decisions related to formal complaints, Reports of Investigations (ROIs), and Final Agency Decisions (FADs). The Legal Division, which defends the Bureau in these matters, is firewalled from all activities within OCR and only participates during adversarial portions of the EEO process (hearings and appeals), and during settlement negotiations, or to provide appropriate legal advice or assistance when a manager or supervisor requests it during the course of an EEO investigation. All other Bureau offices are similarly firewalled and kept separate as necessary and appropriate to avoid conflicting or competing interests.

EEO Counselings and investigations

OCR works to ensure that its counselings and investigations are done within the regulatory timeframes, and that all EEO counselor reports and ROIs are created with a high standard of quality and fairness to both parties. In FY 2016, OCR completed all counselings and related mediations within the prescribed regulatory timeframes. During FY 2016, investigations completed were completed within an average of 267 days. Final agency decisions were completed in an average of 61 days. OCR has also now hired a new Complaints Program Manager who is working to enhance standardization, efficiency, timeliness, and quality of OCR's complaint investigation approach.

By conducting EEO counseling, mediation, and investigation services through qualified third-party contractors from the GSA Schedule, CFPB provides a fair and effective dispute resolution system in accordance with 29 C.F.R. Part 1614. All contractors meet the 32 hours of training and eight hours of refresher training requirements set by the EEOC's Management Directive 110, and OCR seeks to hold contractors accountable for counseling and investigation processing

timeframes.

In FY 2016, CFPB also solicited bids for a Blanket Purchase Agreement with the goal of ensuring consistent timely and high-quality counseling-related services. This contract was awarded at the beginning of FY 2017. OCR also intends to increase the percentage of EEO counselings using OCR employees. Further, the Bureau intends to award and enter into a Blanket Purchase Agreement for investigative services, using an innovative model that will require a limited number of non-rotating contractors to conduct work onsite with OCR staff with the goal of enhancing efficiencies and quality of investigations and ROIs.

Alternative Dispute Resolution (ADR) program

The Bureau has an ADR Policy, and OCR provides additional information about the benefits of ADR on the Bureau's intranet. These materials explain the ADR process, why employees should consider ADR, the different types of ADR, and how an employee can request ADR. The Bureau's ADR Policy makes clear that although ADR is voluntary for EEO filers, supervisors and managers must participate in good faith if a filer elects ADR. The goals in having this strong ADR policy include resolving conflicts at an early stage, improving workplace communication and morale, and creating a more efficient EEO Program.

OCR offers ADR during the pre-complaint and formal complaint stages of the EEO process, including while cases are pending before the EEOC for hearing or on appeal. The Bureau also offers mediation on an ad hoc basis for non-EEO workplace disputes through OHC, under its Administrative Grievance policy, and through its negotiated grievance process. During FY 2016, OCR scheduled approximately 12 mediations.

OCR is in the process of updating, to the extent needed, its ADR Policy to ensure that it complies with the clarified standards in the revised Management Directive 110 (effective August 5, 2015). Consistent with the revised MD-110, the Legal Division – not the responsible management official directly involved in the dispute – has settlement authority for EEO cases at the administrative level, including during EEO counseling. OCR continues to assess internal data related to the success of the ADR program, including resolution rates, and is collecting information about best practices and benchmarks related to a recommendation for protocols to create a structure that may help better support openness and willingness to employ creative and early resolution options. The Agency has authorized ample funding for OCR and OHC to use contract ADR professionals to resolve workplace disputes.

In addition, and as already described above, OCR procured approval to hire a Conflict Prevention Program Manager to enhance EEO and non-EEO ADR initiatives. This individual onboarded early in FY 2017, and previously led the nationwide ADR program for Congress (30,000+ employees). OCR also detailed a Senior Attorney from another CFPB division for a four-month period to assist OCR in improving its ADR efforts.

Complaint and workforce tracking and monitoring systems

During FY 2016, OCR staff spent a significant amount of time and resources related to change management for implementing and using the Micropact iComplaints platform. This is a web-based EEO case management solution that provides a broad range of capabilities for reporting (including No FEAR Act and Form 462), processing, tracking, and managing the overall effectiveness of the CFPB's EEO Program. Throughout the first two quarters of FY 2016, OCR staff migrated case-related data (including legacy data from the Bureau and the Department of Treasury) into the iComplaints system. OCR also provided all staff with training directly from Micropact (the software vendor), and created and disseminated detailed protocols and SOPs for using the new system to ensure consistency in system inputs and data integrity. In light of these extensive change-management initiatives, the software has proven immensely helpful in enhancing case-related processing efficiencies and easing the administrative burden associated with program reporting obligations. The software already has allowed OCR to more efficiently comply with EEOC regulations and reporting obligations, identify and monitor internal EEO trends, and redirect staff time away from manual tracking and reviewing complaints data and towards work on other mission-critical projects. During FY 2017, OCR intends to procure a related complaints "executive dashboard" solution that will enable OCR, along with its new data analyst, to conduct more granular and systematic analysis of case processing (e.g., basis, issue, timeframes, etc.) trends.

The Bureau also has in place various data systems that allow for periodic examinations of the CFPB's workforce profiles by demographic characteristics. These systems maintain accurate information on the race, national origin, sex, and disability status of Bureau employees. Further, these systems allow OHC and OEOF to monitor the data to determine whether triggers may exist that could lead to barriers for equal employment opportunities.

Finally, OMWI and OHC track the Bureau's recruitment efforts to facilitate data analysis on whether recruitment programs are creating barriers to equal opportunity. CFPB also uses information it obtains from OPM's USAJobs.gov to obtain applicant flow data. For instance,

CFPB has been collecting applicant data for executive positions.

5.6 Essential Element 6: Responsiveness and legal compliance

According to Management Directive 715, Federal agencies must:

- Ensure that they are in full compliance with the law, including EEOC regulations, orders, and other written instructions.
- Report Agency program efforts and accomplishments to EEOC and respond to EEOC directives and orders in accordance with EEOC instructions and time frames.
- Ensure that management fully and timely complies with final EEOC orders for corrective action and relief in EEO matters.²¹

CFPB is committed to ensuring full compliance with the law and incorporating EEO best practices into its everyday business. OCR staff is tasked with monitoring and complying with all orders and directives by EEOC Administrative Judges and the EEOC's Office of Federal Operations.

The OCR Director's performance standards require compliance with EEOC orders. OCR staff is also responsible for compliance with EEOC orders, and has received formal training in EEO compliance.

OCR issued a Final Agency Decision in FY 2016 finding violations of both the Rehabilitation Act and Title VII of the Civil Rights Act with respect to one individual (discussed above). This finding and accompanying relief order underscore the Bureau's ability to ensure effective compliance with applicable EEO laws.

²¹ See MD-715, Model Agency Title VII and Rehabilitation Act Programs, at Section II.F., available at <https://www.eeoc.gov/federal/directives/md715.cfm>.

The Bureau has also complied with regulatory requirements to submit an annual Form 462 Report, EEOC MD-715 Report, the Federal Equal Opportunity Recruitment Program (FEORP) Report, the Disabled Veterans Affirmative Action Program (DVAAP) Report, and quarterly and annual No FEAR Act reports.

6. Summary of workforce profiles

The workforce profile data represents the demographics of the CFPB workforce by race, sex, national origin, and disability and was retrieved from CFPB database systems. The data is based on information as of September 30, 2016.

As of the end of FY 2016, the total CFPB workforce was 1,645 employees, including 1,494 permanent employees and 151 temporary employees. The total workforce grew by 112 employees during FY 2016, representing a rate of change of 7.31 percent. During FY 2016, all EEO group populations experienced net growth with the exception of males and females of two or more races and American Indian/Alaska Native males and females. Compared to the U.S. Census Civilian National Labor Force (CLF), overall CFPB demographics have not changed significantly since FY 2015.²² White men, followed by White women, comprise the largest racial groups in CFPB, followed by Black women and Black men, respectively. There was a growth of 11 new employees with reportable disabilities from the beginning of FY 2016 to the close of FY 2016, representing a net change of 8.27 percent, which exceeds the rate of change for the total workforce.

²² The CLF is derived from the 2006-2010 American Community Survey (ACS) Equal Employment Opportunity Tabulation (EEO Tabulation). The EEO Tabulation was originally released by the U.S. Census Bureau on November 29, 2012. It provides external benchmarks to assist federal agencies in monitoring employment practices and enforcing workforce civil rights laws. Federal agencies are required to use the EEO Tabulation in preparing their annual MD-715 EEO Program Status reports. See https://www1.eeoc.gov/federal/directives/tech_assistance_06-10_EEO_tabulation.cfm.

7. Workplace analysis

TABLE 11: TOTAL WORKFORCE – FY 2015²³

	ALL	Hispanic	White	Black	Asian	NH/OPI	AI/AN	Two or More
ALL	1,533	95	983	289	141	2	12	11
%		6.20%	64.12%	18.85%	9.20%	0.13%	0.78%	0.72%
CLF		9.96%	72.36%	12.02%	3.90%	0.14%	1.08%	0.54%
Male	805	50	560	110	72	0	8	5
Female	728	45	423	179	69	2	4	6

TABLE 12: TOTAL WORKFORCE – FY 2016

	ALL	Hispanic	White	Black	Asian	NH/OPI	AI/AN	Two or More ²⁴
ALL	1,645	99	1,038	328	156	3	10	11
%		6.02%	63.10%	19.94%	9.48%	0.18%	0.61%	0.67%

²³ In the data tables in this report, total percentages across rows may not always equal 100% due to rounding.

²⁴ Race-related employee data (including data on employees who identify as two or more races) in this report is tabulated using methodologies prescribed by the Office of Management and Budget for civil rights monitoring and enforcement. *See* Revisions to the Standards for Classification of Federal Data on Race and Ethnicity (Oct. 30, 1997); OMB Bulletin No. 2, Guidance on Aggregation and Allocation of Data on Race for Use in Civil Rights Monitoring and Enforcement (March 9, 2000). Depending upon its purpose, race data (including data on employees who identify as two or more races) prepared and included in other CFPB reports may not use the same methodology.

	ALL	Hispanic	White	Black	Asian	NH/OPI	AI/AN	Two or More ²⁴
CLF		9.96%	72.36%	12.02%	3.90%	0.14%	1.08%	0.54%
Male	844	54	577	121	80	1	7	4
Female	801	45	461	207	76	2	3	7

Data as of September 30, 2016. Workforce numbers for FY 2015 included in this FY 2016 Status Report may differ slightly from corresponding data reported in the FY 2015 Status Report. This is due to retroactive processing of personnel actions, late processing of personnel actions, or other changes made in applicable data systems since the data was finalized for the FY 2015 Status Report.

TABLE 13: TOTAL WORKFORCE – FY 2015 COMPARED TO FY 2016

	ALL	Hispanic	White	Black	Asian	NH/OPI	AI/AN	Two or More
Difference	+112	+4	+55	+39	+15	+1	-2	0
Male	+39	+4	+17	+11	+8	+1	-1	-1
Female	+73	0	+38	+28	+7	+0	-1	+1
Ratio Change								
Male	-1.20%	0.02%	-1.45%	0.18%	0.17%	0.06%	-0.10%	-0.08%
Female	1.20%	-0.20%	0.43%	0.91%	0.12%	-0.01%	-0.08%	0.03%
Net Change	7.31%							
Male	4.84%	8.00%	3.04%	10.00%	11.11%	100.00%	-12.50%	-20.00%
Female	10.03%	0.00%	8.98%	15.64%	10.14%	0.00%	-25.00%	16.67%

At the close of FY 2016, CFPB employed a total of 1,645 employees – 1,494 permanent employees and 151 temporary employees. This was an increase in temporary employees from 141 to 151; however, temporary employees slightly decreased as a percentage of the total workforce. In FY 2015, temporary employees made up 9.20% of the workforce and in FY 2016, temporary employees made up 9.18% of the workforce. The number of permanent employees increased by 102 (90.82% of the total workforce in FY 2016).

Males totaled 767 or 51.34% of the permanent workforce – a decrease from 52.56% in FY 2015 and slightly lower when compared to the CLF availability of 51.86%. Females totaled 727 or 48.66% of the permanent workforce, an increase from 47.44% in FY 2015, and slightly higher as compared to the CLF availability of 48.14%.

7.1 Permanent workforce: participation of class grouping

TABLE 14: PERMANENT WORKFORCE

Group	Total number FY 2016	Percentage	Total number FY 2015	Percentage	Net change	CLF
White Male	519	34.74%	501	35.99%	3.59%	38.33%
White Female	413	27.64%	379	27.23%	8.97%	34.03%
Black Male	116	7.76%	105	7.54%	10.48%	5.49%
Black Female	195	13.05%	169	12.14%	15.38%	6.53%
Hispanic Male	47	3.15%	44	3.16%	6.82%	5.17%
Hispanic Female	41	2.74%	40	2.87%	2.50%	4.79%
Asian Male	74	4.95%	67	4.81%	10.45%	1.97%
Asian Female	67	4.48%	63	4.53%	6.35%	1.93%
NH/PI Male	1	0.07%	0	0.00%	100.00%	0.07%
NH/PI Female	2	0.13%	2	0.14%	0.00%	0.07%
AI/AN Male	7	0.47%	8	0.57%	-12.50%	0.55%
AI/AN Female	3	0.20%	3	0.22%	0.00%	0.53%
2 or More Male	3	0.20%	5	0.36%	-40.00%	0.26%
2 or More Female	6	0.40%	6	0.43%	0.00%	0.28%

For the permanent workforce, White females are employed at CFPB at a rate of 27.64% (413), which is below the CLF of 34.03%. The percentage of White females slightly increased from the FY 2015 rate of 27.23% (379). Hispanic males are employed at a rate of 3.15% (47) and Hispanic females at 2.74% (41), which remain below the CLF of 5.17% and 4.79%, respectively. American Indian/Alaska Native males are employed at 0.47% (7), which is a net change of -12.50% compared with FY 2015 when American Indian/Alaska Native males were employed at 0.57% (8). Males who are two or more races were reported at 0.20% (3), slightly below the CLF of 0.26%; this is a net change of -40% compared with FY 2015 when males of two or more races

were employed at 0.36% (5).

Asian males are employed at a rate of 4.95% (74) and Asian females are employed at a rate of 4.48% (67), which are above the CLF of 1.97% and 1.93%, respectively. CFPB employed Black males at a rate of 7.76% (116) and Black females at 13.05% (195), which were above the CLF of 5.49% and 6.53%, respectively.

7.2 Temporary workforce: participation of class grouping

TABLE 15: TEMPORARY WORKFORCE

Group	Total number FY 2016	Percentage	Total number FY 2015	Percentage	Net change	CLF
White Male	58	38.41%	59	41.84%	-1.69%	38.33%
White Female	48	31.79%	44	31.21%	9.09%	34.03%
Black Male	5	3.31%	5	3.55%	0.00%	5.49%
Black Female	12	7.95%	10	7.09%	20.00%	6.53%
Hispanic Male	7	4.64%	6	4.26%	16.67%	5.17%
Hispanic Female	4	2.65%	5	3.55%	-20.00%	4.79%
Asian Male	6	3.97%	5	3.55%	20.00%	1.97%
Asian Female	9	5.96%	6	4.26%	0.00%	1.93%
NH/PI Male	0	0.00%	0	0.00%	0.00%	0.07%
NH/PI Female	0	0.00%	0	0.00%	0.00%	0.07%
AI/AN Male	0	0.00%	0	0.00%	0.00%	0.55%
AI/AN Female	0	0.00%	1	0.71%	-100.00%	0.53%
2 or More Male	1	0.66%	0	0.00%	100.00%	0.26%
2 or More Female	1	0.66%	0	0.00%	100.00%	0.28%

The temporary workforce grew by 7.09% when compared with FY 2015 from 141 in FY 2015 to 151 employees in FY 2016. At the end of FY 2016, there were no Native Hawaiian/Pacific Islander males or females and no American Indian/Alaska Native males or females in the temporary workforce. There is one male and one female of two or more races in the temporary workforce, a net change of 100% (both at 0 employees in FY 2015). Hispanic females experienced a net change of -20.00% from 5 to 4 employees between FY 2015 to FY 2016. White females, Black females, and Asian males and females experienced an increase in representation in the temporary workforce, and their respective representations are all higher than the CLF.

7.3 Analysis of senior pay bands by grouping (permanent employees)

In the permanent workforce, White males and females, Black males and females, Hispanic males and females, and Asian males and females are represented in all senior bands CN-53 to CN-81/92/90.

Native Hawaiian/Pacific Islander males are not represented in any senior bands between CN-53 to CN-81/82/90 and Native Hawaiian/Pacific Islander females are represented only in senior band CN-60.

American Indian/Alaska Native males are represented in senior band CN-53 and CN-60. American Indian/Alaska Native females are represented in senior bands CN-60 and CN-71.

Females of two or more races are represented at senior bands CN-60 and CN-71, while males of two or more races are only represented at senior band CN-60.

TABLE 16: SENIOR PAY BANDS BY GENDER (PERMANENT WORKFORCE)

	Male	Female
GS-13/CN-53	165	140
	54.10%	45.90%
GS-14/CN-60	185	191
	49.20%	50.80%

GS-15/CN-71	126	124
	50.40%	49.60%
CN-81/82/90	30	24
	55.56%	44.44%

TABLE 17: SENIOR PAY BANDS BY GROUPING (PERMANENT WORKFORCE)

	WM	WF	BM	BF	HM	HF	AM	AF	NH/ PI M	NH/ PI F	AI/A N M	AI/A N F	2+M	2+F
GS-13/ CN-53	108	77	28	39	12	7	14	17	0	0	3	0	0	0
%	35.41 %	25.25 %	9.18 %	12.79 %	3.93 %	2.30 %	4.59 %	5.57 %	0.00 %	0.00 %	0.98 %	0.00 %	0.00 %	0.00 %
GS-14/ CN-60	137	124	19	36	9	10	17	17	0	1	1	1	2	2
%	36.44 %	32.98 %	5.05 %	9.57 %	2.39 %	2.66 %	4.52 %	4.52 %	0.00 %	0.27 %	0.27 %	0.27 %	0.53 %	0.53 %
GS-15/ CN-71	102	87	11	16	6	5	7	13	0	0	0	1	0	2
%	40.80 %	34.80 %	4.40 %	6.40 %	2.40 %	2.00 %	2.80 %	5.20 %	0.00 %	0.00 %	0.00 %	0.40 %	0.00 %	0.80 %
CN-81/82/ 90	18	18	3	3	3	1	6	2	0	0	0	0	0	0
%	33.33 %	33.33 %	5.56 %	5.56 %	5.56 %	1.85 %	11.11 %	3.70 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %

7.4 New hires: permanent

Permanent new hires for FY 2016 consisted of 104 females (56.52%), which is higher than the CLF availability of 48.14%. However, White females were 27.17% (50) of the new hires, which is lower than the 34.03% CLF availability and consistent with FY 2015. Black females were 21.20% (39) of the new hires, which is above the 6.53% CLF availability. Black males were 6.52% (12) of the new hires, which is also above the 5.49% CLF availability and which is consistent with FY 2015. Hispanic females and Hispanic males were 3.26% (6) and 2.72% (5), respectively, of the new hires, which is lower than the respective 4.79% and 5.17% CLF availability. However, the percentage of new hire Hispanic females is an improvement over FY 2015. Asian females and

Asian males were 4.35% (8) and 5.43% (10), respectively, of the new hires, which are above the respective 1.93% and 1.97% CLF availability and an improvement for Asian new hire representation over FY 2015. Native Hawaiian/Pacific Islander females and males were 0.00% (0) and 0.54% (1), respectively, which is below the 0.07% CLF availability for females, but above the 0.07% CLF availability for males and also an improvement from FY 2015. American Indian/Alaska Native females and males were 0.00% (0) of the new hires, which is lower than the respective 0.53% and 0.55% CLF availability. Females of two or more races were 0.54% (1) of the new hires, which is higher than the CLF availability of 0.28%. Males who are two or more races were not among the permanent new hires for FY 2016.

TABLE 18: NEW PERMANENT HIRES BY GENDER

	Male	Female
Number	80	104
Percent	43.48%	56.52%
CLF	51.86%	48.14%

TABLE 19: NEW PERMANENT HIRES BY GROUPING

	WM	WF	BM	BF	HM	HF	AM	AF	NH/ PI M	NH/ PI F	AI/A N M	AI/A N F	2+M	2+F
#	52	50	12	39	5	6	10	8	1	0	0	0	0	1
%	28.26 %	27.17 %	6.52 %	21.20 %	2.72 %	3.26 %	5.43 %	4.35 %	0.54 %	0.00 %	0.00 %	0.00 %	0.00 %	0.54 %
CLF	38.33 %	34.03 %	5.49 %	6.53 %	5.17 %	4.79 %	1.97 %	1.93 %	0.07 %	0.07 %	0.55 %	0.53 %	0.26 %	0.28 %

7.5 New hires: temporary

Temporary hires for FY 2016 consisted of 59 (49.17%) females, which is higher than the CLF availability of 48.14%. White females consisted of 31.67% (38) of the temporary hires, which is lower than the CLF availability of 34.03%. Black males consisted of 5.00% (6) of the temporary hires, which is slightly lower than the CLF availability of 5.49%. Hispanic males made up 4.17% (5) of the temporary hires and Hispanic females consisted of 0.83% (1), which are both lower

than the CLF availability of 5.17% and 4.79%, respectively. Asian males made up 5.00% (6) and Asian females comprised 7.50% (9) of the temporary hires, which both significantly exceed the CLF availability of 1.97% and 1.93%, respectively. Native Hawaiian/Pacific Islander males and females and American Indian/Alaska Native males and females were not among the temporary hires for FY 2016. Males and females who were two or more races made up 0.83% (1) each, which exceeded the respective CLF availability of 0.26% and 0.28%.

TABLE 20: NEW TEMPORARY HIRES BY GENDER

	Male	Female
Number	61	59
Percent	50.83%	49.17%
CLF	51.86%	48.14%

TABLE 21: NEW TEMPORARY HIRES BY GROUPING

	WM	WF	BM	BF	HM	HF	AM	AF	NH/ PI M	NH/ PI F	AI/A N M	AI/A N F	2+M	2+F
#	43	38	6	10	5	1	6	9	0	0	0	0	1	1
%	35.83 %	31.67 %	5.00 %	8.33 %	4.17 %	0.83 %	5.00 %	7.50 %	0.00 %	0.00 %	0.00 %	0.00 %	0.83 %	0.83 %
CLF	38.33 %	34.03 %	5.49 %	6.53 %	5.17 %	4.79 %	1.97 %	1.93 %	0.07 %	0.07 %	0.55 %	0.53 %	0.26 %	0.28 %

7.6 Mission critical occupations

CFPB has four key occupational groups that are instrumental and deemed “mission critical” to

performing the Bureau’s mandates: Examiner (0570), General Attorney (0905), Economist (0110), and Miscellaneous Administration and Program (0301). Each of the mission critical occupations is mapped to a relevant U.S. Census occupation code. The EEO tabulation tool then outputs the relevant occupational CLF based on the cross-walk of codes for citizens in the nation-wide database.²⁵

7.6.1 Examiner (0570)

During FY 2016, CFPB employed 428 examiners (0570 series) – 283 (66.12%) males and 145 (33.88%) females. The demographic breakdown was as follows:

- White males: 172 (40.19%)
- White females: 83 (19.39%)
- Black males: 61 (14.25%)
- Black females: 36 (8.41%)
- Hispanic males: 19 (4.44%)
- Hispanic females: 9 (2.10%)
- Asian males: 25 (5.84%)
- Asian females: 13 (3.04%)
- Native Hawaiian/Pacific Islander males: 1 (0.23%)
- Native Hawaiian/Pacific Islander females: 1 (0.23%)
- American Indian/Alaska Native males: 5 (1.17%)
- American Indian/Alaska Native females: 1 (0.23%)

²⁵ See <https://www.eeoc.gov/federal/directives/00-09opmcode.cfm>.

- Females of two or more races: 2 (0.47%)
- Males of two or more races: 0 (0.00%)

TABLE 22: EXAMINERS BY GENDER

	Male	Female
Number	283	145
Percent	66.12%	33.88%
Occ CLF	54.70%	45.30%
Total Workforce Participation (TWP)	51.31%	48.69%

TABLE 23: EXAMINERS BY GROUPING

	WM	WF	BM	BF	HM	HF	AM	AF	NH/ PI M	NH/ PI F	AI/A N M	AI/A N F	2+M	2+F
#	172	83	61	36	19	9	25	13	1	1	5	1	0	2
%	40.19 %	19.39 %	14.25 %	8.41 %	4.44 %	2.10 %	5.84 %	3.04 %	0.23 %	0.23 %	1.17 %	0.23 %	0.00 %	0.47 %
Occ CLF	44.10 %	28.30 %	3.60 %	8.70 %	3.10 %	3.70 %	3.70 %	4.00 %	0.00 %	0.00 %	0.10 %	0.30 %	0.20 %	0.30 %
TWP	35.08 %	28.02 %	7.36 %	12.58 %	3.28 %	2.74 %	4.86 %	4.62 %	0.06 %	0.12 %	0.43 %	0.18 %	0.24 %	0.43 %

7.6.2 General attorney (0905)

During FY 2016, CFPB employed 316 employees in the General Attorney (0905 series) occupational series – 44.94% (142) males and 55.06% (174) females. The demographic breakdown was as follows:

- White males (114) comprised 36.08%
- White females (128) comprised 40.51%
- Black males (9) comprised 2.85%

- Black females (16) comprised 5.06%
- Hispanic males (7) comprised 2.22%
- Hispanic females (7) comprised 2.22%
- Asian males (9) comprised 2.85%
- Asian females (19) comprised 6.01%
- American Indian or Alaska Native males (1) comprised 0.32%
- American Indian or Alaska Native females (1) comprised 0.32%
- Males of two or more races (2) comprised 0.63%
- Females of two or more races (3) comprised 0.95%

TABLE 24: GENERAL ATTORNEYS BY GENDER

	Male	Female
Number	142	174
Percent	44.94%	55.06%
Occ CLF	66.70%	33.30%
Total Workforce Participation (TWP)	51.31%	48.69%

TABLE 25: GENERAL ATTORNEYS BY GROUPING

	WM	WF	BM	BF	HM	HF	AM	AF	NH/ PI M	NH/ PI F	AI/A N M	AI/A N F	2+M	2+F
#	114	128	9	16	7	7	9	19	0	0	1	1	2	3
%	36.08 %	40.51 %	2.85 %	5.06 %	2.22 %	2.22 %	2.85 %	6.01 %	0.00 %	0.00 %	0.32 %	0.32 %	0.63 %	0.95 %
Occ CLF	59.70 %	26.70 %	2.10 %	2.60 %	2.50 %	1.80 %	1.80 %	1.80 %	0.00 %	0.00 %	0.30 %	0.20 %	0.20 %	0.20 %
TWP	35.08 %	28.02 %	7.36 %	12.58 %	3.28 %	2.74 %	4.86 %	4.62 %	0.06 %	0.12 %	0.43 %	0.18 %	0.24 %	0.43 %

7.6.3 Economist (0110)

During FY 2016, CFPB employed 44 employees in the Economists (0110 series) occupational series – 61.36% (27) males and 38.64% (17) females. The demographic breakdown was as follows:

- White males (22) comprised 50%
- White females (8) comprised 18.18%
- Black males (2) comprised 4.55%
- Black females (2) comprised 4.55%
- Hispanic males (2) comprised 4.55%
- Asian males (1) comprised 2.27%
- Asian females (7) comprised 15.91%

TABLE 26: ECONOMISTS BY GENDER

	Male	Female
Number	27	17
Percent	61.36%	38.64%
Occ CLF	67.10%	32.90%
Total Workforce Participation (TWP)	51.31%	48.69%

TABLE 27: ECONOMIST BY GROUPING

	WM	WF	BM	BF	HM	HF	AM	AF	NH/ PI M	NH/ PI F	AI/A N M	AI/A N F	2+M	2+F
#	22	8	2	2	2	0	1	7	0	0	0	0	0	0
%	50.00 %	18.18 %	4.55 %	4.55 %	4.55 %	0.00 %	2.27 %	15.9 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %

	WM	WF	BM	BF	HM	HF	AM	AF	NH/ PI M	NH/ PI F	AI/A N M	AI/A N F	2+M	2+F
Occ CLF	55.80 %	25.20 %	2.80 %	2.70 %	3.30 %	1.80 %	4.50 %	3.10 %	0.00 %	0.10 %	0.50 %	0.10 %	0.20 %	0.00 %
TWP	35.08 %	28.02 %	7.36 %	12.58 %	3.28 %	2.74 %	4.86 %	4.62 %	0.06 %	0.12 %	0.43 %	0.18 %	0.24 %	0.43 %

7.6.4 Miscellaneous administration and program (0301)

During FY 2016, CFPB employed 321 employees in the Miscellaneous Administration and Program (0301 series) occupational series – 46.11% (148) males and 53.89% (173) females. The demographic breakdown was as follows:

- White males (100) comprised 31.15%
- White females (83) comprised 25.86%
- Black males (23) comprised 7.17%
- Black females (60) comprised 18.69%
- Hispanic males (8) comprised 2.49%
- Hispanic females (12) comprised 3.74%
- Asian males (16) comprised 4.98%
- Asian females (15) comprised 4.67%
- Native Hawaiian or Pacific Islander females (1) comprised 0.31%
- American Indian or Alaska Native males (1) comprised 0.31%
- American Indian or Alaska Native females (1) comprised 0.31%
- Females of two or more races (1) comprised 0.31%
- Males of two or more races (0) comprised 0.00%

TABLE 28: MISC. ADMINISTRATION BY GENDER

	Male	Female
Number	148	173
Percent	46.11%	53.89%
Occ CLF	36.70%	63.30%
Total Workforce Participation (TWP)	51.31%	48.69%

TABLE 29: MISC. ADMINISTRATION BY GROUPING

	WM	WF	BM	BF	HM	HF	AM	AF	NH/ PI M	NH/ PI F	AI/A N M	AI/A N F	2+M	2+F
#	100	83	23	60	8	12	16	15	0	1	1	1	0	1
%	31.15 %	25.86 %	7.17 %	18.69 %	2.49 %	3.74 %	4.98 %	4.67 %	0.00 %	0.31 %	0.31 %	0.31 %	0.00 %	0.31 %
Occ CLF	27.10 %	43.80 %	3.60 %	8.90 %	2.80 %	5.80 %	2.60 %	3.60 %	0.00 %	0.10 %	0.20 %	0.50 %	0.20 %	0.30 %
TWP	35.08 %	28.02 %	7.36 %	12.58 %	3.28 %	2.74 %	4.86 %	4.62 %	0.06 %	0.12 %	0.43 %	0.18 %	0.24 %	0.43 %

7.7 Non-competitive promotion eligibility

Throughout FY 2016, 341 employees were eligible for career ladder promotions, 196 of which were males and 145 of which were females. Of the 341 who were eligible for career ladder promotions, 301 received the promotion within 1 to 12 months' time in band, 4 received the promotion within 12-24 months, and 9 received the promotion in 25+ months. Of those who were eligible for promotion in FY 2016:

- 122 (35.78%) were White males
- 64 (18.77%) were White females
- 33 (9.68%) were Black males

- 56 (16.42%) were Black females
- 18 (5.28%) were Hispanic males
- 11 (3.23%) were Hispanic females
- 21 (6.16%) were Asian males
- 13 (3.81%) were Asian females
- 1 (0.29%) was a Native Hawaiian or Pacific Islander male
- 1 (0.29%) was a male of two or more races
- 1 (0.29%) was a female of two or more races

Of the 341 employees eligible to receive a career ladder promotion, 27 did not receive a career ladder promotion:

- 10 (37.04%) were White males
- 6 (22.22%) were White females
- 3 (11.11%) were Black males
- 3 (11.11%) were Black females
- 2 (7.41%) were Hispanic males
- 2 (7.41%) were Hispanic females
- 1 (3.70%) was an Asian female

TABLE 30: NON-COMPETITIVE PROMOTIONS BY GENDER

	Male	Female
Eligible for Promotions	196	145
Percent (of those eligible)	57.48%	42.52%
Did Not Receive	15	12

	Male	Female
Percent (of those not receiving)	55.56%	44.44%

TABLE 31: ELIGIBLES FOR NON-COMPETITIVE PROMOTIONS BY GROUPING

	WM	WF	BM	BF	HM	HF	AM	AF	NH/ PI M	NH/ PI F	AI/A N M	AI/A N F	2+M	2+F
#	122	64	33	56	18	11	21	13	1	0	0	0	1	1
%	35.78 %	18.77 %	9.68 %	16.42 %	5.28 %	3.23 %	6.16 %	3.81 %	0.29 %	0.00 %	0.00 %	0.00 %	0.29 %	0.29 %
1-12 mos (#)	110	58	27	45	16	9	21	12	1	0	0	0	1	1
1-12 mos (%)	36.54 %	19.27 %	8.97 %	14.95 %	5.32 %	2.99 %	6.98 %	3.99 %	0.33 %	0.00 %	0.00 %	0.00 %	0.33 %	0.33 %
13-24 mos (#)	1	0	0	3	0	0	0	0	0	0	0	0	0	0
13-24 mos (%)	25.00 %	0.00 %	0.00 %	75.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
25+ mos (#)	1	0	3	5	0	0	0	0	0	0	0	0	0	0
25+ mos (%)	11.11 %	0.00 %	33.33 %	55.5 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
Did not receive (#)	10	6	3	3	2	2	0	1	0	0	0	0	0	0
Did not receive (%) ²⁶	37.04 %	22.22 %	11.11 %	11.11 %	7.41 %	7.41 %	0.00 %	3.70 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %

26 Under the Examiner Commission Program (ECP), it may take longer than 12 months for an examiner to be non-competitively promoted since commissioning is required to meet the minimum qualifications for non-competitive promotion to the CN-52. Examiners will still have the ability to non-competitively be promoted to the CN-52 once they fulfill the promotion requirements.

7.8 Separations

7.8.1 Total separations

A total of 96 permanent employees were separated during FY 2016 – 55 (or 57.29%) males and 41 (or 42.71%) females. Separations include resignations, terminations, transfers, and retirements. White males, at 41 (or 42.71%), were the largest group separated. Other rates of separation include:

- White females – 17 or 17.71%
- Black males – 4 or 4.17%
- Black females – 13 or 13.54%
- Hispanic males – 4 or 4.17%
- Hispanic females – 4 or 4.17%
- Asian males – 3 or 3.13%
- Asian females – 6 or 6.25%
- American Indian or Alaska Native – 1 or 1.04%
- Males of two or more races – 2 or 2.08%
- Females of two or more races – 1 or 1.04%

TABLE 32: TOTAL SEPARATIONS BY GENDER

	Male	Female
Number	55	41
Percent	57.29%	42.71%

TABLE 33: TOTAL SEPARATIONS BY GROUPING

	WM	WF	BM	BF	HM	HF	AM	AF	NH/ PI M	NH/ PI F	AI/A N M	AI/A N F	2+M	2+F
#	41	17	4	13	4	4	3	6	0	0	1	0	2	1
%	42.71 %	17.71 %	4.17 %	13.54 %	4.17 %	4.17 %	3.13 %	6.25 %	0.00 %	0.00 %	1.04 %	0.00 %	2.08 %	1.04 %

7.8.2 Resignations

Of the 96 separations, 59 were resignations, the largest group of whom was White males (27) at 45.76%. Other resignation rates include:

- 9 or 15.25% White females
- 3 or 5.08% Black males
- 5 or 8.47% Black females
- 3 or 5.08% Hispanic males
- 3 or 5.08% Hispanic females
- 1 or 1.69% Asian males
- 6 or 10.17% Asian females
- 1 or 1.69% American Indian or Alaska native males

TABLE 34: RESIGNATIONS BY GENDER

	Male	Female
Number	35	24
Percent	59.32%	40.68%

TABLE 35: RESIGNATIONS BY GROUPING

	WM	WF	BM	BF	HM	HF	AM	AF	NH/ PI M	NH/ PI F	AI/A N M	AI/A N F	2+M	2+F
#	27	9	3	5	3	3	1	6	0	0	1	0	0	1
%	45.76 %	15.25 %	5.08 %	8.47 %	5.08 %	5.08 %	1.69 %	10.17 %	0.00 %	0.00 %	1.69 %	0.00 %	0.00 %	1.69 %

7.8.3 Terminations

There were 0 terminations in FY 2016.

TABLE 36: TERMINATIONS BY GENDER

	Male	Female
Number	0	0
Percent	0.00%	0.00%

TABLE 37: TERMINATIONS BY GROUPING

	WM	WF	BM	BF	HM	HF	AM	AF	NH/ PI M	NH/ PI F	AI/A N M	AI/A N F	2+M	2+F
#	0	0	0	0	0	0	0	0	0	0	0	0	0	0
%	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %								

7.8.4 Transfers to another federal agency

In FY 2016 there were 23 transfers – 13 (or 56.52%) males and 10 (or 43.48%) females. Other transfer rates include:

- 7 White males (30.43%)
- 3 White females (13.04%)
- 1 Black male (4.35%)

- 6 Black females (26.09%)
- 1 Hispanic male (4.35%)
- 1 Hispanic female (4.35%)
- 2 Asian males (8.70%)
- 2 males of two or more races (8.70%)

TABLE 38: TRANSFERS BY GENDER

	Male	Female
Number	13	10
Percent	56.52%	43.48%

TABLE 39: TRANSFERS BY GROUPING

	WM	WF	BM	BF	HM	HF	AM	AF	NH/ PI M	NH/ PI F	AI/A N M	AI/A N F	2+M	2+F
#	7	3	1	6	1	1	2	0	0	0	0	0	2	0
%	30.43 %	13.04 %	4.35 %	26.09 %	4.35 %	4.35 %	8.70 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	8.70 %	0.00 %

7.8.5 Retirements

During FY 2016, there were 12 retirements: 7 males (or 58.33%) and 5 females (or 41.67%). Of the 12 retirements, 7 were White males (58.33%), 4 were White females (33.33%) and 1 was a Black female (8.33%).

TABLE 40: RETIREMENTS BY GENDER

	Male	Female
Number	7	5
Percent	58.33%	41.67%

TABLE 41: RETIREMENTS BY GROUPING

	WM	WF	BM	BF	HM	HF	AM	AF	NH/ PI M	NH/ PI F	AI/A N M	AI/A N F	2+M	2+F
#	7	4	0	1	0	0	0	0	0	0	0	0	0	0
%	58.33 %	33.33 %	0.00 %	8.33 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %

7.9 Awards

A new Awards and Recognition Article to the Bureau’s Collective Bargaining Agreement was negotiated, adopted, and implemented in FY 2016 for FY 2016. During FY 2016, time off awards (NOA 846) and individual spot awards (NOA 887) were processed. Additional awards including Superior Achievement awards (also NOA 887) and Team Achievement awards (NOA 889) were not processed during FY 2016 and will be reported on in the FY 2017 status report. CFPB’s Awards program year will always span two fiscal years, so a full program year analysis will be conducted using a more complete data set than shown here (which reflects only a partial first year program implementation).

For the awards paid out in FY 2016, the different award breakdown averages were as follows:

- Cash awards, average \$428.26
- Time off awards (9 hours or less), average 8 hours
- Time off awards (over 9 hours), average 20.66 hours

TABLE 42: CASH AWARDS BY GENDER

	Male	Female
Cash Award (#)	149	158
Cash Award (%)	48.53%	51.47%
Average Award	\$432.55	\$424.21

TABLE 43: CASH AWARDS BY GROUPING

	WM	WF	BM	BF	HM	HF	AM	AF	NH/ PI M	NH/ PI F	AI/A N M	AI/A N F	2+M	2+F
#	106	87	15	47	16	8	10	15	0	0	0	0	2	1
%	34.53 %	28.34 %	4.89 %	15.31 %	5.21 %	2.61 %	3.26 %	4.89 %	0.00 %	0.00 %	0.00 %	0.00 %	0.65 %	0.33 %

TABLE 44: TIME OFF AWARDS (9 HOURS OR LESS) BY GENDER

	Male	Female
Time Off, 9 hours or less (#)	27	24
Time Off, 9 hours or less (%)	52.94%	47.06%
Average Award	8 hours	8 hours

TABLE 45: TIME OFF AWARDS (9 HOURS OR LESS) BY GROUPING

	WM	WF	BM	BF	HM	HF	AM	AF	NH/ PI M	NH/ PI F	AI/A N M	AI/A N F	2+M	2+F
#	20	18	4	2	0	1	2	2	0	0	1	0	0	1
%	39.22 %	35.29 %	7.84 %	3.92 %	0.00 %	1.96 %	3.92 %	3.92 %	0.00 %	0.00 %	1.96 %	0.00 %	0.00 %	1.96 %

TABLE 46: TIME OFF AWARDS (OVER 9 HOURS) BY GENDER

	Male	Female
Time Off, over 9 hours (#)	54	73
Time Off, over 9 hours (%)	42.52%	57.48%
Average Award	19.85 hours	21.26 hours

TABLE 47: TIME OFF AWARDS (OVER 9 HOURS) BY GROUPING

	WM	WF	BM	BF	HM	HF	AM	AF	NH/ PI M	NH/ PI F	AI/A N M	AI/A N F	2+M	2+F
#	39	37	2	26	2	6	10	3	0	0	1	0	0	1
%	30.71 %	29.13 %	1.57 %	20.47 %	1.57 %	4.72 %	7.87 %	2.36 %	0.00 %	0.00 %	0.79 %	0.00 %	0.00 %	0.79 %

Summary of EEO plan objectives to eliminate barriers or correct deficiencies

For its FY 2016 Plan update, CFPB has developed action plans to eliminate possible barriers in hiring as summarized below and set forth fully in Part I.

CFPB will continue to analyze hiring processes to reveal and eliminate impediments to certain minority applicants proceeding further in the application process. Recruiting, hiring, and retaining diverse employees should also help to improve the participation of minorities. (*See also* Part I-1 for more detail.)

8. Certification of establishment of continuing equal employment opportunity programs

Stuart Ishimaru, Director, Office of Equal Opportunity and Fairness, along with M. Stacey Bach, Director of the Office of Civil Rights, are Principal EEO Officials for the Consumer Financial Protection Bureau.

The Agency has conducted an annual self-assessment of Section 717 and Section 501 programs against the essential elements as prescribed by EEO MD-715. If an essential element was not fully compliant with the standards of EEO MD-715, a further evaluation was conducted and, as appropriate, EEO Plans for Attaining the Essential Elements of a Model EEO Program are included with this Federal Agency Annual EEO Program Status Report.

The Agency has also analyzed its workforce profiles and conducted barrier analyses aimed at detecting whether any management or personnel policy, procedure, or practice is operating to disadvantage any group based on race, national origin, gender, or disability. EEO Plans to Eliminate Identified Barriers, as appropriate, are included with this Federal Agency Annual EEO Program Status Report.

We certify that proper documentation of this assessment is in place and is being maintained for EEOC review upon request.

Stuart Ishimaru

Digitally signed by Stuart Ishimaru
Date: 2017.01.27 16:57:48 -05'00'

Stuart Ishimaru
Director of OEOF

Date

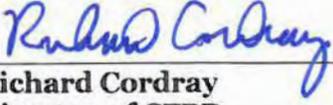
M. Stacey Bach

Digitally signed by M. Stacey Bach
Date: 2017.01.27 15:03:21 -05'00'

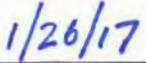
M. Stacey Bach
Director of OCR

Date

I certify that this Federal Agency Annual EEO Program Status Report is in compliance with EEO MD-715.



Richard Cordray
Director of CFPB



Date

9. EEO program self-assessment checklist

CFPB conducted the mandatory self-assessment of its EEO Program by completing the Self-Assessment Checklist. CFPB will retain the checklist and supporting documentation and data, and make it available upon request by the EEOC.

10. EEO plan for attaining the essential elements of a model EEO program

TABLE 48: EEOC PART H-1

EEOC Form 715-01 Part H-1	U.S. Equal Employment Opportunity Commission Federal Agency Annual EEO Program Status Report
Consumer Financial Protection Bureau	FY 2016
Statement of model program essential element deficiency	CFPB no longer views this as a deficiency. When this issue was first reported CFPB had not yet established official Special Emphasis Programs (SEP) (e.g., Federal Women's Program, Hispanic Employment Program, People with Disabilities Program Manager) or a Selective Placement Program (SPP).
Objective	Establish Special Emphasis Programs
Responsible official	OCR Director, OMWI Director, Chief Human Capital Officer
Date objective initiated	April 30, 2013
Target date for completion of objective	N/A
Planned activities toward completion of objective	The Bureau no longer views this as a deficiency. The Bureau included SEPs as a top action item in its agency-wide Diversity and Inclusion Strategic Plan adopted in FY 2016. Stakeholders will continue to implement this action item, in part by following up with the individuals who perform these functions within OHC, OMWI, OCR, and diversity councils to ensure that they fulfill these functions as envisioned in the EEOC's regulations. OCR also has onboarded a new FTE in FY 2017 who will assist with related duties.

Report of accomplishments and modifications to objective

The Bureau included “Supporting Special Emphasis Programs” as a top action item in its Diversity and Inclusion Strategic Plan developed in FY 2016 and finalized in early FY 2017. This Strategic Plan action time requires the Bureau to:

“Support Special Emphasis Programs (SEPs) through resources such as Employee Resource Groups (ERGs), Diversity Council of Employees (DICE), and Culture Team (CT) and the Office of Civil Rights. Appoint collateral duty SEP Managers as advisors on hiring, retaining, and promoting a diverse workforce” by “[e]xplor[ing] innovative models for programs that can provide advice on hiring, retaining, and promoting a diverse workforce for specific groups.”

The Bureau currently has staff – primarily in OEOF and OHC, but also in other Bureau Divisions, including External Affairs and the Bureau’s Director’s Office of Strategy – that collectively serve the functions of Special Emphasis Program Managers, without that official title. These staff members serve as staff advisors, fact finders, and subject matter experts, and exist to identify the barriers that people in various communities (such as women, historically underrepresented groups, people with disabilities, and the LGBTQ+ community) may encounter when seeking employment and being hired or promoted in the Federal government. Together these individuals collaborate to educate leadership by developing programs, forums, recruitment, and retention and succession plans and by developing training programs. They further evaluate the effectiveness of programs, plans, and activities toward achieving the objectives of the EEO program.

The following are some of the specific initiatives currently in place at the Bureau to advance the goals of Special Emphasis Programs. The Bureau has:

- created a three-year diversity and inclusion strategic plan that outlined specific goals and strategies to increase diversity and support inclusion at the Bureau;
- continued to use the Executive Advisory (Diversity and Inclusion) Council, a cross-divisional group of senior leaders working to strengthen and integrate diversity and inclusion into the Bureau’s functioning by providing strategic guidance, advocacy and support for diversity and inclusion in the Bureau;
- worked with each Division to develop and implement diversity and inclusion objectives in their Divisional strategic plans aimed at increasing the diversity among their staff, and

ensuring that the work environment is inclusive for all employees;

- provided a mandatory two-day training workshop on diversity and inclusion and a two-day training working on EEO compliance for all supervisors and managers to help them strengthen their skills in leading and managing a diverse and inclusive workforce;
- provided mandatory training for all non-supervisory employees to increase their awareness and understanding of the importance of diversity and inclusion and how it enhances the overall effectiveness of the Bureau;
- collaborated across Divisions to enhance supervisory and employee training offered to ensure that compliance, diversity and inclusion concepts are addressed, such as in the supervisory development sessions, leadership effectiveness seminars, and structured interview training;
- presented a seminar to managers on identifying and utilizing effective strategies for mitigating unconscious bias and ensuring compliance with civil rights mandates in performance evaluations;
- worked to establish and maintain relationships with, and outreach to, professional organizations that represent Veterans, Disabled Veterans, individuals with disabilities generally, Hispanics, LGBTQ+ individuals, and other minority constituencies (including by attending career fairs and professional association meetings throughout the year to meet and provide information on CFPB, and on employment opportunities to these groups, including posting vacancies on bulletin boards geared to these groups of professionals);
- established, and launched, the inaugural term of Diversity and Inclusion Council of Employees (DICE), whose members represent employees from throughout the Bureau, from both the Headquarters and the Regional offices;
- adopted and began to implement an Employee Resource Group policy to serve as a guide to employees who want to form interest-based groups to assist the Bureau in understanding and considering various perspectives in our service to the diverse spectrum of consumers, and to serve as a vehicle to assist in networking, recruiting and retaining a diverse workforce;
- analyzed the Annual Employee Survey (AES) results to assess employee perceptions of

the Bureau across demographic groups and to use the Inclusion Quotient, included in the AES in planning to help all employees feel included in the Bureau.

- developed and delivered programs and activities for the various special observance months throughout the year, which have been very well-received.

The Bureau will continue to monitor this issue to ensure that the functions of the Special Emphasis Program are being fulfilled, and will re-analyze the efficiency of this collaborative effort on a continuing basis to determine whether there are more effective alternatives that should be explored, including using or dedicating existing or new personnel to SEP efforts.

TABLE 49: EEOC PART H-2

EEOC Form 715-01 Part H-2	U.S. Equal Employment Opportunity Commission Federal Agency Annual EEO Program Status Report
Consumer Financial Protection Bureau	FY 2016
Statement of model program essential element deficiency	CFPB no longer views this as a deficiency. When this issue was first reported, CFPB had not yet established timetables or schedules to review its Employee Awards and Recognition Program and Procedures for systemic barriers that may be impeding full participation in the program by all groups.
Objective	CFPB will implement its Employee Awards and Recognition Program and Procedures.
Responsible official	OHC Director
Date objective initiated	FY 2014
Target date for completion of objective	N/A
Planned activities toward completion of objective	A new Awards and Recognition Article to the Bureau's Collective Bargaining Agreement was negotiated and adopted in FY 2016 for FY 2016. The Article was implemented in FY 2016. Rollout of the program included training on recognizing the potential for and preventing unconscious bias to affect awards. A variety of analyses were performed as described below. No barriers were identified.
	NTEU and Bureau management will negotiate the Awards and Recognition program for 2017 and beyond as part of current

term contract negotiations. CFPB will continue to conduct annual statistical analysis for each subsequent program year and will work with Division and Office leaders to identify potential award distribution inequities and identify corrective action as needed.

Report of accomplishments and modifications to objectives

CFPB has been working since FY 2014 on implementation of an official Awards and Recognition policy. In FY 2016, NTEU and the Bureau negotiated and reached agreement on an Awards and Recognition Program for the remainder of 2016.

The Article was implemented in FY 2016. Before implementation, the Bureau ensured appropriate efforts were in place to assess the potential effect of the awards by demographic group and protected status. During the program rollout for FY 2016, OHC trained all Bureau officials responsible for implementing the program on how to recognize and prevent unconscious bias in awards.

The information found in Tables 42-47 of this Report reflects only a subset of program data. The program year for CFPB's awards program spans fiscal years. The tables reflect only two (2) out of five (5) award types, as these were the only awards paid by CFPB by September 30, 2016. These tables do not reflect insights into the effects of combining time-off awards with monetary awards; an important program feature. Therefore this data set alone does not constitute a whole or sufficient basis for meaningful analysis.

However, as of December 2016, CFPB had conducted a thorough statistical analysis of the full implementation of 4 out of 5 award types – Spot Awards, Time-Off Awards, Team Achievement Awards, and Superior Achievement Awards. (The 5th award type is currently being designed and planned for implementation in calendar year 2017.) The statistical analysis considered monetary award distribution by race/ethnicity; gender; age; supervisor status; bargaining unit status; grade; and veteran status. CFPB examined this data for triggers by reviewing participation comparisons for groups that were of sufficient sample size; male/female; white/all other races and national origin; and under 40 years of age/40 years of age and over. CFPB considered both the quantity of awards and the monetary value of awards and found no triggers requiring additional analysis. That said, in a desire for comprehensive review, the Bureau

examined other program elements, compared to benchmarks, and also conducted “lessons learned” meetings with key program stakeholders. CFPB concluded that oversight procedures put in place for the program (including training) represent strenuous safeguards against bias or unfairness in program implementation. The Bureau has found no barriers to participation in the Awards program.

These findings were shared with senior leaders of each Division and the OCR and OMWI office leaders. OHC has shared appropriate award analysis data with Division and Office leaders. A briefing of NTEU is pending scheduling in early calendar 2017.

NTEU and Bureau management will negotiate the Awards and Recognition program for 2017 and beyond as part of current term contract negotiations. Adjustments to the program will be made if/as any potential disparities by demographic group or other protected status is identified.

OHC will conduct similar analysis after the conclusion of each program year (each of which will span two fiscal years) and revisit its review of policy, procedure, and practices. OHC will continue to work with Division and Office leaders to ensure fair award distributions and identify and implement corrective action as needed. CFPB will strive to conduct a triennial program evaluation, looking back across 2016, 2017, and 2018, programs (ending in 2019), including measures of customer satisfaction and program compliance, pending budget and resources in 2020.

TABLE 50: EEOC PART H-3

EEOC Form 715-01 Part H-3	U.S. Equal Employment Opportunity Commission Federal Agency Annual EEO Program Status Report
Consumer Financial Protection Bureau	FY 2016
Statement of model program essential element deficiency	Data for certain required workforce profile tables (specifically Tables A11 and A12) needs to be collected, analyzed, and integrated into barrier analyses and submissions for annual MD-715 reporting.
Objective	CFPB will take all steps necessary to gather relevant data for barrier analysis and reporting purposes.
Responsible official	OCR Director, OHC Director
Date objective initiative	FY 2016

Target date for completion of objective	September 30, 2017
Planned activities toward completion of objective	CFPB has worked with the Department of the Treasury/Bureau of the Fiscal Service to ensure that all required data is collected. CFPB will be analyzing all relevant data to identify triggers and potential barriers.

Report of accomplishments and modifications to objectives

The EEOC in a technical assistance letter dated June 24, 2016, noted that CFPB had not yet begun collecting all data necessary for performing certain trigger and barrier analysis. The EEOC noted that CFPB did not collect data tables A11 and A12, which contain applicant flow data for senior level position (SLP) promotions and the SLP career development program because CFPB was not yet using USAJobs.gov for hiring executive-level positions. The EEOC also stated that data for tables A11 and A12 would have shown the recruitment and selection of Black males and females for promotions and career development opportunities in the senior grade levels. Further, EEOC stated:

Given that CFPB is a new agency that opened in July 2011 and its Office of Civil Rights opened in February 2013, we recognize that the agency will encounter some EEO program deficiencies during the development of its workforce and infrastructure. Accordingly, we will continue to provide assistance to CFPB during its efforts to correct any identified deficiencies. However, as we noted . . . CFPB does not yet collect all of the workforce data, including all applicant flow data, which is necessary in order to conduct barrier analysis. In Part H of its next MD-715 report, we expect CFPB to show meaningful progress toward capturing all the required workforce data. We look forward to reviewing CFPB's progress in this area in future MD-715 reports.

During FY 2016, the Bureau's Office of Human Capital (OHC) was able to produce most of the required MD-715 reports on applicants and existing employees. However, a notable amount of time was spent manually compiling data required to produce some of the MD-715 tables, specifically those representing applicant data. Pre-configured reports are available in the systems of record that house the Bureau's applicant data and employee data. The Department of the Treasury (Bureau of the Fiscal Service), CFPB's

shared service provider, offers the MD-715 reports through Workforce Analytics and Monster Analytics for employee and applicant data, respectively.

There were five sets of MD-715 FY 2015 reports representing applicant data and one MD-715 FY 2015 report representing workforce data that were either not available or required manual adjustments: B7, A11/B11, A12/B12, and A10.

- The A11 & B11 (Internal Selections for Senior Level Positions – GS-13, 14, 15 & SES) reports were not provided for FY 2015 as internal selections could not be tracked through Monster Analytics. As a follow-up, OHC worked with Treasury to have an indicator turned on at the USAJobs level to designate merit promotions for CFPB-only positions. This will identify those announcements from March 2016 – September 2016. OHC also manually identified CFPB-only announcements from October 2015 – March 2016 for FY 2016 reporting. This helped ensure that OHC could provide these reports for FY 2016. FY 2017 reporting will be available through the pre-configured reports in Monster Analytics.
- The A12 & B12 (Participation in Career Development) reports were not provided for FY 2015 or FY 2016. OHC was not able to report on that data as the Bureau does not have any career development programs at this time.
- The B7 (Applicants and Hires for Major Occupations) report was manually created for FY 2016 reporting to only include CFPB's four mission-critical occupations, filtering by occupational series. Monster Analytics did not allow the filtering in the pre-configured report by occupational series.
- There was one MD-715 FY 2015 report containing data on existing employees that required manual adjustments: A10. The A10 (Non-competitive promotions – Time in Grade) report for existing employees was fixed for FY 2016 reporting. OHC identified an error in the pre-configured report available from the shared service provider, which has been addressed.

11. EEO plan to eliminate identified barriers

TABLE 51: EEOC PART I-1

EEOC Form 715-01 Part I-1	U.S. Equal Employment Opportunity Commission Federal Agency Annual EEO Program Status Report
Consumer Financial Protection Bureau	FY 2016
Statement of condition that was a trigger for a potential barrier:	<p>During FY 2015 and again in FY 2016, several ethnic and racial groups increased their workforce participation at a rate slower than CFPB's total workforce. Additionally, several ethnic and racial groups had participation rates lower than their respective relevant Civilian Labor Force ("CLF") rates.</p>
Provide a brief narrative describing the condition at issue.	<p>A review of workforce data tables revealed that in FY 2015, Hispanic Females, White Males, Asian Males and Females, Native Hawaiian/Other Pacific Islander Males and Females, and Two or More Race Males and Females had slower rates of increase than CFPB's total workforce. Data also revealed that in FY 2015, Females, Hispanic Males and Females, White Males and Females, Native Hawaiian/Other Pacific Islander Males, and American Indian/Alaska Native Males and Females had participation rates lower than their respective CLF rates.</p>
How was the condition recognized as a potential barrier?	<p>In FY 2016, a review of workforce data tables revealed that White Males and Females, Hispanic Males and Females, Native Hawaiian/Other Pacific Islander Males, American Indian/Alaska Native Males and Females and Males of two or more races had participation rates lower than the CLF rates. American Indian/Alaska Native Males and Females and Males of two or more races had a net change lower than the net change for the total workforce.</p>
Barrier analysis: Provide a description of the steps taken and data analyzed to determine cause	CFPB analyzed Tables A1 and BI (Workforce) to compare the rates of increase for CFPB's workforce and each demographic group comprising the workforce. Additionally, CFPB

of the condition.

compared each group's workforce participation rate to its corresponding CLF rate. In FY 2015, CFPB also did an internal audit of its hiring process for approximately 60% of the Bureau workforce (excluding Attorneys and Executives) using applicant flow data available from USAJobs.

Statement of identified barrier:

Provide a succinct statement of the agency policy, procedure or practice that has been determined to be the barrier of the undesired condition.

No barrier has been identified to date. Although CFPB complies with legal requirements related to hiring, some hiring procedures could be enhanced to further promote fairness in the hiring process.

Objective:

State the alternative or revised agency policy, procedure or practice to be implemented to correct the undesired condition.

OCR, OMWI, and OHC are currently working together to better understand and appropriately address, as necessary, the data results, and will apprise EEOC of progress. In the interim, the Bureau has implemented "blinding" of resume/application data for certain positions at either the "minimum qualification" or "2nd hurdle assessment" phases of the hiring process. CFPB will evaluate the impact of this new practice at an appropriate time when sufficient data is available to allow meaningful analysis and conclusions.

Responsible official:

OCR, OMWI, OHC

Date objective initiated:

December 2015

Target date for completion of objective:

September 30, 2017

Planned activities toward completion of objective:

OCR, OMWI, and OHC presented suggestions to the EAC on recommended changes to the hiring process.

January through December 2016

OCR, OMWI, and OHC will present recommendations to the Executive Committee and to the CFPB Director.

May 2017

CFPB will begin to implement approved recommendations to the hiring process on a short-term, mid-term, and long-term basis.

May 2017

CFPB will re-analyze applicant flow data to determine if any implemented changes have had a positive impact on

January 2018

the hiring process.

Report of accomplishments and modifications to objective

After conducting the data analysis, OCR, OMWI, and OHC collaborated to conduct best practice research, reinforce use of existing practices and tools that promote equity and fairness, and identify additional hiring process improvements that could be taken.

OHC has already begun considering options and implementing changes using tools it already has at its disposal that did not require the implementation of new policies, including: enhancing structured interview, phone screening, and reference check tracking and guides; creating a standardized structured interview question database, including standard D&I competency questions; creating a library of standardized benchmarks used to evaluate qualifications based on CFPB's competency model (which has gone through an extensive multi-year validation process); and creating new tools and resources to help applicants better understand the hiring process and how to navigate it.

Relatedly, in its June 24, 2016, technical assistance letter, the EEOC "request[ed] that CFPB provide an update on its use of a blind selection process for SLS vacancies, which EEOC considers a best practice." CFPB is now "blinding" resume/application data for certain positions at either the "minimum qualification" or "2nd hurdle assessment" phase of the hiring process. The minimum qualifications and 2nd hurdle assessment process are completed before a "final certificate" is issued to a hiring manager. For positions to which this technique applies, standard operating procedures now require that data that could potentially identify a specific individual (including applicant name, address, SSN, email address, phone number, disability information, and Veterans status) be redacted from resumes and other application materials. An applicant number (received from the Bureau's Career Connector system) replaces this information on applicant documents. The process is completed by authorized personnel who have been trained on appropriate redaction techniques. Acceptable redaction techniques include manual redaction (black redaction on the physical document) and/or electronic redaction using an approved redaction technology system. OHC HR specialists conduct a spot check review prior to providing the documents to the relevant subject matter experts performing the minimum qualification reviews and 2nd hurdle assessments.

CFPB will evaluate the impact of this new practice at an appropriate time when sufficient data is available to allow meaningful analysis and conclusions.

After getting feedback from Bureau leadership, OCR, OMWI, and OHC will develop additional recommendations to the Director for approval. After measures are in place and used for a period of time where data can be gathered that is sufficient for meaningful analysis, the Bureau will again conduct a follow-up applicant flow analysis to assess the impact of these measures on the hiring process.

TABLE 52: EEOC PART I-2

EEOC Form 715-01 Part I-2	U.S. Equal Employment Opportunity Commission Federal Agency Annual EEO Program Status Report
Consumer Financial Protection Bureau	FY 2016
Statement of condition that was a trigger for a potential barrier:	<p>During FY 2016, Individuals with Targeted Disabilities (“IWTD”) participated in CFPB’s workforce at a rate lower than the Federal goal of 2%. However, from FY2015 to FY2016 CFPB’s total workforce increased, as did the number of IWTD in the total workforce – and at a rate much higher than the rate of increase of the workforce (7.31% for the total workforce v. 46.15% for IWTD). A review of workforce data tables revealed that there were 19 IWTDs (1.16%) during FY2016 and 13 (.85%) IWTDs during FY2015.</p>
Provide a brief narrative describing the condition at issue.	<p>When only the permanent workforce is analyzed, the rate of IWTD in FY 2016 is still 19 individuals, or 1.27%.</p>
How was the condition recognized as a potential barrier?	<p>In FY 2016, no IWTD separated from the workforce. CFPB analyzed Table BI (Workforce) to compare the rates of increase for CFPB’s workforce and IWTDs. CFPB also compared the rate of IWTDs to the 2% Federal goal. Additionally, CFPB analyzed Table B14 to compare IWTD rate of separation to their workforce participation.</p>
Barrier analysis: Provide a description of the steps taken and data analyzed to determine cause of the condition.	<p>Critically, CFPB also completed and analyzed a trigger table provided by the EEOC to evaluate potential barriers for IWTD. (The completed table is available upon request.) A review of this trigger table revealed that in the CFPB’s permanent workforce, the percentage of IWTD was lower than the percentage of individuals without targeted disabilities in the following categories: (1) supervisors and managers at the</p>

CN-71 and above (GS-15 and above) and CN-53/60 (GS-13/14); (2) CN-60 (GS-14) employees; (3) CN-71 (GS-15) employees; (4) Economists (0110); and (5) Examiners (0570).

Lastly, CFPB reviewed CFPB's diversity recruitment initiatives to evaluate the Agency's efforts to identify qualified IWTDs.

Statement of identified barrier:

Provide a succinct statement of the agency policy, procedure or practice that has been determined to be the barrier of the undesired condition.

No barrier has been found at this time.

Objective:

State the alternative or revised agency policy, procedure or practice to be implemented to correct the undesired condition.

Increase efforts to collect data beyond statistics (such as anecdotal evidence, survey results, etc.) to determine if a barrier exists.

Responsible official:

OCR, OHC, OMWI

Date objective initiated:

January 2016

Target date for completion of objective:

September 30, 2017

Planned activities toward completion of objective:

TARGET DATE
September 30, 2017

Develop and implement a plan for recruiting IWTDs

September 30, 2017

Evaluate reasonable accommodation and training programs and create retention strategies for IWTDs

September 30, 2017

Evaluate and implement relevant portions of the EEOC's new Section 501 regulations on affirmative action for individuals with disabilities and targeted disabilities.

September 30, 2017

Report of accomplishments and modifications to objective

The CFPB has proudly supported the efforts of Executive Order 13548 to increase the Federal employment of individuals with disabilities and is an equal opportunity employer in compliance with applicable federal law. To achieve the goals set forth in Executive Order 13548, the CFPB,

to the extent permitted by law, works to increase recruitment, hiring, and retention of individuals with disabilities in employment and other job-related programs. CFPB will continue and enhance these efforts in light of and in compliance with the EEOC's newly released Section 501 affirmative action regulations.

In recognition of the Bureau's efforts in this area, in January 2016, CFPB was ranked amongst the "Top 20 Government Employers" in *Careers & the disABLED Magazine* amongst the agencies who provide a positive working environment for people with disabilities. In fact, CFPB was ranked as #13, and was the only federal financial regulatory agency (FIRREA agency) ranked on the list.

The CFPB supports federal employment of individuals with disabilities through the following strategic activities:

- *Outreach and Recruitment.* The Bureau continues to establish and maintain relationships with, and outreach to, professional organizations that represent individuals with disabilities. Through attending various career fairs and through community outreach efforts, the Bureau encourages individuals with disabilities to apply under the Schedule A Hiring Authority to open positions at the CFPB. For example, the Bureau attended various recruitment events specifically focusing on individuals with targeted disabilities, including the *Careers & the disABLED* magazine Career Expo for people with disabilities on 11/13/2015.

As discussed in greater detail below, hiring managers are informed that eligible and qualified Schedule A candidates can be quickly hired non-competitively using the Schedule A Hiring Authority. Along with the continued socialization of the advantages of the Schedule A Hiring Authority, the CFPB continues to explore how to best leverage the Workplace Recruitment Program (WRP) through the Department of Labor. The WRP is a recruitment and referral program that connects federal and private sector employers nationwide with highly motivated college students and recent graduates with disabilities who are eager to prove their abilities in the workplace through summer or permanent jobs. In FY2016, the CFPB leveraged applicant submissions under DOL's WRP and OPM's Bender list (as well as used Schedule A) to source candidates that represented individuals with disabilities in the workforce. Critically, the CFPB has drafted a policy and procedures related to standardizing how to best leverage the Schedule A Hiring authority to meet our disability hiring targets.

CFPB's Director, Richard Cordray, is also committed to targeting recruitment for individuals with disabilities. For example, in October 2015, the Director announced to all employees that the Bureau intends to work with the Federal Communications Commission to learn more about their initiative to increase the hiring of individuals with intellectual disabilities. The Bureau's Chief Human Capital Officer has already reached out to FCC about this potentially valuable partnership.

- *Hiring.* The CFPB continues to actively hire a diverse pool of talent to carry out the Bureau's mission. The Bureau's ongoing goal is to increase the number of individuals with disabilities overall, and to increase the individuals with targeted disabilities to 2.0%, which is in line with the goals set forth in Executive Order 13548, the LEAD initiative started by former EEOC Vice Chair Chris Griffin, and EEOC's recently finalized rule under Section 501 of the Rehabilitation Act. In a technical assistance letter dated June 24, 2016, the Equal Employment Opportunity Commission stated: "We are pleased to note that in FY 2015, CFPB implemented a recruitment and outreach plan for individuals with targeted disability and it has established a goal of 2% to hire and retain individuals with targeted disability."

While CFPB increased its number of individuals with disabilities and individuals with targeted disabilities during FY 2016, CFPB did not meet the goal of 2.0% for individuals with targeted disabilities. In FY 2016, individuals with targeted disabilities represented 1.16% of the total workforce (compared with 0.85% of the total workforce in FY 2015) in accordance with the coding that the EEOC uses for targeted disabilities. Further, 8.75% of the workforce voluntarily identified as having a disability as of the end of FY 2016 (compared with 8.68% as of the end of FY 2015). Additionally, in FY 2016, 2.27% of new permanent hires had targeted disabilities (5 individuals), and 8.70% of new permanent hires voluntarily identified as having a disability (16 individuals).

The Bureau has not specifically set aside any positions in any fiscal year for Schedule A appointments; however, hiring managers are encouraged by OHC, OCR, and OMWI to consider and use the Schedule A hiring authority to fill vacancies. As noted in greater detail below, the Bureau circulates communications to hiring managers to highlight Schedule A appointments as a valuable hiring resource. In addition, during the State of the Agency briefing for the MD-715 FY15 report, the Director of OCR provided the Executive Committee (i.e., senior leadership including the Director, Deputy Director, all Associates Directors, the Chief of Staff, and the Deputy Chief of Staff) with materials

related to Schedule A including *The ABCs of Schedule A for the Hiring Manager*, a list of targeted disabilities, information on how to access the relevant intranet content, and a point of contact in OHC to provide assistance to their management teams.

Further, the Bureau has robust recruitment activities to recruit disabled veterans, which should help the Bureau achieve its overall goal to have 2.0% of its workforce be individuals with targeted disabilities.

All Schedule A appointees at the Bureau who have worked two years or more have been converted to the competitive service. Hiring managers are encouraged by OHC, OCR, and OMWI to consider and use the Schedule A hiring authority to fill vacancies. The Equal Employment Opportunity Commission, in a technical assistance letter dated June 24, 2016, stated: "We are pleased to note that CFPB stated in its response to our RFI that the agency regularly converts its Schedule A appointees to competitive status after two years of satisfactory performance. We urge CFPB to continue to ensure that its Schedule A employees are timely converted to the competitive service."

Retention. Training and mentoring is important in the career development and retention of current employees with targeted disabilities; CFPB launched a pilot mentoring bank program in FY 2015 that was successful and could be expanded in the future.

- *Internal Communications & Education.* Schedule A training for all recruitment officials is readily available and taken. OHC, OCR, and OMWI personnel are knowledgeable about this flexibility. A recruitment toolkit for recruiting ambassadors outside of OHC, OCR, and OMWI is available on the intranet and a PowerPoint presentation is provided to recruiters. The guide advises that before any recruiting event, the recruiters must understand the federal hiring rules, including special hiring authorities. Information about the Schedule A hiring authority for people with disabilities is included and always readily available to recruiters in the following resources:
 - Recruiting Ambassadors Toolkit that is available to all on the intranet;
 - Federal Hiring Authorities page that is available to all on the intranet;
 - CFPB's Hiring, Promotion, and Internal Personnel Movements Policy;
 - CFPB Hiring Manager's Guide that is available to all managers on the intranet; and
 - A stand-alone intranet page explaining the Schedule A hiring authority, which

contains links to information about the Schedule A authority from EEOC, the Office of Personnel Management (OPM), and the Office of Disability Employment Policy (ODEP) at the Department of Labor.

Additional information is periodically circulated as reminders that the Schedule A hiring authority is available and managers – who also may serve as recruiters – are encouraged to use it as a tool that can both enhance the diversity of the CFPB workforce and speed the hiring process. For example, the Schedule A flexibility was highlighted in the October 7, 2015, edition of the Bureau’s communications vehicle targeted at supervisors (the “Manager Minute”).

Further, management officials and recruitment officials also have other frequent training and educational opportunities on numerous disability-related employment topics, including Schedule A. For example, in October 2015, for National Disability Employment Awareness Month, the Bureau circulated disability etiquette tips to all employees, and a video to help dispel employment myths related to persons with disabilities. Each year (including in FY 2016), the Bureau also sends out notices via electronic newsletters and on employee paystubs about important disability-related programs and milestones (including reminders about the anniversaries of the passage of the Rehabilitation Act of 1973 and the Americans with Disabilities Act). In early November 2015, also in celebration of National Employment Awareness Disability Month, OCR coordinated a panel discussion (moderated by the Director of OCR) comprising employees with disabilities sharing their stories, and highlighted Schedule A hiring flexibility.

Finally, OCR is exploring the possibility of implementing an annual mandatory 8-hour EEO refresher curriculum for supervisors and managers, which would include training options on Schedule A and other disability topics. (All managers must complete 16-hours of initial EEO training, which is offered through the EEOC Training Institute, and have numerous other opportunities for additional learning.)

- *Cross-Divisional Collaboration.* The Bureau’s OCR has convened a working group of various internal champions for disability-related issues. This forum allows persons to raise issues, share information, and brainstorm strategies to create positive change at CFPB. The purpose of the group is to set priorities for safeguarding and promoting the rights of applicants, employees, contractors, and consumers with disabilities in all Bureau activities. The group is exploring better ways to recruit and retain workers with

disabilities, enhance reasonable-accommodations provided to workers and consumers who contact the Bureau with financial complaints, educate managers and supervisors on disability topics, including Schedule A, and enhance data collection efforts (among other priorities). The steering and working groups consist of thought leaders from major CFPB segments, including OCR, OMWI, OHC, the CFPB Ombudsman’s Office,²⁷ the Bureau’s Office of Consumer Response, the Legal Division, and others. Members include experts on the employment provisions of the Americans with Disabilities Act and Section 501 of the Rehabilitation Act, on Sections 504 and 508 of the Rehabilitation Act, and on recruitment, retention, and compensation policy issues.

- *Resources.* A Disability Program Manager (DPM) could assist in the above efforts, and the Bureau intends to hire a DPM as feasible. In the meantime, CFPB will work to leverage existing resources to further disability hiring and retention efforts.

TABLE 53: EEOC PART I-3

EEOC Form 715-01 Part I-3	U.S. Equal Employment Opportunity Commission Federal Agency Annual EEO Program Status Report
Consumer Financial Protection Bureau	FY 2016
Statement of condition that was a trigger for a potential barrier:	During FY 2015 and again during FY 2016, analysis revealed that various demographic groups participated in Major Occupations 0301 (Misc. Administration), 0570 (Examiner), 0110 (Economist), and 0905 (Attorney) at rates lower than their CLF rates.
Provide a brief narrative describing the condition at issue.	A review of workforce data tables revealed that as of the end of FY 2016, the following groups participated at rates lower than their CLF rates in Major Occupation 0301: Females, White Females, Hispanic Males and Females, American Indian/Alaska Native Females, and Males of two or more races.
How was the condition recognized as a potential barrier?	

²⁷ The CFPB Ombudsman’s Office is an independent, impartial, and confidential resource and, as such, is an *ex officio* member of this group.

The following groups participated at rates lower than their CLF rates in Major Occupation 0570: Females, White Males and Females, Black Females, Hispanic Females, Asian Females, American Indian/Alaska Native Females, and Males of two or more races.

The following groups participated at rates lower than their CLF rates in Major Occupation 0110: Females, White Males, Hispanic Females, Asian Males, Native Hawaiian/Other Pacific Islander Females, American Indian/Alaska Native Males and Females, and Males of two or more races.

Lastly, White Males and Hispanic Males participated at rates lower than their CLF rates in Major Occupation 0905.

Barrier analysis:

Provide a description of the steps taken and data analyzed to determine cause of the condition.

CFPB analyzed Tables A6 and B6 (Major Occupations) to compare each demographic group's participation in each of CFPB's Major Occupations to their respective CLF rates. CFPB also reviewed Tables A7 & B7 (Applicants and Hires for Major Occupations) to analyze the number of qualified applicants for the agency's Major Occupation identified for each group.

Statement of identified barrier:

Provide a succinct statement of the agency policy, procedure or practice that has been determined to be the barrier of the undesired condition.

No barrier has been identified to date. We will continue to analyze the data and conduct additional in depth analyses into other gathered information to identify whether a barrier exists. This analysis will include review of whether hiring processes discussed in Part I-1 also affect these participation rates.

Objective:

State the alternative or revised agency policy, procedure or practice to be implemented to correct the undesired condition.

CFPB will continue to monitor the participation rates for the identified groups. CFPB will also review its recruitment and retention programs to increase representation of the relevant groups.

Responsible official:

OCR, OMWI, OHC

Date objective initiated:

December 2015

Target date for completion of objective:

September 30, 2017

Planned activities toward completion of objective:

TARGET DATE
(Must be specific)

EEOC Form 715-01 Part I-3**U.S. Equal Employment Opportunity Commission Federal Agency Annual EEO Program Status Report**

CFPB will conduct additional review of the job description, qualification criteria, and hiring practices to ensure selection requirements and procedures are job related and consistent with business necessity.	September 30, 2017
CFPB will continue to analyze applicant data and monitor applicant rates, qualification rates, and selection rates.	September 30, 2017
CFPB will review the selection process regularly to ensure equal treatment.	September 30, 2017
OEOF will be consulted on selection panel participants.	September 30, 2017
CFPB will continue its targeted outreach efforts.	September 30, 2017

Report of accomplishments and modifications to objective

See Part I-1 for an in-depth description of the Bureau’s plan to review its hiring process, which may or may not have an impact on this issue.

TABLE 54: EEOC PART I-4**EEOC Form 715-01 Part I-4****U.S. Equal Employment Opportunity Commission Federal Agency Annual EEO Program Status Report**

Consumer Financial Protection Bureau	FY 2016
Statement of condition that was a trigger for a potential barrier:	During FY 2015 and again during FY 2016, various demographic groups participated in senior level positions and Pay Bands 53 to 71 (GS-13 to GS-15 equivalent at CFPB) at rates lower than their participation in CFPB’s workforce.
Provide a brief narrative describing the condition at issue.	A review of workforce data tables revealed that as of the end of FY 2016, White Females, Black Males and Females, Hispanic Males and Females, Asian Males and Females, Native Hawaiian/Other Pacific Islander Males and Females, American Indian/Alaska Native Males and Females, and Males and Females of two or more races participated in one or more of the Pay Bands CN-53 to CN-71 at rates lower than their participation in CFPB’s workforce. Similarly, as of the
How was the condition recognized as a potential barrier?	

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end of FY 2016, White Males, Black Males and Females, Hispanic Females, Asian Females, Native Hawaiian/Other Pacific Islander Males and Females, American Indian/Alaska Native Males and Females, and Males and Females of two or more races participated in Executive positions at rates lower than their participation in CFPB's total workforce.

CFPB analyzed A4-1, A4-2, B4-1 and B4-2 (Grade Level Distributions) to compare each group's participation in high level grade levels to their respective participation in CFPB's workforce.

Barrier analysis:

Provide a description of the steps taken and data analyzed to determine cause of the condition.

The analysis conducted to date has not identified a cause for the potential barrier. The Bureau will continue to analyze that and other data and additional in depth analyses into other gathered information to identify whether a barrier exists. This analysis will include review of whether hiring processes discussed in Part I-1 also affect these participation rates.

CFPB has hired an expert consultant to assist with this barrier analysis and with implementation of recommendations provided by the EEOC in June 2016 on this issue. Due to procurement delays, work by the contractor and the Bureau on this barrier analysis did not begin until December 2016. CFPB will keep EEOC informed on progress of these efforts.

Statement of identified barrier:

Provide a succinct statement of the agency policy, procedure or practice that has been determined to be the barrier of the undesired condition.

Analysis has not yet revealed any discriminatory policies, practices, or procedures that have created a barrier.

Objective:

State the alternative or revised agency policy, procedure or practice to be implemented to correct the undesired condition.

CFPB will continue to monitor and examine its employment and promotion policies or procedures to determine whether any barriers to demographic groups – particularly African Americans males and females – exist.

Responsible official:

OCR, OMWI, OHC

Date objective initiated:

December 2015

Target date for completion of objective:

September 30, 2017

Planned activities toward completion of objective:	TARGET DATE (Must be specific)
CFPB will continue to examine its promotion practices and address any problematic observations.	September 30, 2017
CFPB will review surveys to assess whether any information contained in the results could help explain the cause of the low participation among certain groups in higher-banded positions.	September 30, 2017

Report of accomplishments and modifications to objective

In its FY 2015 Program Status (MD-715) report, the Bureau identified underrepresentation of various demographic groups in Senior Level Positions. During FY 2016, the Equal Employment Opportunity Commission provided technical assistance to the CFPB in evaluating possible related barriers to the advancement of Black males and females specifically. Specifically, in a technical assistance letter dated June 24, 2016, the EEOC recommended that the Bureau:

look for possible connections between the triggers in its workforce statistics and any policies, procedures, or practices that might be causing those discrepancies. In particular, we suggest that CFPB implement the following planned activities: (1) identify the typical background and experience of individuals selected to the SLP and other senior pay positions; (2) review the qualifications of Black males and females seeking career advancement; (3) examine the recruitment of Black males and females into the senior grade levels and management positions; (4) investigate every phase of the merit promotion process for the senior grade positions; (5) interview employees from the human resources office about their screening process; (6) meet with members of the interview panel about their process of identifying best-qualified applicants and their interview questions; (7) compare the qualifications of Black male and female applicants to the selectees' qualifications; (8) review the various voting stages for disapproval of Black males and female candidates; (9) conduct a longitudinal review of applicant flow statistics found in tables A7, A9, and A11; (10) review the participation of Black males and females by grade level in the occupations with upward mobility; and (11) meet with selecting officials to examine their experiences in the hiring

process and to discuss their perception of Black candidates.

The Bureau procured an expert consultant to help it carry out these recommendations. Due to procurement delays, CFPB did not begin working with the consultant until December 2016. However, CFPB will update the EEOC on its progress.

See Part I-1 for an in-depth description of the Bureau's plan to review its hiring process, which may or may not have an impact on this issue.

12. Special program plan for the recruitment, hiring, and advancement of individuals with targeted disabilities

TABLE 55: EEOC FORM 715-01 PART J, SPECIAL PROGRAM PLAN FOR THE RECRUITMENT, HIRING, AND ADVANCEMENT OF INDIVIDUALS WITH TARGETED DISABILITIES – PART I DEPARTMENT OR AGENCY INFORMATION

Agency and Subcomponent Labels	Agency and Subcomponent Information
1. Agency	1. Consumer Financial Protection Bureau
1.a. 2 nd Level Component	1.a. Not applicable
1.b. 3 rd Level or lower	1.b. Not applicable

TABLE 56: EEOC FORM 715-01 PART J, SPECIAL PROGRAM PLAN FOR THE RECRUITMENT, HIRING, AND ADVANCEMENT OF INDIVIDUALS WITH TARGETED DISABILITIES – PART II EMPLOYMENT TREND AND SPECIAL RECRUITMENT FOR INDIVIDUALS WITH TARGETED DISABILITIES

	Beginning of FY 2016 #	Beginning of FY 2016 %	End of FY 2016 #	End of FY 2016 %	Net change #	Rate of change
Total Work Force	1,533	100.00%	1,645	100.00%	112	7.31%
Reportable Disability	133	8.68%	144	8.75%	11	8.27%

	Beginning of FY 2016 #	Beginning of FY 2016 %	End of FY 2016 #	End of FY 2016 %	Net change #	Rate of change
Targeted Disability ²⁸	13	0.85%	19	1.16%	6	46.15%

TABLE 57: NUMBER OF APPLICANTS AND SELECTIONS OF PERSONS WITH TARGETED DISABILITIES

Targeted Disability Applicant and Selection Labels	Targeted Disability Applicant And Selection Data for CFPB
1. Total Number of Applications Received From Persons With Targeted Disabilities during the reporting period.	81
2. Total Number of Selections of Individuals with Targeted Disabilities during the reporting period.	0

TABLE 58: EEOC FORM 715-01 PART J, PART III PARTICIPATION RATES IN AGENCY EMPLOYMENT PROGRAMS

Other Employment/Personnel Programs	Total	Reportable Disability #	Reportable Disability %	Targeted Disability #	Targeted Disability %	Not Identified #	Not Identified %	No Disability #	No Disability %
3. Competitive Promotions	91	3	3.30%	1	1.10%	67	73.63%	21	23.08%
4. Non-Competitive Promotions	341	35	10.26%	1	0.29%	9	2.64%	297	87.10%
5. Employee Career Development Programs	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
5.a. CN 31-52 (GS 5-12 equivalent)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
5.b. CN 53-60 (GS 13-14 equivalent)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
5.c. CN 71-90 (GS 15/SES equivalent)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
6. Employee	488	45	9.22%	6	1.23%	6	1.23%	437	89.55%

²⁸ If the rate of change for persons with targeted disabilities is not equal to or greater than the rate of change for the total workforce, a barrier analysis should be conducted (see below).

Other Employment/Personnel Programs	Total	Reportable Disability #	Reportable Disability %	Targeted Disability #	Targeted Disability %	Not Identified #	Not Identified %	No Disability #	No Disability %
Recognition and Awards ²⁹									
6.a. Time-Off Awards (Total hrs awarded)	3,064 hours	248 hours	8.09%	56 hours	1.83%	24 hours	0.78%	2,792 hours	91.12%
6.b. Cash Awards (total \$\$\$ awarded)	\$132,475	\$12,400	9.36%	\$1,600	1.21%	\$2,000	1.51%	\$118,075	89.13%
6.c. Quality-Step Increase	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

EEOC Form 715-01 Part J Part IV Identification and Elimination of Barriers

Agencies with 1,000 or more permanent employees MUST conduct a barrier analysis to address any barriers to increasing employment opportunities for employees and applicants with targeted disabilities using FORM 715-01 PART I. Agencies should review their recruitment, hiring, career development, promotion, and retention of individuals with targeted disabilities in order to determine whether there are any barriers.

See Part I-2, which contains this barrier analysis.

EEOC Form 715-01 Part J, Part V Goals for Targeted Disabilities

Agencies with 1,000 or more permanent employees are to use the space provided below to describe the strategies and activities that will be undertaken during the coming fiscal year to maintain a special recruitment program for individuals with targeted disabilities and to establish specific goals for the employment and advancement of such individuals. For these purposes, targeted disabilities may be considered as a group. Agency goals should be set and accomplished in such a manner as will effect measurable progress from the preceding fiscal year. Agencies are encouraged to set a goal for the hiring of individuals with targeted disabilities that is at least as high as the anticipated losses from this group during the next reporting period,

²⁹ Employees may be recognized with a time-off award, cash award, or a combination. The time-off awards were processed with an 846 nature of action code and the cash awards were processed with an 887 nature of action code.

with the objective of avoiding a decrease in the total participation rate of employees with disabilities.

Goals, objectives and strategies described below should focus on internal as well as external sources of candidates and include discussions of activities undertaken to identify individuals with targeted disabilities who can be (1) hired; (2) placed in such a way as to improve possibilities for career development; and (3) advanced to a position at a higher level or with greater potential than the position currently occupied.

TABLE 59: GOAL FOR TARGETED DISABILITIES

Goal	CFPB adopts the federal government target goal of 2%
Objectives	<p>In CFPB's most recent MD-715 annual report, the Agency had a goal to reach 2.0% representation by persons with targeted disabilities within the total workforce by the end of FY 2016. CFPB is recommitting to achievement of this goal (consistent with the EEOC's new Section 501 affirmative action regulations) and will continue to take steps to educate hiring managers about Schedule A flexibilities for onboarding persons with disabilities.</p>
Strategies	<p>During FY 2016, persons with targeted disabilities represented 1.16% of the total workforce. The Agency hired 304 new hires into the workforce, five of whom have a targeted disability (1.64% of all new hires), 19 of whom have a disability (6.26% of all new hires) and 280 without a disability (92.11% of all new hires). We note that 1.64% of new hires did not identify whether or not they have a disability. Of the permanent hires made, 2.72% had a targeted disability (5 out of 184 permanent new hires).</p>
Strategies	<p>Strategies for obtaining the 2% goal are outlined in EEOC Form 715-01 Part I-2, and will be enhanced and augmented per guidance from the EEOC on implementation of the new Section 501 affirmative action regulations.</p>
Accomplishments	<p>Accomplishments are outlined in EEOC Form 715-01 Part I-2.</p>



Consumer Financial Protection Bureau

April 7, 2017

The Honorable Michael Crapo
Chairman
Committee on Banking, Housing, and Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Crapo:

Enclosed please find the Consumer Financial Protection Bureau's Office of Minority and Women Inclusion Annual Report to Congress, as required under Section 342(e) of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Should you have any questions about the enclosed report, please contact me at (202) 435-9711.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Galicia'.

Catherine Galicia
Assistant Director for Legislative Affairs



Consumer Financial
Protection Bureau

April 7, 2017

The Honorable Jeb Hensarling
Chairman
Committee on Financial Services
United States House of Representatives
2129 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Hensarling:

Enclosed please find the Consumer Financial Protection Bureau's Office of Minority and Women Inclusion Annual Report to Congress, as required under Section 342(e) of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Should you have any questions about the enclosed report, please contact me at (202) 435-9711.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Galicia'.

Catherine Galicia
Assistant Director for Legislative Affairs



April 7, 2017

The Honorable Michael Pence
Vice President of the United States
President of the Senate
S-212, The Capitol
Washington, DC 20510

Dear Vice President Pence:

Enclosed please find the Consumer Financial Protection Bureau's Office of Minority and Women Inclusion Annual Report to Congress, as required under Section 342(e) of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Should you have any questions about the enclosed report, please contact me at (202) 435-9711.

Sincerely,

A handwritten signature in black ink, appearing to read "C. Galicia", is positioned below the word "Sincerely,".

Catherine Galicia
Assistant Director for Legislative Affairs



Consumer Financial
Protection Bureau

April 7, 2017

The Honorable Paul Ryan
Speaker
United States House of Representatives
H-209, The Capitol
Washington, DC 20515

Dear Speaker Ryan:

Enclosed please find the Consumer Financial Protection Bureau's Office of Minority and Women Inclusion Annual Report to Congress, as required under Section 342(e) of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Should you have any questions about the enclosed report, please contact me at (202) 435-9711.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Galicia'.

Catherine Galicia
Assistant Director for Legislative Affairs



Consumer Financial
Protection Bureau

April 7, 2017

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
United States House of Representatives
4340 Thomas P. O'Neill, Jr. House Office Building
Washington, DC 20515

Dear Ranking Member Waters:

Enclosed please find the Consumer Financial Protection Bureau's Office of Minority and Women Inclusion Annual Report to Congress, as required under Section 342(e) of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Should you have any questions about the enclosed report, please contact me at (202) 435-9711.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Galicia' with a stylized flourish at the end.

Catherine Galicia
Assistant Director for Legislative Affairs



Consumer Financial
Protection Bureau

1700 G Street, N.W., Washington, DC 20552

April 14, 2017

The Honorable Sherrod Brown
Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, DC 20510

Dear Ranking Member Brown:

Enclosed please find the Fair Lending Report of the Consumer Financial Protection Bureau as required under Section 1013 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Should you have any questions about this report, please contact me at (202) 435-7552.

Sincerely,

A handwritten signature in black ink that reads "Matt Pippin".

Matt Pippin
Deputy Assistant Director for Legislative Affairs

April 2017

Fair Lending Report of the Consumer Financial Protection Bureau

Message from Richard Cordray

Director of the CFPB



For over five years, the Consumer Financial Protection Bureau has pursued its statutory mandate to provide “oversight and enforcement” of the fair lending laws under our jurisdiction. I am proud of all we have accomplished in ensuring that creditworthy consumers are not denied credit or charged more because of their race or ethnicity or any other prohibited basis.

Our fair lending guidance, supervisory activity, and enforcement actions have three goals: to strengthen industry compliance programs, root out illegal activity, and ensure that harmed consumers are remediated. Over these past five years, we have engaged in robust fair lending dialogue with industry and this dialogue has served to significantly strengthen industry compliance programs. Members of our Fair Lending Office have logged over 300 outreach meetings and events, not to mention preparing responses to the many calls and emails received from compliance officials. We have invested significant efforts toward strengthening industry compliance management systems because they are critical first-line measures to protect consumers from discriminatory lending policies and practices. As a result, our examiners now often find that lenders have already implemented sound policies and procedures to identify and address potential fair lending violations, based on our prior guidance.

We also have achieved remarkable success in our fair lending enforcement activities during this time period, reaching historic resolution of the largest redlining, auto finance, and credit card fair lending cases, and instituting relief that has halted illegal practices. Our fair lending supervision and enforcement activities have resulted in over \$400 million in remediation to harmed consumers.

In the coming years, we will increase our focus on markets or products where we see significant or emerging fair lending risk to consumers, including redlining, mortgage loan servicing, student loan servicing, and small business lending. Discrimination on prohibited grounds in the financial marketplace, though squarely against the law, is by no means a thing of the past. The Consumer Bureau will continue to enforce existing fair lending laws at a steady and vigorous pace, taking care to ensure broad-based industry engagement and consistent oversight.

I am proud to present our 2016 Fair Lending Report.

Sincerely,

A handwritten signature in blue ink that reads "Richard Cordray". The signature is written in a cursive, flowing style.

Richard Cordray

Message from Patrice Alexander Ficklin



Director, Office of Fair Lending and Equal Opportunity

When I left private practice to join the CFPB in 2011, I carried with me my experiences as industry counsel, advising bank and nonbank clients on fair lending compliance. I knew from my work that many lenders are interested in building and maintaining robust fair lending self-monitoring systems that reflect best practices in consumer protection. I advised my clients on their efforts to evaluate and address fair lending risk not only in mortgage origination, but also in mortgage servicing, credit cards, and other areas that had not been a traditional fair lending focus. Together we enhanced the existing methods of proxying for race and ethnicity, an essential step to allow my clients to *fully* implement the mandate contained in the Equal Credit Opportunity Act (ECOA), which prohibits discrimination in all manner of consumer credit, not simply mortgages.

Shortly after arriving at the CFPB in 2011, I led a handful of other public servants in founding the CFPB's Fair Lending Office, which the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) charged with "oversight and enforcement" of ECOA. We drew from our experiences and dialogue with industry, the information transferred to us from our sister prudential regulators, civil rights and consumer advocate groups' perspectives, and the expertise of the Bureau's markets teams to establish our first three fair lending priorities: mortgage origination, auto finance, and credit cards. We have accomplished much in these markets over these past five years, not the least of which are the \$400 million in remediation to harmed consumers *and* the remarkable and robust dialogue we enjoy with many financial

services providers in support of their efforts to treat all of their customers in a fair and responsible manner.

As outlined in my December 2016 blog post¹, my team has again looked to our statutory mandate and relevant data to refresh the Bureau's fair lending priorities. In 2017 we will increase our focus in the areas of redlining and mortgage and student loan servicing to ensure that creditworthy consumers have access to mortgage loans and to the full array of appropriate options when they have trouble paying their mortgages or student loans, regardless of their race or ethnicity. In addition, we will focus more fully on pursuing our statutory mandate to promote fair credit access for minority- and women-owned businesses. We know that these businesses play an important role in job creation for communities of color, while also strengthening our economy.

The Dodd-Frank Act mandated the creation of the CFPB's Office of Fair Lending and Equal Opportunity and charged it with ensuring fair, equitable, and nondiscriminatory access to credit to consumers; coordinating our fair lending efforts with federal and state agencies and regulators; working with private industry, fair lending, civil rights, consumer and community advocates to promote fair lending compliance and education; and annually reporting to Congress on our efforts.

I am proud to say that the Office continues to fulfill our Dodd-Frank mandate and looks forward to continuing to work together with all stakeholders in protecting America's consumers. To that end, I am excited to share our progress in this, our fifth, Fair Lending Report.²

Sincerely,



Patrice Alexander Ficklin

¹ Patrice Ficklin, *Fair Lending priorities in the new year*, Consumer Financial Protection Bureau (Dec. 16, 2016), <http://www.consumerfinance.gov/about-us/blog/fair-lending-priorities-new-year/>.

² See Dodd-Frank Act § 1013(c)(2)(D), Pub. L. No. 111-203, 124 Stat. 1376 (2010) (codified at 12 U.S.C. § 5493(c)(2)(D)).

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Executive summary

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank or Dodd-Frank Act)³ established the Bureau as the Nation’s first federal agency with a mission focused solely on consumer financial protection and making consumer financial markets work for all Americans. Dodd-Frank established the Office of Fair Lending and Equal Opportunity (the Office of Fair Lending) within the CFPB, and charged it with “providing oversight and enforcement of Federal laws intended to ensure the fair, equitable, and nondiscriminatory access to credit for both individuals and communities.”⁴

Prioritization. The Bureau’s risk-based prioritization process allows the Office of Fair Lending to focus our supervisory and enforcement efforts on the markets, products, and institutions that represent the greatest fair lending risk for consumers. Based on the risks we identified, our market-level focus for the past five years has been on ensuring that consumers are not excluded from or made to pay more for mortgages, indirect auto loans, and credit cards because of their race, ethnicity, sex, or age.

Going forward, because of emerging fair lending risks in other areas, we are increasing our focus on redlining, mortgage and student loan servicing, and small business lending. We remain committed to assessing and evaluating fair lending risk in all credit markets under the Bureau’s jurisdiction. See Section 1 for more information.

³ Pub. L. No. 111-203, 124 Stat. 1376 (2010).

⁴ Dodd-Frank Act § 1013(c)(2)(A) (codified at 12 U.S.C. § 5493(c)(2)(A)).

Supervision and enforcement activity. In 2016, our fair lending supervisory and public enforcement actions resulted in approximately \$46 million in remediation to harmed consumers.⁵ Mortgage lending continues to be a key priority for the Office of Fair Lending for both supervision and enforcement. We have focused in particular on redlining risk, evaluating whether lenders have intentionally discouraged prospective applicants in minority neighborhoods from applying for credit. Although statistics play an important role in this work, we never look at numbers alone or in a vacuum, but rather consider multiple factors, including potentially nondiscriminatory explanations for differential lending patterns. See Sections 2.1.6 and 3.1.1 for more information. Through 2016, our mortgage origination work has covered institutions responsible for close to half of the transactions reported pursuant to the Home Mortgage Disclosure Act (HMDA), and more than 60% of the transactions reported by institutions subject to the CFPB's supervision and enforcement authority.⁶

In 2016, the Bureau continued its work in overseeing and enforcing compliance with ECOA in indirect auto lending through both supervisory and enforcement activity, including monitoring compliance with our previous supervisory and enforcement actions. Our indirect auto lending work has covered institutions responsible for approximately 60% of the auto loan market share by volume.⁷

The Bureau also continued fair lending supervisory and enforcement work in the credit card market. We have focused in particular on the quality of fair lending compliance management systems (CMS) and on fair lending risks in underwriting, line assignment, and servicing. Our work in this highly-concentrated market has covered institutions responsible for more than 85%

⁵ Figures represent estimates of monetary relief for consumers ordered or required by the Bureau or a court as a result of supervisory or enforcement actions on fair lending matters in 2016, as well as other monetary payments such as loan subsidies, increased consumer financial education, and civil money penalties.

⁶ CFPB analysis of HMDA data for 2015.

⁷ CFPB analysis of 2015 AutoCount data from Experian Automotive.

of outstanding credit card balances in the United States.⁸

The Bureau has conducted supervision and enforcement work in other markets as well. For example, this year we continued targeted ECOA reviews of small-business lending, focusing in particular on the quality of fair lending compliance management systems and on fair lending risks in underwriting, pricing, and redlining. Our supervisory work to date in small business lending has covered institutions responsible for approximately 10% of the non-agricultural small business market share. See Sections 2 and 3 for more information.

Rulemaking. In January 2016, in response to ongoing conversations with industry about compliance with Regulation C, HMDA's implementing regulation, the Bureau issued a Request for Information (RFI) on the Bureau's HMDA data resubmission guidelines, and is considering whether to adjust its existing HMDA resubmission guidelines and if so, how.⁹ On September 23, 2016, the Bureau published a Bureau Official Approval pursuant to section 706(e) of the ECOA concerning the new Uniform Residential Loan Application and the collection of expanded HMDA information about ethnicity and race in 2017. On March 24, 2017, the Bureau published a proposed rule concerning amendments to Regulation B's ethnicity and race information collection provisions.¹⁰ See Section 4 for more information.

Interagency coordination and collaboration. The Bureau continues to coordinate with the Federal Financial Institutions Examination Council (FFIEC) agencies,¹¹ as well as the

⁸ CFPB analysis of 3Q 2016 call reports.

⁹ Consumer Financial Protection Bureau, *Request for Information Regarding Home Mortgage Disclosure Act Resubmission Guidelines 2015-0058* (Jan. 7, 2016), http://files.consumerfinance.gov/f/201601_cfpb_request-for-information-regarding-home-mortgage-disclosure-act-resubmission.pdf.

¹⁰ Consumer Financial Protection Bureau, *Amendments to Equal Credit Opportunity Act (Regulation B) Ethnicity and Race Information Collection 2017-0009* (March 24, 2017), http://files.consumerfinance.gov/f/documents/201703_cfpb_NPRM-to-amend-Regulation-B.pdf.

¹¹ The FFIEC member agencies are the Board of Governors of the Federal Reserve System (FRB), the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA), the Office of the Comptroller of the Currency (OCC), and the Consumer Financial Protection Bureau (CFPB). The State Liaison Committee was added

Department of Justice (DOJ), the Federal Trade Commission (FTC), and the Department of Housing and Urban Development (HUD), as we each play a role in ensuring compliance with and enforcing our nation's fair lending laws and regulations. See Section 5 for more information on our interagency coordination and collaboration in 2016.



CFPB Fair Lending Director Patrice Ficklin provides a keynote address at the CRA and Fair Lending Colloquium hosted by Wolters Kluwer in November 2016.

to FFIEC in 2006 as a voting member.

Outreach to industry, advocates, consumers, and other stakeholders. The Bureau continues to initiate and encourage industry and consumer engagement opportunities to discuss fair lending compliance and access to credit issues, including through speeches, presentations, blog posts, webinars, rulemaking, and public comments. See Section 6 for more information on our outreach activities in 2016.



CFPB Principal Deputy Fair Lending Director Frank Vespa-Papaleo speaks at a National Fair Housing Alliance Conference in June 2016.

This report generally covers the Bureau's fair lending work during calendar year 2016.

1. Fair Lending prioritization

1.1 Risk-based prioritization: A data-driven approach to prioritizing areas of potential fair lending harm to consumers

To use the CFPB's fair lending resources most effectively, the Office of Fair Lending, working with other offices in the Bureau, has developed and refined a risk-based prioritization approach that determines how best to address areas of potential fair-lending-related consumer harm in the entities, products, and markets under our jurisdiction.

One critical piece of information that we consider in the fair lending prioritization process is the quality of an institution's compliance management system, which the Bureau typically ascertains through its supervisory work. The Bureau has previously identified common features of a well-developed fair lending compliance management system,¹² though we recognize that the appropriate scope of an institution's fair lending compliance management system will vary based on its size, complexity, and risk profile. In our experience, the higher the quality of an institution's fair lending compliance management system, the lower the institution's fair lending risk to consumers, other things being equal.

As part of the prioritization process the Office of Fair Lending also works closely with the

¹² See Consumer Financial Protection Bureau, *Fair Lending Report of the Consumer Financial Protection Bureau* at 13-14 (Apr. 2014), http://files.consumerfinance.gov/f/201404_cfpb_report_fair-lending.pdf.

Bureau's special population offices, including the Office for Students and Young Consumers, the Office of Older Americans, and the Bureau's Markets offices, which identify emerging developments and trends by monitoring key consumer financial markets. If this market intelligence identifies fair lending risks in a particular market that require further attention, we incorporate that information into our prioritization process to determine the type and extent of attention required to address those risks. For instance, Fair Lending's work with the Office of Consumer Lending, Reporting, and Collections Markets and the Office for Students and Young Consumers highlighted potential steering risks in student loan servicing, which resulted in the prioritization of this market in our supervisory work.

The fair lending prioritization process incorporates a number of additional factors as well, including; consumer complaints; tips and leads from advocacy groups, whistleblowers, and government agencies; supervisory and enforcement history; and results from analysis of HMDA and other data.

Once the Bureau has evaluated these inputs to prioritize institutions, products, and markets based on an assessment of fair lending risk posed to consumers, the Office of Fair Lending considers how best to address those risks as part of its strategic planning process. For example, we can schedule an institution for a supervisory review or, where appropriate, open an enforcement investigation. We can also commit to further research, policy development, and/or outreach, especially for new issues or risks. Once this strategic planning process is complete, we regularly coordinate with other regulators so we can inform each other's work, complement each other's efforts, and reduce any burden on subject institutions.

Risk-based prioritization is an ongoing process, and we continue to receive and evaluate relevant information even after priorities are identified. At an institution level, such information may include new tips and leads, consumer complaints, additional risks identified in current supervisory and enforcement activities, and compliance issues identified and brought to our attention by institutions themselves. In determining how best to address this additional information, the Office of Fair Lending considers several factors, including (1) the nature and extent of the fair lending risk, (2) the degree of consumer harm, and (3) whether the risk was

self-identified and/or self-reported to the Bureau. Fair Lending takes account of responsible conduct as set forth in CFPB Bulletin 2013-06, Responsible Business Conduct: Self-Policing, Self-Reporting, Remediation, and Cooperation.¹³

1.2 Fair lending priorities

Because the CFPB is responsible for overseeing so many products and so many lenders, we re-prioritize our work from time to time to make sure that we are focused on the areas of greatest risk to consumers. In the coming year, we will increase our focus on the markets or products listed below, which present substantial risk of credit discrimination for consumers.

- **Redlining.** We will continue to evaluate whether lenders have intentionally discouraged prospective applicants in minority neighborhoods from applying for credit.
- **Mortgage and Student Loan Servicing.** We will evaluate whether some borrowers who are behind on their mortgage or student loan payments may have more difficulty working out a new solution with the servicer because of their race, ethnicity, sex, or age.
- **Small Business Lending.** Congress expressed concern that women-owned and minority-owned businesses may experience discrimination when they apply for credit, and has required the CFPB to take steps to ensure their fair access to credit. Small business lending supervisory activity will also help expand and enhance the Bureau's knowledge in this area, including the credit process; existing data collection processes; and the nature, extent, and management of fair lending risk.

The Bureau remains committed to ensuring that consumers are protected from discrimination in all credit markets under its authority.

¹³ Consumer Financial Protection Bureau, *Responsible Business Conduct: Self-Policing, Self-Reporting, Remediation, and Cooperation*, CFPB Bulletin 2013-06 (June 25, 2013), http://files.consumerfinance.gov/f/201306_cfpb_bulletin_responsible-conduct.pdf.

2. Fair Lending supervision

The CFPB's Fair Lending Supervision program assesses compliance with ECOA and HMDA at banks and nonbanks over which the Bureau has supervisory authority. Supervision activities range from assessments of institutions' fair lending compliance management systems to in-depth reviews of products or activities that may pose heightened fair lending risks to consumers. As part of its Fair Lending Supervision program, the Bureau continues to conduct three types of fair lending reviews at Bureau-supervised institutions: ECOA baseline reviews, ECOA targeted reviews, and HMDA data integrity reviews.

When the CFPB identifies situations in which 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. When fair lending violations are identified, the CFPB may direct institutions to provide remediation and restitution to consumers, and may pursue other appropriate relief. The CFPB also refers a matter to the Justice Department when it has reason to believe that a creditor has engaged in a pattern or practice of lending discrimination in violation of ECOA.¹⁴ The CFPB may also refer other potential ECOA violations to the Justice Department.

2.1 Fair Lending supervisory observations

Although the Bureau's supervisory process is confidential, the Bureau publishes regular reports

¹⁴ 15 U.S.C. § 1691e(g).

called *Supervisory Highlights*, which provide information on supervisory trends the Bureau observes without identifying specific entities. The Bureau may also draw on its supervisory experience to publish compliance bulletins in order to remind the institutions that we supervise of their legal obligations. Industry participants can use this information to inform and assist in complying with ECOA and HMDA.

2.1.1 Evaluating mortgage servicing compliance programs

Our supervisory work has included use of the ECOA Baseline Modules, which are part of the CFPB Supervision and Examination Manual. Examination teams use these modules to conduct ECOA Baseline Reviews, which evaluate how well institutions' compliance management systems identify and manage fair lending risks. The Mortgage Servicing Special Edition of *Supervisory Highlights*,¹⁵ published in June 2016, reminded institutions that Module 4 of the ECOA baseline review modules, "Fair Lending Risks Related to Servicing," is used by Bureau examiners to evaluate compliance management systems under ECOA. Among other things, Module 4 contains questions regarding fair lending training of servicing staff, fair lending monitoring of servicing, and servicing of consumers with limited English proficiency.

2.1.2 Reporting actions taken for conditionally-approved applications with unmet underwriting conditions

The Summer 2016 edition of *Supervisory Highlights*,¹⁶ published in June 2016, highlighted findings from examinations where institutions improperly coded actions taken in reported HMDA data. Among other things, Regulation C requires covered depository and non-depository institutions to submit to the appropriate federal agency data they collect and record pursuant to

¹⁵ Consumer Financial Protection Bureau, *Supervisory Highlights Mortgage Servicing Special Edition 2016* at 5 (June 22, 2016), http://files.consumerfinance.gov/f/documents/Mortgage_Servicing_Supervisory_Highlights_11_Final_web_.pdf.

¹⁶ Consumer Financial Protection Bureau, *Supervisory Highlights Summer 2016* at 13-16 (June 30, 2016), http://files.consumerfinance.gov/f/documents/Supervisory_Highlights_Issue_12.pdf.

Regulation C, including the type of action taken on reportable transactions.¹⁷ As reported in *Supervisory Highlights*, examiners found that after issuing a conditional approval subject to underwriting conditions, the institutions did not accurately report the action taken on the loans or applications. As a result, Supervision directed one or more institutions to enhance their policies and procedures regarding their HMDA reporting of the actions taken on loans and applications and, where necessary, provide adverse action notices. Supervision also required one or more institutions to resubmit their HMDA Loan Application Register (LAR) where the number of errors exceeded the CFPB's HMDA resubmission thresholds.

2.1.3 Expanding credit through the use of special purpose credit programs

The Summer 2016 edition of *Supervisory Highlights*¹⁸ discussed supervisory observations of special purpose credit programs, which are established and administered to extend credit to a class of persons who otherwise probably would not receive such credit or would receive it on less favorable terms. ECOA¹⁹ and Regulation B²⁰ permit a creditor to extend special purpose credit to applicants who meet eligibility requirements for certain types of credit programs.²¹ Regulation B specifically confers special purpose credit program status upon:

Any special purpose credit program offered by a for-profit organization, or in which such an organization participates to meet special social needs, if:

¹⁷ 12 CFR 1003.4(a), (a)(8); 12 CFR 1003.5(a)(1).

¹⁸ Consumer Financial Protection Bureau, *Supervisory Highlights Summer 2016* at 16-18 (June 30, 2016), http://files.consumerfinance.gov/f/documents/Supervisory_Highlights_Issue_12.pdf.

¹⁹ 15 U.S.C. § 1691 *et seq.*

²⁰ 12 C.F.R. pt. 1002.

²¹ 15 U.S.C. § 1691(c)(3) (providing that ECOA's prohibitions against discrimination are not violated when a creditor refuses to extend credit offered pursuant to certain special purpose credit programs satisfying Regulation B-prescribed standards); 12 C.F.R. § 1002.8 (special purpose credit program standards).

(i) The program is established and administered pursuant to a written plan that identifies the class of persons that the program is designed to benefit and sets forth the procedures and standards for extending credit pursuant to the program; and

(ii) The program is established and administered to extend credit to a class of persons who, under the organization's customary standards of creditworthiness, probably would not receive such credit or would receive it on less favorable terms than are ordinarily available to other applicants applying to the organization for a similar type and amount of credit.²²

The commentary to Regulation B clarifies that, in order to satisfy these requirements, "a for-profit organization must determine that the program will benefit a class of people who would otherwise be denied credit or would receive it on less favorable terms. This determination can be based on a broad analysis using the organization's own research or data from outside sources, including governmental reports and studies."²³

As *Supervisory Highlights* noted, during the course of the Bureau's supervisory activity, examination teams have observed credit decisions made pursuant to the terms of programs that for-profit institutions have described as special purpose credit programs. Examination teams have reviewed the terms of the programs, including the written plan required by Regulation B, and the institution's determination that the program would benefit a class of people who would otherwise be denied credit or would receive it on less favorable terms.

In every case, special purpose credit program status depends upon adherence to the ECOA and Regulation B requirements for special purpose credit programs. A program, for example, offering more favorable pricing or products exclusively to a particular class of persons without evidence that such individuals would otherwise be denied credit or would receive it on less favorable terms would not satisfy the ECOA and Regulation B requirements for a special

²² 12 C.F.R. § 1002.8(a)(3).

²³ 12 C.F.R. pt. 1002, Suppl. I, 1002.8, cmt. 8(a) at 5.

purpose credit program. With that in mind, however, the Bureau generally takes a favorable view of conscientious efforts that institutions may undertake to develop special purpose credit programs to promote extensions of credit to any class of persons who would otherwise be denied credit or would receive it on less favorable terms.

2.1.4 Offering language services to limited English proficient (LEP) consumers

The Fall 2016 edition of *Supervisory Highlights*,²⁴ published in October 2016, discussed supervisory observations about the provision of language services to consumers with limited English proficiency (LEP). The Dodd-Frank Act, ECOA,²⁵ and Regulation B²⁶ mandate that the Office of Fair Lending “ensure the fair, equitable, and nondiscriminatory access to credit”²⁷ and “promote the availability of credit.”²⁸ Consistent with that mandate, the CFPB, including through its Office of Fair Lending, continues to encourage lenders to provide assistance to LEP consumers.²⁹ Financial institutions may provide access to credit in languages other than English in a manner that is beneficial to consumers as well as the institution, while taking steps to ensure their actions are compliant with ECOA and other applicable laws.

²⁴ Consumer Financial Protection Bureau, *Supervisory Highlights Fall 2016* at 20 (Oct. 31, 2016), http://files.consumerfinance.gov/f/documents/Supervisory_Highlights_Issue_13_Final_10.31.16.pdf.

²⁵ 12 U.S.C. § 1691 *et seq.*

²⁶ 12 C.F.R. pt. 1002 *et seq.*

²⁷ 12 U.S.C. § 5493(c)(2)(A).

²⁸ 12 C.F.R. § 1002.1(b).

²⁹ According to recent American Community Survey estimates, there are approximately 25 million people in the United States who speak English less than “very well.” U.S. Census Bureau, *Language Spoken at Home, 2011-2015 American Community Survey 5-Year Estimates*, https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_15_5YR_S1601&prodType=table.

As reported in *Supervisory Highlights*, in the course of conducting supervisory activity, examiners have observed one or more financial institutions providing services in languages other than English, including to consumers with limited English proficiency,³⁰ in a manner that did *not* result in any adverse supervisory or enforcement action under the facts and circumstances of the reviews. Specifically, examiners observed:

- Marketing and servicing of loans in languages other than English;
- Collection of customer language information to facilitate communication with LEP consumers in a language other than English;
- Translation of certain financial institution documents sent to borrowers, including monthly statements and payment assistance forms, into languages other than English;
- Use of bilingual and/or multilingual customer service agents, including single points of contact,³¹ and other forms of oral customer assistance in languages other than English; and
- Quality assurance testing and monitoring of customer assistance provided in languages other than English.

³⁰ The Bureau recently updated its ECOA baseline review modules. See Consumer Financial Protection Bureau, *Supervisory Highlights: Winter 2016* at 28-29 (Mar. 8, 2016), http://files.consumerfinance.gov/f/201603_cfpb_supervisory-highlights.pdf. Among other updates, the modules include new questions related to the provision of language services, including to LEP consumers, in the context of origination and servicing. See Consumer Financial Protection Bureau, *CFPB Examination Procedures, ECOA Baseline Review Modules* 13, 21-22 (Oct. 2015), http://files.consumerfinance.gov/f/201510_cfpb_ecoa-baseline-review-modules.pdf. These modules are used by examiners during ECOA baseline reviews to identify and analyze risks of ECOA violations, to facilitate the identification of certain types of ECOA and Regulation B violations, and to inform fair lending prioritization decisions for future CFPB reviews. *Id.* at 1.

³¹ See 12 C.F.R. § 1024.40(a)(1) & (2) (requiring mortgage servicers to assign personnel to a delinquent borrower within a certain time after delinquency and make assigned personnel available by phone in order to respond to borrower inquiries and assist with loss mitigation options, as applicable).

Examiners have observed a number of factors that financial institutions consider in determining whether to provide services in languages other than English and the extent of those services, some of which include: Census Bureau data on the demographics or prevalence of non-English languages within the financial institution's footprint; communications and activities that most significantly impact consumers (e.g., loss mitigation and/or default servicing); and compliance with federal, state, and other regulatory provisions that address obligations pertaining to languages other than English.³² Factors relevant in the compliance context may vary depending on the institution and circumstances.

Examiners also have observed situations in which financial institutions' treatment of LEP and non-English-speaking consumers posed fair lending risk. For example, examiners observed one or more institutions marketing only some of their available credit card products to Spanish-speaking consumers, while marketing several additional credit card products to English-speaking consumers. One or more such institutions also lacked documentation describing how they decided to exclude those products from Spanish language marketing, raising questions about the adequacy of their compliance management systems related to fair lending. To mitigate any compliance risks related to these practices, one or more financial institutions revised their marketing materials to notify consumers in Spanish of the availability of other credit card products and included clear and timely disclosures to prospective consumers describing the extent and limits of any language services provided throughout the product lifecycle. Institutions were not required to provide Spanish language services to address this risk beyond the Spanish language services they were already providing.

³² See, e.g., 12 C.F.R. § 1005.31(g)(1)(i) (requiring disclosures in languages other than English in certain circumstances involving remittance transfers); 12 C.F.R. § 1026.24(i)(7) (addressing obligations relating to advertising and disclosures in languages other than English for closed-end credit); 12 C.F.R. § 1002.4(e) (providing that disclosures made in languages other than English must be available in English upon request); Cal. Civ. Code § 1632(b) (requiring that certain agreements "primarily" negotiated in Spanish, Chinese, Tagalog, Vietnamese, or Korean must be translated to the language of the negotiation under certain circumstances); Or. Rev. Stat. § 86A.198 (requiring a mortgage banker, broker, or originator to provide translations of certain notices related to the mortgage transaction if the banker, broker, or originator advertises and negotiates in a language other than English under certain circumstances); Tex. Fin. Code Ann. § 341.502(a-1) (providing that for certain loan contracts negotiated in Spanish, a summary of the loan terms must be made available to the debtor in Spanish in a form identical to required TILA disclosures for closed-end credit).

As reported in *Supervisory Highlights*, the Bureau’s supervisory activity resulted in public enforcement actions related to the treatment of LEP and non-English-speaking consumers, including actions against Synchrony Bank and American Express Centurion Bank. The Fall 2016 edition of *Supervisory Highlights* also discussed common features of a well-developed compliance management system that can mitigate fair lending and other risks associated with providing services to LEP and non-English-speaking consumers.

2.1.5 HMDA data collection and reporting reminders for 2017

The Fall 2016 edition of *Supervisory Highlights*³³ noted HMDA data collection and reporting reminders for 2017. Please see Section 4.1.4 for detail on changes to HMDA data collection and reporting in 2017 and later years.

2.1.6 Assessing redlining risks

The Fall 2016 edition of *Supervisory Highlights*³⁴ noted that the Office of Fair Lending has identified redlining as a priority area in the Bureau’s fair lending work. Redlining is a form of unlawful lending discrimination under ECOA. Historically, actual red lines were drawn on maps around neighborhoods to which credit would not be provided, giving this practice its name. The federal prudential banking regulators have collectively defined redlining as “a form of illegal disparate treatment in which a lender provides unequal access to credit, or unequal terms of credit, because of the race, color, national origin, or other prohibited characteristic(s) of the

³³ Consumer Financial Protection Bureau, *Supervisory Highlights Fall 2016* at 25-26 (Oct. 31, 2016), http://files.consumerfinance.gov/f/documents/Supervisory_Highlights_Issue_13_Final_10.31.16.pdf.

³⁴ Consumer Financial Protection Bureau, *Supervisory Highlights Fall 2016* at 27 (Oct. 31, 2016), http://files.consumerfinance.gov/f/documents/Supervisory_Highlights_Issue_13_Final_10.31.16.pdf.

residents of the area in which the credit seeker resides or will reside or in which the residential property to be mortgaged is located.”³⁵

The Bureau considers various factors, as appropriate, in assessing redlining risk in its supervisory activity. These factors, and the scoping process, are described in detail in the Interagency Fair Lending Examination Procedures. These factors generally include (but are not limited to):

- Strength of an institution’s CMS, including underwriting guidelines and policies;
- Unique attributes of relevant geographic areas (population demographics, credit profiles, housing market);
- Lending patterns (applications and originations, with and without purchased loans);
- Peer and market comparisons;
- Physical presence (full service branches, ATM-only branches, brokers, correspondents, loan production offices), including consideration of services offered;
- Marketing;
- Mapping;
- Community Reinvestment Act (CRA) assessment area and market area more generally;
- An institution’s lending policies and procedures record;
- Additional evidence (whistleblower tips, loan officer diversity, testing evidence, comparative file reviews); and
- An institution’s explanations for apparent differences in treatment.

³⁵ FFIEC Interagency Fair Lending Examination Procedures Manual (Aug. 2009), <https://www.ffiec.gov/pdf/fairlend.pdf>. CFPB Supervision and Examination Manual (Oct. 2012), http://files.consumerfinance.gov/f/201210_cfpb_supervision-and-examination-manual-v2.pdf.

The Bureau has observed that institutions with strong compliance programs examine lending patterns regularly, look for any statistically-significant disparities, evaluate physical presence, monitor marketing campaigns and programs, and assess CRA assessment areas and market areas more generally. Our supervisory experience reveals that institutions may reduce fair lending risk by documenting risks they identify and by taking appropriate steps in response to identified risks, as components of their fair lending compliance management programs.

Examination teams typically assess redlining risk, at the initial phase, at the Metropolitan Statistical Area (MSA) level for each supervised entity, and consider the unique characteristics of each MSA (population demographics, etc.).

To conduct the initial analysis, examination teams use HMDA data and Census data³⁶ to assess the lending patterns at institutions subject to the Bureau's supervisory authority. To date, examination teams have used these publicly available data to conduct this initial risk assessment. These initial analyses typically compare a given institution's lending patterns to other lenders in the same MSA to determine whether the institution received significantly fewer applications from minority³⁷ areas³⁸ relative to other lenders in the MSA. Examination teams may consider the difference between the subject institution and other lenders in the percentage of their applications or originations that come from minority areas, both in absolute terms (for example, 10% vs. 20%) and relative terms (for example, the subject institution is half as likely to

³⁶ The Bureau uses the most current United States national census data that apply to the HMDA data – for example, to date it has used 2010 census data for HMDA data 2011 and later. Specifically, the “Demographic Profiles” are used.

³⁷ For these purposes, the term “minority” ordinarily refers to anyone who identifies with any combination of race or ethnicity other than non-Hispanic White. Examination teams have also focused on African-American and Hispanic consumers, and could foreseeably focus on other more specific minority communities such as Asian, Native Hawaiian, or Native Alaskan populations, if appropriate for the specific geography. In one examination that escalated to an enforcement matter, the statistical evidence presented focused on African-American and Hispanic census tracts, rather than all minority consumers, because the harmed consumers were primarily African-American and Hispanic.

³⁸ Examination teams typically look at majority minority areas (>50% minority) and high minority areas (>80% minority), although sometimes one metric is more appropriate than another, and sometimes other metrics need to be used to account for the population demographics of the specific MSA.

have applications or originations in minority areas as other lenders).³⁹

Examination teams may also compare an institution to other more refined groups of peer institutions. Refined peers can be defined in a number of ways, and past Bureau redlining examinations and enforcement matters have relied on multiple peer comparisons. The examination team often starts by compiling a refined set of peer institutions to find lenders of a similar size – for example, lenders that received a similar number of applications or originated a similar number of loans in the MSA. The examination team may also consider an institution’s mix of lending products. For example, if an institution participates in the Federal Housing Administration (FHA) loan program, it may be compared to other institutions that also originate FHA loans; if not, it may be compared to other lenders that do not offer FHA loans. Additional refinements may incorporate loan purpose (for example, focusing only on home purchase loans) or action taken (for example, incorporating purchased loans into the analysis). Examination teams have also taken suggestions, as appropriate, from institutions about appropriate peers in specific markets.

In considering lending patterns, examination teams generally consider marketing activities and physical presence, including locations of branches, loan production offices, ATMs, brokers, or correspondents. As noted in *Supervisory Highlights*, in one or more supervisory matters, the institutions concentrated marketing in majority-White suburban counties of a Metropolitan Statistical Area (MSA) and avoided a more urban county with the greatest minority population in the MSA. In one or more other exams, examiners observed that, although there were disparities in branch locations, the location of branches did not affect access to credit in that case because, among other things, the branches did not accept “walk-in” traffic and all applications were submitted online. The results of the examinations were also dependent on

³⁹ This relative analysis may be expressed as an odds ratio: the given lender’s odds of receiving an application or originating a loan in a minority area divided by other lenders’ comparable odds. An odds ratio greater than one means that the institution is **more** likely to receive applications or originate loans in minority areas than other lenders; an odds ratio lower than one means that the institution is **less** likely to do so. Odds ratios show greater risk as they approach zero.

other factors that showed equitable access to credit, and there could be cases in which branch locations in combination with other risk-based factors escalate redlining risk.

For redlining analyses, examination teams generally map information, including data on lending patterns (applications and originations), marketing, and physical presence, against census data to see if there are differences based on the predominant race/ethnicity of the census tract, county, or other geographic designation. Additionally, examination teams will consider any other available evidence about the nature of the lender's business that might help explain the observed lending patterns.

Examination teams have considered numerous factors in each redlining examination, and have invited institutions to identify explanations for any apparent differences in treatment.

Although redlining examinations are generally scheduled at institutions where the Bureau has identified statistical disparities, statistics are never considered in a vacuum. The Bureau will always work with institutions to understand their markets, business models, and other information that could provide nondiscriminatory explanations for lending patterns that would otherwise raise a fair lending risk of redlining.

2.1.7 Enforcement actions arising from supervisory activity

In addition to providing information on supervisory trends, *Supervisory Highlights* also provides information on enforcement actions that resulted from supervisory activity. See Section 3.3.1 for more information on such public enforcement actions.

3. Fair Lending enforcement

The Bureau conducts investigations of potential violations of HMDA and ECOA, and if it believes a violation has occurred, can file a complaint either through its administrative enforcement process or in federal court. Like the other federal bank regulators, the Bureau refers matters to the DOJ when it has reason to believe that a creditor has engaged in a pattern or practice of lending discrimination.⁴⁰ However, when the Bureau makes a referral to the DOJ, the Bureau can still take its own independent action to address a violation. In 2016, the Bureau announced two fair lending enforcement actions in mortgage origination and indirect auto lending. The Bureau also has a number of ongoing fair lending investigations and has authority to settle or sue in a number of matters. In addition, the Bureau issued warning letters to mortgage lenders and mortgage brokers that may be in violation of HMDA requirements to report on housing-related lending activity.

3.1 Fair Lending public enforcement actions

3.1.1 Mortgage

BancorpSouth Bank

On June 29, 2016, the CFPB and the DOJ announced a joint action against BancorpSouth Bank

⁴⁰ 15 U.S.C. § 1691e(g).

(BancorpSouth) for discriminatory mortgage lending practices that harmed African Americans and other minorities. The complaint filed by the CFPB and DOJ⁴¹ alleged that BancorpSouth engaged in numerous discriminatory practices, including illegal redlining in Memphis; denying certain African Americans mortgage loans more often than similarly situated non-Hispanic White applicants; charging African-American borrowers more for certain mortgage loans than non-Hispanic White borrowers with similar loan qualifications; and implementing an explicitly discriminatory loan denial policy. The consent order, which was entered by the court on July 25, 2016, requires BancorpSouth to pay \$4 million in direct loan subsidies in minority neighborhoods⁴² in Memphis, at least \$800,000 for community programs, advertising, outreach, and credit repair, \$2.78 million to African-American consumers who were unlawfully denied or overcharged for loans, and a \$3 million penalty.⁴³

BancorpSouth is a regional depository institution headquartered in Tupelo, Mississippi that operates branches in eight states: Alabama, Arkansas, Florida, Louisiana, Mississippi, Missouri, Tennessee, and Texas. In the complaint, CFPB and DOJ alleged that BancorpSouth:

- **Illegally redlined in Memphis:** The agencies alleged that, at least from 2011 to 2013, BancorpSouth illegally redlined in the Memphis area—the market from which the bank received the most applications—by structuring its business to avoid and discourage consumers in minority neighborhoods from accessing mortgages. Specifically, the agencies alleged that the bank placed its branches outside of minority neighborhoods, excluded nearly all minority neighborhoods from the area it chose to serve under the Community Reinvestment Act, and directed nearly all of its marketing away from minority neighborhoods. As a result, BancorpSouth generated relatively few applications

⁴¹ Compl., *United States v. BancorpSouth Bank*, No. 1:16-cv-00118-GHD-DAS (N.D. Miss. June 29, 2016), ECF No. 1, http://files.consumerfinance.gov/f/documents/201606_cfpb_bancorpsouth-joint-complaint.pdf.

⁴² Majority-minority neighborhoods or minority neighborhoods refers to census tracts with a minority population greater than 50%.

⁴³ Consent Order, *United States v. BancorpSouth Bank*, No. 1:16-cv-00118-GHD-DAS (N.D. Miss. July 25, 2016), ECF No. 8, http://files.consumerfinance.gov/f/documents/201606_cfpb_bancorpsouth-consent-order.pdf.

from minority neighborhoods as compared to its peers.

- **Discriminated in underwriting certain mortgages:** The agencies also alleged that one of BancorpSouth's lending units discriminated against African-American applicants by denying them mortgage loans—including loans with consumer as well as business purposes—more often than similarly situated non-Hispanic White applicants. Specifically, the agencies alleged that BancorpSouth granted its employees wide discretion to make credit decisions on mortgage loans. This discretion resulted in African-American applicants being denied certain mortgages at rates more than two times higher than expected if they had been non-Hispanic White.
- **Discriminated in pricing certain mortgage loans:** The agencies also alleged that one of BancorpSouth's lending units discriminated against African-American borrowers that it did approve by charging them higher annual percentage rates than non-Hispanic White borrowers with similar loan qualifications. Specifically, the agencies alleged that BancorpSouth granted its employees wide discretion to set the prices of mortgage loans. This discretion resulted in African-American borrowers paying significantly higher annual percentage rates than similarly situated non-Hispanic White borrowers, costing African-American consumers hundreds of dollars more each year they held the loan.
- **Implemented an explicitly discriminatory denial policy:** The complaint alleged that BancorpSouth required its employees to deny applications from minorities and other "protected class" applicants more quickly than those from other applicants and not to provide credit assistance to "borderline" applicants, which may have improved their chances of getting a loan. The bank generally permitted loan officers to assist marginal applicants, but the explicitly race-based denial policy departed from that practice. An audio recording of a 2012 internal meeting at BancorpSouth clearly articulates this discriminatory policy, as well as negative and stereotyped perceptions of African Americans.

The consent order requires BancorpSouth to take a number of remedial measures, including paying \$4 million into a loan subsidy program to increase access to affordable credit, by offering qualified applicants in majority-minority neighborhoods in Memphis mortgage loans on a more affordable basis than otherwise available from BancorpSouth. The loan subsidies can include interest rate reductions, closing cost assistance, and down payment assistance. In addition, the consent order requires BancorpSouth to spend \$500,000 to partner with community-based or governmental organizations that provide education, credit repair, and other assistance in

minority neighborhoods in Memphis, and to spend at least \$300,000 on a targeted advertising and outreach campaign to generate applications for mortgage loans from qualified consumers in majority-minority neighborhoods in Memphis. The consent order also requires BancorpSouth to pay \$2.78 million to African-American consumers who were improperly denied mortgage loans or overcharged for their loans because of BancorpSouth's allegedly discriminatory pricing and underwriting policies. Finally, BancorpSouth paid a \$3 million penalty to the CFPB's Civil Penalty Fund.

In addition to the monetary requirements, the court decree orders BancorpSouth to expand its physical presence by opening one new branch or loan production office in a high-minority neighborhood (a census tract with a minority population greater than 80%) in Memphis. The bank is also required to offer African-American consumers who were denied mortgage loans while BancorpSouth's allegedly discriminatory underwriting policy was in place the opportunity to apply for a new loan at a subsidized interest rate. Among other revisions to its policies, BancorpSouth is also required by the consent order to implement policies that require its employees to provide equal levels of information and assistance to individuals who inquire about mortgage loans, regardless of race or any other prohibited characteristic.

When investigating identified redlining risks, the Bureau's approach is consistent with that of other federal agencies, including other federal law enforcement agencies and bank regulators. For example, the Bureau looks to risk indicators described in the Interagency Fair Lending Examination Procedures, which were initially issued by the prudential regulators and later adopted by the Bureau.⁴⁴ The Bureau also looks to the types of evidence that DOJ has cited in support of its complaints alleging redlining. These sources identify multiple factors that the Bureau considers during a redlining investigation, detailed above in Section 2.1.6 on Redlining.

As part of its investigation, the CFPB also sent testers to several BancorpSouth branches to inquire about mortgages, and the results of that testing support the CFPB and DOJ allegations.

⁴⁴ See CFPB Supervision and Examination Manual (Oct. 2012), http://files.consumerfinance.gov/f/201210_cfpb_supervision-and-examination-manual-v2.pdf (CFPB Examination Procedures, Equal Credit Opportunity Act Baseline Review Modules).

The agencies alleged that, in several instances, a BancorpSouth loan officer treated the African-American tester less favorably than a non-Hispanic White counterpart. Specifically, the complaint alleged that BancorpSouth employees treated African-American testers who sought information about mortgage loans worse than non-Hispanic White testers with similar credit qualifications. For example, BancorpSouth employees provided information that would restrict African-American consumers to smaller loans than non-Hispanic White testers. This investigation was the CFPB's first use of testing to support an allegation of discrimination. Testing is a tool the Bureau employs in its enforcement investigative activity. Other government agencies, including the DOJ and HUD, as well as private fair housing organizations and state and local agencies, have used testers for decades as a method of identifying discrimination. Courts have long recognized testing as a reliable investigative tool.

3.1.2 Auto Finance

Toyota Motor Credit Corporation

On February 2, 2016, the CFPB resolved an action with Toyota Motor Credit Corporation (Toyota Motor Credit)⁴⁵ that requires Toyota Motor Credit to change its pricing and compensation system by substantially reducing or eliminating discretionary markups to minimize the risks of discrimination. On that same date, the DOJ also filed a complaint and proposed consent order in the U.S. District Court for the Central District of California addressing the same conduct. That consent order was entered by the court on February 11, 2016. Toyota Motor Credit's past practices resulted in thousands of African-American and Asian and Pacific Islander borrowers paying higher interest rates than similarly-situated non-Hispanic White borrowers for their auto loans. The consent order requires Toyota Motor Credit to pay up to \$21.9 million in restitution to affected borrowers.

Toyota Motor Credit is the U.S. financing arm of Toyota Financial Services, which is a subsidiary

⁴⁵ Consent Order, *In re Toyota Motor Credit Corp.*, CFPB No. 2016-CFPB-0002 (Feb. 2, 2016), http://files.consumerfinance.gov/f/201602_cfpb_consent-order-toyota-motor-credit-corporation.pdf

of Toyota Motor Corporation. As of the second quarter of 2015, Toyota Motor Credit was the largest captive auto lender⁴⁶ in the United States and the fifth largest auto lender overall. As an indirect auto lender, Toyota Motor Credit sets risk-based interest rates, or “buy rates,” that it conveys to auto dealers. Indirect auto lenders like Toyota Motor Credit then allow auto dealers to charge a higher interest rate when they finalize the deal with the consumer. This policy or practice is typically called “discretionary markup.” Markups can generate compensation for dealers while giving them the discretion to charge similarly-situated consumers different rates. Over the time period under review, Toyota Motor Credit permitted dealers to mark up consumers’ interest rates as much as 2.5%.

The enforcement action was the result of a joint CFPB and DOJ investigation that began in April 2013. The agencies investigated Toyota Motor Credit’s indirect auto lending activities’ compliance with ECOA. The Bureau found that Toyota Motor Credit violated ECOA by adopting policies that resulted in African-American and Asian and Pacific Islander borrowers paying higher interest rates for their auto loans than non-Hispanic White borrowers as a result of the dealer markups that Toyota Motor Credit permitted and incentivized. Toyota Motor Credit’s pricing and compensation structure meant that for the period covered in the order, thousands of African-American borrowers were charged, on average, over \$200 more for their auto loans, and thousands of Asian and Pacific Islander borrowers were charged, on average, over \$100 more for their auto loans.

The CFPB’s administrative action and DOJ’s consent order require Toyota Motor Credit to reduce dealer discretion to mark up the interest rate to only 1.25% above the buy rate for auto loans with terms of five years or less, and 1% for auto loans with longer terms, or to move to non-discretionary dealer compensation. Toyota Motor Credit is also required to pay \$19.9 million in remediation to affected African-American and Asian and Pacific Islander borrowers whose auto loans were financed by Toyota Motor Credit between January 2011 and February 2, 2016. Toyota Motor Credit is required to pay up to an additional \$2 million into the settlement fund to compensate any affected African-American and Asian and Pacific Islander borrowers in

⁴⁶ Captive auto lenders are indirect auto lenders that are directly affiliated with a particular automobile manufacturer.

the time period between February 2, 2016, and when Toyota Motor Credit implements its new pricing and compensation structure. The Bureau did not assess penalties against Toyota Motor Credit because of its responsible conduct, namely the proactive steps the institution is taking to directly address the fair lending risk of discretionary pricing and compensation systems by substantially reducing or eliminating that discretion altogether. In addition, Toyota Motor Credit is required to hire a settlement administrator who will contact consumers, distribute the funds, and ensure that affected borrowers receive compensation.

3.2 HMDA Warning Letters - Potential Mortgage Lending Reporting Failures

On October 27, 2016, the CFPB issued warning letters to 44 mortgage lenders and mortgage brokers. The Bureau had information that appeared to show these financial institutions may be required to collect, record, and report data about their housing-related lending activity, and that they may be in violation of those requirements. The CFPB, in sending these letters, made no determination that a legal violation did, in fact, occur.

HMDA, which was originally enacted in 1975, requires many financial institutions to collect data about their housing-related lending activity, including home purchase loans, home improvement loans, and refinancings that they originate or purchase, or for which they receive applications. Annually, these financial institutions must report to the appropriate federal agencies and make the data available to the public. The public and regulators can use the information to monitor whether financial institutions are serving the housing needs of their communities, to assist in distributing public-sector investment so as to attract private investment to areas where it is needed, and to identify possible discriminatory lending patterns.

Data transparency helps to ensure that financial institutions are not engaging in discriminatory lending or failing to meet the credit needs of the entire community, including low- and moderate-income neighborhoods. Financial institutions that avoid their responsibility to collect and report mortgage loan data hinder regulatory efforts to enforce fair lending laws.

The CFPB identified the 44 companies by reviewing available bank and nonbank mortgage data. The warning letters flag that entities that meet certain requirements are required to collect, record, and report mortgage lending data. The letters say that recipients should review their

practices to ensure they comply with all relevant laws. The companies are encouraged to respond to the Bureau to advise if they have taken, or will take, steps to ensure compliance with the law. They can also tell the Bureau if they think the law does not apply to them.⁴⁷

3.3 Implementing enforcement orders

When an enforcement action is resolved through a public enforcement order, the Bureau (and the DOJ, when relevant) takes steps to ensure that the respondent or defendant complies with the requirements of the order. As appropriate to the specific requirements of individual public enforcement orders, the Bureau may take steps to ensure that borrowers who are eligible for compensation receive remuneration and that the defendant has implemented a comprehensive fair lending compliance management system. Throughout 2016, the Office of Fair Lending worked to implement and oversee compliance with the pending public enforcement orders that were entered by federal courts or entered by the Bureau's Director in prior years.

3.3.1 Settlement Administration

Ally Financial Inc. and Ally Bank

On December 19, 2013, working in close coordination with the DOJ, the CFPB ordered Ally Financial Inc. and Ally Bank (Ally) to pay \$80 million in damages to harmed African-American, Hispanic, and Asian and/or Pacific Islander borrowers. The DOJ simultaneously filed a consent order in the United States District Court for the Eastern District of Michigan, which was entered by the court on December 23, 2013. This public enforcement action represented the federal

⁴⁷ More information on HMDA reporting requirements and a sample warning letter are available at <http://www.consumerfinance.gov/about-us/newsroom/cfpb-warns-financial-institutions-about-potential-mortgage-lending-reporting-failures/>.

government's largest auto loan discrimination settlement in history.⁴⁸

On January 29, 2016, approximately 301,000 harmed borrowers participating in the settlement—representing approximately 235,000 loans—were mailed checks by the Ally settlement administrator, totaling \$80 million plus interest, which the Bureau announced in a blog post in English and Spanish.^{49,50} In addition, and pursuant to its continuing obligations under the terms of the orders, Ally has also made ongoing payments to consumers affected after the consent orders were entered. Specifically, Ally paid approximately \$38.9 million in September 2015 and an additional \$51.5 million in May 2016, to consumers that Ally determined were both eligible and overcharged on auto loans issued during 2014 and 2015, respectively.

Provident Funding Associates

As previously reported, on May 28, 2015, the CFPB and the DOJ filed a joint complaint against Provident Funding Associations (Provident) for discrimination in mortgage lending, along with a proposed order to settle the complaint in the United States District Court for the Northern District of California. The complaint alleged that from 2006 to 2011, Provident discriminated in violation of ECOA by charging over 14,000 African-American and Hispanic borrowers more in brokers' fees than similarly situated non-Hispanic White borrowers on the basis of race and national origin. The consent order, which the court entered on June 18, 2015, requires Provident to pay \$9 million in damages to harmed borrowers, to hire a settlement administrator to distribute funds to the harmed borrowers identified by the CFPB and DOJ, and not to

⁴⁸ Consent Order, *In re Ally Financial Inc.*, CFPB No. 2013-CFPB-0010 (Dec. 20, 2013), http://files.consumerfinance.gov/f/201312_cfpb_consent-order_ally.pdf.

⁴⁹ Patrice Ficklin, *Harmed Ally Borrowers Have Been Sent \$80 Million in Damages*, Consumer Financial Protection Bureau (Jan. 29, 2016), <http://www.consumerfinance.gov/blog/harmed-ally-borrowers-have-been-sent-80-million-in-damages/>.

⁵⁰ Patrice Ficklin, *Prestatarios perjudicados por Ally reciben \$80 millones en daños*, Consumer Financial Protection Bureau (Feb. 4, 2016), <http://www.consumerfinance.gov/about-us/blog/prestatarios-perjudicados-por-ally-reciben-80-millones-en-danos/>.

discriminate against borrowers in assessing total broker fees.⁵¹

In Fall 2016, the Bureau published a blog post in English and Spanish announcing the selection of the settlement administrator and its mailing of participation packets to eligible consumers.^{52,53} The blog post also provided information to consumers on how to contact the administrator, participate in the settlement, and submit settlement forms.

American Honda Finance Corporation

As previously reported, on July 14, 2015, the CFPB and the DOJ resolved an action with American Honda Finance Corporation (Honda) to put new measures in place to address discretionary auto loan pricing and compensation practices. Honda's past practices resulted in thousands of African-American, Hispanic, and Asian and Pacific Islander borrowers paying higher interest rates than non-Hispanic White borrowers for their auto loans between January 1, 2011, and July 14, 2015, without regard to their creditworthiness. The consent order requires Honda to change its pricing and compensation system to substantially reduce dealer discretion and minimize the risks of discrimination, and pay \$24 million in restitution to affected borrowers.⁵⁴

In October 2016, the Bureau published a blog post in English and Spanish announcing that the settlement administrator was mailing participation packets to potentially eligible consumers,

⁵¹ Consent Order, *United States v. Provident Funding Assocs., L.P.*, No. 3:15-cv-023-73 (N.D. Cal. May 28, 2015), ECF No. 2, http://files.consumerfinance.gov/f/201505_cfpb_consent-order-provident-funding-associates.pdf.

⁵² Patrice Ficklin, *Provident Settlement Administrator to Contact Eligible Borrowers Soon*, Consumer Financial Protection Bureau (Sept. 28, 2016), <http://www.consumerfinance.gov/about-us/blog/provident-settlement-administrator-contact-eligible-borrowers-soon/>.

⁵³ Patrice Ficklin, *Administrador del Acuerdo de Provident planea ponerse en contacto con prestatarios elegibles próximamente*, Consumer Financial Protection Bureau (Oct. 6, 2016), <http://www.consumerfinance.gov/about-us/blog/administrador-del-acuerdo-de-provident-planea-ponerse-en-contacto-con-prestatarios-elegibles-proximamente/>.

⁵⁴ Consent Order, *In re American Honda Finance Corp.*, CFPB No. 2015-CFPB-0014 (July 14, 2015), http://files.consumerfinance.gov/f/201507_cfpb_consent-order_honda.pdf.

and providing information to consumers on how to contact the administrator, participate in the settlement, and submit settlement forms.^{55, 56}

3.4 ECOA referrals to the Department of Justice

The CFPB must refer to the DOJ a matter when it has reason to believe that a creditor has engaged in a pattern or practice of lending discrimination in violation of ECOA.⁵⁷ The CFPB also may refer other potential ECOA violations to the DOJ. In 2016, the CFPB referred eight matters to the DOJ. In four of the eight matters, the DOJ declined to open an independent investigation and deferred to the Bureau's handling of the matter. The CFPB's referrals to the DOJ in 2016 covered a variety of practices, specifically discrimination in mortgage lending on the bases of the age, marital status, receipt of public assistance income, and sex; discrimination in indirect auto lending on the bases of national origin, race, and receipt of public assistance income; and discrimination in credit card account management on the bases of national origin and race.

3.5 Pending fair lending investigations

In 2016, the Bureau had a number of ongoing fair lending investigations and authorized enforcement actions against a number of institutions involving a variety of consumer financial

⁵⁵ Patrice Ficklin, *What you need to know to get money from the settlement with Honda Finance for overcharging minorities*, Consumer Financial Protection Bureau (Oct. 3, 2016), <http://www.consumerfinance.gov/about-us/blog/what-you-need-know-get-money-settlement-honda-finance-overcharging-minorities/>.

⁵⁶ Patrice Ficklin, *Lo que necesita saber para recibir dinero del acuerdo de compensación con Honda Finance por cobrarles de más a las minorías*, Consumer Financial Protection Bureau (Oct. 11, 2016), <https://www.consumerfinance.gov/about-us/blog/lo-que-necesita-saber-para-recibir-dinero-del-acuerdo-de-compensacion-con-honda-finance-por-cobrarles-de-mas-las-minorias/>.

⁵⁷ 15 U.S.C. § 1691e(g).

products. Consistent with the Bureau's priorities and the Office of Fair Lending's risk-based prioritization, one key area on which the Bureau focused its fair lending enforcement efforts was addressing potential discrimination in mortgage lending, including the unlawful practice of redlining. Redlining occurs when a lender provides unequal access to credit, or unequal terms of credit, because of the racial or ethnic composition of a neighborhood. At the end of 2016, the Bureau had a number of pending investigations in this area. Additionally, at the end of 2016, the Bureau had a number of pending investigations in other areas.

4. Rulemaking and related guidance

4.1 HMDA and Regulation C

On October 2015, the Bureau issued and published in the *Federal Register* a final rule to implement the Dodd-Frank amendments to HMDA.⁵⁸ The rule also finalizes certain amendments that the Bureau believes are necessary to improve the utility of HMDA data, further the purposes of HMDA, improve the quality of HMDA data, and create a more transparent mortgage market.

4.1.1 HMDA history

HMDA, as implemented by Regulation C, is intended to provide the public with loan data that can be used to help determine whether financial institutions are serving the housing needs of their communities; to assist public officials in distributing public-sector investment to attract private investment in communities where it is needed; and to assist in identifying possible discriminatory lending patterns and enforcing anti-discrimination statutes.⁵⁹ HMDA data are

⁵⁸ Home Mortgage Disclosure, 80 Fed. Reg. 66,128 (Oct. 28, 2015) (codified at 12 C.F.R. pt. 1003), <https://www.gpo.gov/fdsys/pkg/FR-2015-10-28/pdf/2015-26607.pdf>.

⁵⁹ 12 U.S.C. § 2801; 12 C.F.R. § 1003.1(b).

also used for a range of mortgage market monitoring purposes by community groups, public officials, the financial industry, economists, academics, social scientists, regulators, and the media. Bank regulators and other agencies use HMDA to monitor compliance with and enforcement of the CRA and federal anti-discrimination laws, including ECOA and the Fair Housing Act (FHA).

The Dodd-Frank Act transferred rulemaking authority for HMDA to the Bureau, effective July 2011. It also amended HMDA to require financial institutions to report new data points and authorized the Bureau to require financial institutions to collect, record, and report additional information.

4.1.2 Summary of Regulation C changes

The HMDA Rule changes institutional coverage in two phases. First, to reduce burden on industry, certain lower-volume depository institutions will no longer be required to collect and report HMDA data beginning in 2017. A bank, savings association, or credit union will not be subject to Regulation C in 2017 unless it meets the asset-size, location, federally related, and loan activity tests under current Regulation C and it originates at least 25 home purchase loans, including refinancings of home purchase loans, in both 2015 and 2016. Second, effective January 1, 2018, the HMDA Rule adopts a uniform loan-volume threshold for all institutions. Beginning in 2018, an institution will be subject to Regulation C if it originated at least 25 covered closed-end mortgage loan originations in each of the two preceding calendar years or at least 100 covered open-end lines of credit in each of the two preceding calendar years. Other applicable coverage requirements will apply, depending on the type of covered entity.

The Rule also modifies the types of transactions covered under Regulation C. In general, the HMDA Rule adopts a dwelling-secured standard for transactional coverage. Beginning on January 1, 2018, covered loans under the HMDA Rule generally will include closed-end mortgage loans and open-end lines of credit secured by a dwelling and will not include

unsecured loans.

For HMDA data collected on or after January 1, 2018, covered institutions will collect, record, and report additional information on covered loans. New data points include those specifically identified in Dodd-Frank as well as others the Bureau determined will assist in carrying out HMDA's purposes. The HMDA Rule adds new data points for applicant or borrower age, credit score, automated underwriting system information, debt-to-income ratio, combined loan-to-value ratio, unique loan identifier, property value, application channel, points and fees, borrower-paid origination charges, discount points, lender credits, loan term, prepayment penalty, non-amortizing loan features, interest rate, and loan originator identifier as well as other data points. The HMDA Rule also modifies several existing data points.

For data collected on or after January 1, 2018, the HMDA Rule amends the requirements for collection and reporting of information regarding an applicant's or borrower's ethnicity, race, and sex. First, a covered institution will report whether or not it collected the information on the basis of visual observation or surname. Second, covered institutions must permit applicants to self-identify their ethnicity and race using disaggregated ethnic and racial subcategories. However, the HMDA Rule will not require or permit covered institutions to use the disaggregated subcategories when identifying the applicant's or borrower's ethnicity and race based on visual observation or surname.

The Bureau is developing a new web-based submission tool for reporting HMDA data, which covered institutions will use beginning in 2018. Regulation C's appendix A is amended effective January 1, 2018 to include new transition requirements for data collected in 2017 and reported in 2018. Covered institutions will be required to electronically submit their loan application registers (LARs). Beginning with data collected in 2018 and reported in 2019, covered institutions will report the new dataset required by the HMDA Rule, using revised procedures that will be available at www.consumerfinance.gov/hmda.

Beginning in 2020, the HMDA Rule requires quarterly reporting for covered institutions that reported a combined total of at least 60,000 applications and covered loans in the preceding calendar year. An institution will not count covered loans that it purchased in the preceding calendar year when determining whether it is required to report on a quarterly basis. The first quarterly submission will be due by May 30, 2020.

Beginning in 2018, covered institutions will no longer be required to provide a disclosure

statement or a modified LAR to the public upon request. Instead, in response to a request, a covered institution will provide a notice that its disclosure statement and modified LAR are available on the Bureau's website. These revised disclosure requirements will apply to data collected on or after January 1, 2017 and reported in or after 2018.

For data collected in or after 2018 and reported in or after 2019, the Bureau will use a balancing test to determine whether and, if so, how HMDA data should be modified prior to its disclosure in order to protect applicant and borrower privacy while also fulfilling HMDA's disclosure purposes. At a later date, the Bureau will provide a process for the public to provide input regarding the application of this balancing test to determine the HMDA data to be publicly disclosed.

4.1.3 Reducing industry burden

The Bureau took a number of steps to reduce industry burden while ensuring HMDA data are useful and reflective of the current housing finance market. A key part of this balancing is ensuring an adequate implementation period. Most provisions of the HMDA Rule go into effect on January 1, 2018—more than two years after publication of the Rule—and apply to data collected in 2018 and reported in 2019 or later years. At the same time, an institutional coverage change that will reduce the number of depository institutions that need to report is effective earlier: on January 1, 2017. Institutions subject to the new quarterly reporting requirement will have additional time to prepare: that requirement is effective on January 1, 2020, and the first quarterly submission will be due by May 30, 2020.

As with all of its rules, the Bureau continues to look for ways to help the mortgage industry implement the new mortgage lending data reporting rules, and has created regulatory implementation resources that are available online. These resources include an overview of the final rule, a plain-language compliance guide, a timeline with various effective dates, a decision tree to help institutions determine whether they need to report mortgage lending data, a chart that provides a summary of the reportable data, a chart that describes when to report data as not applicable, a chart that describes what transactions are reportable, a webinar on the HMDA

Rule, and a Technology Preview for the Bureau's new web-based submission tool. In addition, the Bureau has published Filing Instruction Guides (FIG) for 2017 and 2018 that include file specifications. The Bureau will monitor implementation progress and will be publishing additional regulatory implementation tools and resources on its website to support implementation needs.⁶⁰ Since the HMDA rule was issued on October 15, 2015, the Bureau has focused on outreach by sharing information about the regulatory changes, including webinars, responding to industry inquiries, and issuing press releases and emails to stakeholder groups. In addition, Bureau staff has spoken at numerous industry-focused conferences and mortgage events. Since the HMDA rule has been released, the Bureau's website has had over 50,000 visits to the HMDA implementation page and over 18,000 downloads of our plain-language HMDA compliance guide.

4.1.4 Filing 2017 HMDA Data

Beginning with the HMDA data collected in 2017 and submitted in 2018, responsibility to receive and process HMDA data will transfer from the Federal Reserve Board (FRB) to the CFPB. The HMDA agencies have agreed that a covered institution filing HMDA data collected in or after 2017 with the CFPB will be deemed to have submitted the HMDA data to the appropriate federal agency.⁶¹ The effective date of the change in the federal agency that receives and processes the HMDA data does not coincide with the effective date for the new HMDA data to be collected and reported under the Final Rule amending Regulation C published in the *Federal Register* on October 28, 2015. The Final Rule's new data requirements will apply to data collected beginning on January 1, 2018. The data fields for data collected in 2017 have not changed.

Also beginning with data collected in 2017, filers will submit their HMDA data using a web

⁶⁰ These resources are available at Consumer Financial Protection Bureau, *Home Mortgage Disclosure Act rule implementation*, <http://www.consumerfinance.gov/regulatory-implementation/hmda/>.

⁶¹ The HMDA agencies refer collectively to the CFPB, the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), the FRB, the National Credit Union Administration (NCUA), and the Department of Housing and Urban Development (HUD).

interface referred to as the “HMDA Platform.” In addition, beginning with the data collected in 2017, as part of the submission process, a HMDA reporter’s authorized representative with knowledge of the data submitted shall certify to the accuracy and completeness of the data submitted. Additional information about HMDA, the FIG, and other data submission resources is located at the Bureau’s website.⁶²

4.1.5 HMDA data resubmission RFI

In response to dialogue with industry and other stakeholders, the Bureau is considering modifications to its current HMDA resubmission guidelines. In comments on the Bureau’s proposed changes to Regulation C, some stakeholders asked that the Bureau adjust its existing HMDA resubmission guidelines to reflect the expanded data the Bureau will collect under the HMDA Rule.

Accordingly, on January 7, 2016, the Bureau published on its website a Request for Information (RFI) asking for public comment on the Bureau’s HMDA resubmission guidelines.⁶³ Specifically, the Bureau requested feedback on the Bureau’s use of resubmission error thresholds; how they should be calculated; whether they should vary with the size of the HMDA submission or kind of data; and the consequences for exceeding a threshold, among other topics. Some examples of questions posed to the public include:

- Should the Bureau continue to use error percentage thresholds to determine the need for data resubmission? If not, how else may the Bureau ensure data integrity and compliance with HMDA and Regulation C?
- If the Bureau retains error percentage thresholds, should the thresholds be calculated

⁶² See Consumer Financial Protection Bureau, *Filing instructions guide for HMDA data collected in 2017* (July 2016), <http://www.consumerfinance.gov/data-research/hmda/static/for-filers/2017/2017-HMDA-FIG.pdf>.

⁶³ See Consumer Financial Protection Bureau, *CFPB Seeks Public Input on Mortgage Lending Information Resubmission Guidelines* (Jan. 7, 2016), <http://www.consumerfinance.gov/newsroom/cfpb-seeks-public-input-on-mortgage-lending-information-resubmission-guidelines/>.

differently than they are today? If so, how and why?

- If the Bureau retains error percentage thresholds, should it continue to maintain separate error thresholds for the entire HMDA LAR sample and individual data fields within the LAR sample? If not, why?

The RFI was published in the *Federal Register* on January 12, 2016.⁶⁴ The 60-day comment period ended on March 14, 2016. As of this report's publication date, in light of feedback received, the Bureau was considering whether to adjust its existing HMDA resubmission guidelines and if so, how.

4.1.6 HMDA rule technical corrections and clarifying amendments

Since issuing the 2015 HMDA Final Rule, the Bureau has identified and received information about some areas of uncertainty about requirements under the rule. This spring, the Bureau plans to seek comment on a proposal to amend certain provisions of Regulation C to make technical corrections and to clarify certain requirements under Regulation C.

4.2 ECOA and Regulation B

In 2016, with regard to ECOA, the CFPB published a Bureau Official Approval and was in the proposed rule stage to amend certain sections of Regulation B.

4.2.1 Status of New Uniform Residential Loan Application and Collection of Expanded Home Mortgage Disclosure Act Information about Ethnicity and Race in

⁶⁴ Request for Info. Regarding Home Mortgage Disclosure Act Resubmission Guidelines, 81 Fed. Reg. 1,405 (Jan. 12, 2016), <https://www.gpo.gov/fdsys/pkg/FR-2016-01-12/pdf/2016-00442.pdf>.

2017 under Regulation B

On September 23, 2016, the Bureau published a Bureau Official Approval pursuant to section 706(e) of the ECOA concerning the new Uniform Residential Loan Application and the collection of expanded HMDA information about ethnicity and race in 2017.⁶⁵

In accordance with the request by Federal Housing Finance Agency and the Federal Home Loan Mortgage Corporation (Freddie Mac) and the Federal National Mortgage Association (Fannie Mae), the Bureau reviewed the revised and redesigned Uniform Residential Loan Application issued on August 23, 2016 (2016 URLA). Under the terms provided in the Bureau's notice, the Bureau determined that the relevant language in the 2016 URLA is in compliance with the specified provisions of Regulation B. A creditor's use of the 2016 URLA is not required under Regulation B. However, the notice provides that, a creditor that uses the 2016 URLA without any modification that would violate § 1002.5(b) through (d) would act in compliance with § 1002.5(b) through (d).

The notice also addressed collection of information concerning the ethnicity and race of applicants in conformity with Regulation B from January 1, 2017, through December 31, 2017. The Bureau's official approval provided that at any time from January 1, 2017, through December 31, 2017, a creditor may, at its option, permit applicants to self-identify using disaggregated ethnic and racial categories as instructed in appendix B to Regulation C, as amended by the 2015 HMDA final rule. The Bureau believes such authorization may provide creditors time to begin to implement the regulatory changes and improve their compliance processes before the new requirement becomes effective, and therefore mandatory, on January 1, 2018. Allowing for this increased implementation period will, in the Bureau's view, reduce compliance burden and further the purposes of HMDA and Regulation C.

⁶⁵ Consumer Financial Protection Bureau, *Status of New Uniform Residential Loan Application and Collection of Expanded Home Mortgage Disclosure Act Information about Ethnicity and Race in 2017 under Regulation B* (Sept. 23, 2016), https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/092016_cfpb_HMDAEthnicityRace.pdf.

4.2.2 Amendments to Equal Credit Opportunity Act (Regulation B) Ethnicity and Race Information Collection

Regulation C currently requires financial institutions to collect and report information about the ethnicity and race, as well as certain other characteristics, of applicants and borrowers. Regulation C, as amended by 2015 HMDA Final Rule, generally effective January 1, 2018, will require financial institutions to permit applicants and borrowers to self-identify using disaggregated ethnic and racial categories beginning January 1, 2018. Regulation B also currently requires creditors to request and retain information about the ethnicity and race, as well as certain other characteristics, of applicants for certain dwelling-secured loans, but uses only aggregate ethnic and racial categories. On March 24, 2017, the Bureau issued a proposed rule seeking comment on amendments to Regulation B to permit creditors additional flexibility in complying with Regulation B in order to facilitate compliance with Regulation C, to add certain model forms and remove others from Regulation B, and to make various other amendments to Regulation B and its commentary to facilitate the collection and retention of information about the ethnicity, sex, and race of certain mortgage applicants.⁶⁶

4.3 Small business data collection

Section 1071 of the Dodd-Frank Act requires financial institutions to compile, maintain, and submit to the Bureau certain data on credit applications for women-owned, minority-owned, and small businesses.⁶⁷ Congress enacted Section 1071 for the purpose of facilitating enforcement of fair lending laws and identifying business and community development needs and opportunities for women-owned, minority-owned, and small businesses. The amendments

⁶⁶ Consumer Financial Protection Bureau, *Amendments to Equal Credit Opportunity Act (Regulation B) Ethnicity and Race Information Collection 2017-0009* (March 24, 2017), http://files.consumerfinance.gov/f/documents/201703_cfpb_NPRM-to-amend-Regulation-B.pdf.

⁶⁷ Dodd-Frank Act § 1071 (codified at 15 U.S.C. § 1691c-2).

to ECOA made by the Dodd-Frank Act require that certain data be collected and maintained, including the number of the application and date the application was received; the type and purpose of loan or credit applied for; the amount of credit applied for and approved; the type of action taken with regard to each application and the date of such action; the census tract of the principal place of business; the gross annual revenue of the business; and the race, sex, and ethnicity of the principal owners of the business. The Bureau's Fall 2016 Unified Agenda and Regulatory Plan indicates that rulemaking pursuant to Section 1071 is now in the pre-rule stage.⁶⁸ This first stage of the Bureau's work will be focused on outreach and research and on the potential ways to implement section 1071, after which the Bureau will begin developing proposed rules concerning the data to be collected and determining the appropriate operational procedures and privacy protections needed for information-gathering and public disclosure.

The Bureau has begun to explore some of the issues involved in the rulemaking, including through ongoing engagement with industry and other stakeholders. In addition, current and future small business lending supervisory activity will help expand and enhance the Bureau's knowledge in this area, including the credit application process; existing data collection processes; and the nature, extent, and management of fair lending risk. The Bureau is also considering how best to work with other agencies to, in part, gain insight into existing business lending data collection efforts and to explore possible ways to cooperate in future efforts.

4.4 Amicus Program

The Bureau's Amicus Program files amicus, or friend-of-the-court, briefs in court cases concerning the Federal consumer financial protection laws that the Bureau is charged with implementing, including ECOA. These amicus briefs provide the courts with our views on significant consumer financial protection issues and help ensure that consumer financial protection statutes and regulations are correctly and consistently interpreted by the courts.

⁶⁸ Semiannual Regulatory Agenda, 81 Fed. Reg. 94,844, 94,846 (Dec. 23, 2016).

In 2016, the Bureau filed an amicus brief in *Alexander v. AmeriPro Funding, Inc.*, in which a group of consumer plaintiffs appealed the dismissal by the United States District Court for the Southern District of Texas of an ECOA complaint alleging discrimination by mortgage lenders on the basis that all or part of the plaintiffs' income derived from a public assistance program. The District Court held that the complaint failed to allege facts that gave rise to a *prima facie* showing of discrimination under the *McDonnell-Douglas* framework and also failed to allege direct evidence of discrimination because the allegations were "conclusory" and did not allege hostility or animus.⁶⁹ The Bureau filed its amicus brief on February 23, 2016, and argued that the district court's decision imposed pleading burdens on ECOA plaintiffs that were not required by ECOA or the Federal Rules of Civil Procedure.⁷⁰

On February 16, 2017, in a unanimous decision, the United States Court of Appeals for the Fifth Circuit reversed the dismissal with respect to some of the plaintiffs but affirmed the dismissal with respect to others.⁷¹ Reversing the district court, the court held that one set of plaintiffs stated an ECOA claim because they alleged that they applied for credit, that the creditor refused to consider public assistance income in considering their credit applications, and that the applicants as a result received less favorable mortgages. Unlike the district court's decision, the court did not require the plaintiffs to also allege hostility or animus or to make a *prima facie* showing of discrimination under the *McDonnell-Douglas* framework. Affirming the district court, the court also held that another set of plaintiffs failed to state a claim under ECOA because they either failed to allege sufficient facts of discriminatory conduct, failed to allege

⁶⁹ *Alexander v. AmeriPro Funding, Inc.*, No. H-14-2947, 2015 WL 4545625 at *4-5 (S.D. Tex. July 28, 2015).

⁷⁰ Br. of Amicus Curiae Consumer Financial Protection Bureau in Supp. of Appellants and Reversal, *Alexander, et al. v. AmeriPro Funding, Inc., et al.*, No. 15-20710 (5th Cir. Feb. 23, 2016), ECF No. 00513394181, <https://www.consumerfinance.gov/policy-compliance/amicus/briefs/alexander-ameripro-funding/>.

⁷¹ *Alexander v. AmeriPro Funding, Inc.*, 848 F.3d 698 (5th Cir. 2017).

facts indicating that they had applied for credit, or failed to allege facts indicating that one defendant was a “creditor” under ECOA.

5. Interagency coordination

5.1 Interagency coordination and engagement

The Office of Fair Lending regularly coordinates the CFPB's fair lending regulatory, supervisory and enforcement activities with those of other federal agencies and state regulators to promote consistent, efficient, and effective enforcement of federal fair lending laws.⁷² Through our interagency engagement, we work to address current and emerging fair lending risks.

On November 14, 2016, along with other members of the FFIEC, the Bureau issued an updated Uniform Interagency Consumer Compliance Rating System.⁷³ The revisions reflect the regulatory, supervisory, technological, and market changes that have occurred since the system was established. The previous rating system was adopted in 1980, and the proposed revisions aim to address the broad array of risks in the market that can cause consumer harm, including fair lending violations. The Bureau plans to implement the updated rating system on consumer compliance examinations that begin on or after March 31, 2017.

⁷² Dodd-Frank Act § 1013(c)(2)(B) (codified at 12 U.S.C. § 5493(c)(2)(B)).

⁷³ Uniform Interagency Consumer Compliance Rating System, 81 Fed. Reg. 79,473 (Nov. 14, 2016), <https://www.federalregister.gov/documents/2016/11/14/2016-27226/uniform-interagency-consumer-compliance-rating-system>.

The CFPB, along with the FTC, DOJ, HUD, FDIC, FRB, NCUA, OCC, and the Federal Housing Finance Agency, comprise the Interagency Task Force on Fair Lending. The Task Force meets regularly to discuss fair lending enforcement efforts, share current methods of conducting supervisory and enforcement fair lending activities, and coordinate fair lending policies.

The CFPB belongs to a standing working group of federal agencies – with the DOJ, HUD, and FTC – that meets regularly to discuss issues relating to fair lending enforcement. These agencies comprise the Interagency Working Group on Fair Lending Enforcement. The agencies use these meetings to discuss fair lending developments and trends, methodologies for evaluating fair lending risks and violations, and coordination of fair lending enforcement efforts. In addition to these interagency working groups, we meet periodically and on an ad hoc basis with the prudential regulators to coordinate our fair lending work.

The CFPB takes part in the FFIEC HMDA/Community Reinvestment Act Data Collection Subcommittee, which is a subcommittee of the FFIEC Task Force on Consumer Compliance, as its work relates to the collection and processing of HMDA data, and the Bureau is one of the agencies to which HMDA data is submitted by financial institutions.

6. Outreach: Promoting fair lending compliance and education

Pursuant to Dodd-Frank,⁷⁴ the Office of Fair Lending regularly engages in outreach with industry, bar associations, consumer advocates, civil rights organizations, other government agencies, and other stakeholders to help educate and inform about fair lending. The Bureau is committed to communicating directly with all stakeholders on its policies, compliance expectations, and fair lending priorities. As part of this commitment to outreach and education in the area of fair lending, equal opportunity, and ensuring fair access to credit, Bureau personnel have engaged in dialogue with stakeholders on issues including the use of public assistance income in underwriting, redlining, disparate treatment, disparate impact, HMDA data collection and reporting, indirect auto financing, the use of proxy methodology, and the unique challenges facing LEP and lesbian, gay, bisexual and transgender (LGBT) consumers in accessing credit. Outreach is accomplished through issuance of Reports to Congress, Interagency Statements, *Supervisory Highlights*, Compliance Bulletins, letters, blog posts, speeches and presentations at conferences and trainings, and participation in meetings to discuss fair lending and access to credit matters.

⁷⁴ Dodd-Frank Act § 1013(c)(2)(C) (codified at 12 U.S.C. § 5493(c)(2)(C)).

6.1 Blog posts

The Bureau firmly believes that an informed consumer is the best defense against discriminatory lending practices. When issues arise that consumers need to know about, the Bureau uses many tools to aid consumers in financial decision-making.^{75,76} The Bureau regularly uses its blog as a tool to communicate effectively to consumers on timely issues, emerging areas of concern, Bureau initiatives, and more. In 2016 we published 14 blog posts related to two main fair lending topics: providing consumers updated information about our fair lending enforcement actions and providing consumer education on fair lending. Our enforcement update blog posts included the announcement (in both English and Spanish) of the BancorpSouth Bank settlement,^{77,78} updates on the Ally Financial Inc. and Ally Bank settlement,^{79,80} updates on the Provident Funding Association, L.P. settlement^{81,82} and updates

⁷⁵ For helpful information on shopping for auto loans, please see the Bureau's Know Before You Owe: Auto Loans toolkit, at Consumer Financial Protection Bureau, *Take control of your auto loan*, <http://www.consumerfinance.gov/consumer-tools/auto-loans/>.

⁷⁶ For helpful information on shopping for home loans, please see the Bureau's toolkit, at Consumer Financial Protection Bureau, *Owning a Home: Tools and resources for homebuyers*, <http://www.consumerfinance.gov/owning-a-home/>.

⁷⁷ Patrice Ficklin & Daniel Dodd-Ramirez, *Redlining: CFPB and DOJ action requires BancorpSouth Bank to pay millions to harmed consumers*, Consumer Financial Protection Bureau (June 29, 2016), <http://www.consumerfinance.gov/about-us/blog/redlining-cfpb-and-doj-action-requires-bancorpsouth-bank-pay-millions-harmed-consumers/>.

⁷⁸ Patrice Ficklin & Daniel Dodd-Ramirez, *La delimitación ilegal: Acción del CFPB y del Departamento de Justicia requiere que el banco BancorpSouth pague millones de dólares a consumidores perjudicados*, Consumer Financial Protection Bureau (July 6, 2016), <http://www.consumerfinance.gov/about-us/blog/la-delimitacion-ilegal-accion-del-cfpb-y-del-departamento-de-justicia-requiere-que-el-banco-bancorpsouth-pague-millones-de-dolares-consumidores-perjudicados/>.

⁷⁹ Patrice Ficklin, *Harmed Ally borrowers have been sent \$80 million in damages*, Consumer Financial Protection Bureau (Jan. 29, 2016), <http://www.consumerfinance.gov/about-us/blog/harmed-ally-borrowers-have-been-sent-80-million-in-damages/>.

on the American Honda Finance Corporation settlement.^{83,84} Our consumer education blog posts included reminding consumers of their rights for fair treatment in the financial marketplace^{85,86}, a series of two blog posts about the history of ECOA⁸⁷ and what it means for consumers⁸⁸, a blog post outlining the 2017 priorities for Fair Lending,⁸⁹ and a blog post about

⁸⁰ Patrice Ficklin, *Prestatarios perjudicados por Ally reciben \$80 millones en daños*, Consumer Financial Protection Bureau (Feb. 4, 2016), <http://www.consumerfinance.gov/about-us/blog/prestatarios-perjudicados-por-ally-reciben-80-millones-en-danos/>.

⁸¹ Patrice Ficklin, *Provident Settlement Administrator to contact eligible borrowers soon*, Consumer Financial Protection Bureau (Sept. 28, 2016), <http://www.consumerfinance.gov/about-us/blog/provident-settlement-administrator-contact-eligible-borrowers-soon/>.

⁸² Patrice Ficklin, *Administrador del Acuerdo de Provident planea ponerse en contacto con prestatarios elegibles próximamente*, Consumer Financial Protection Bureau (Oct. 6, 2016), <http://www.consumerfinance.gov/about-us/blog/administrador-del-acuerdo-de-provident-planea-ponerse-en-contacto-con-prestatarios-elegibles-proximamente/>.

⁸³ Patrice Ficklin, *What you need to know to get money from the settlement with Honda Finance for overcharging minorities*, Consumer Financial Protection Bureau (Oct. 3, 2016), <http://www.consumerfinance.gov/about-us/blog/what-you-need-know-get-money-settlement-honda-finance-overcharging-minorities/>.

⁸⁴ Patrice Ficklin, *Lo que necesita saber para recibir dinero del acuerdo de compensación con Honda Finance por cobrarles de más a las minorías*, Consumer Financial Protection Bureau (Oct. 11, 2016), <http://www.consumerfinance.gov/about-us/blog/lo-que-necesita-saber-para-recibir-dinero-del-acuerdo-de-compensacion-con-honda-finance-por-cobrarles-de-mas-las-minorias/>.

⁸⁵ Patrice Ficklin, *You have the right to be treated fairly in the financial marketplace*, Consumer Financial Protection Bureau (Apr. 29, 2016), <http://www.consumerfinance.gov/about-us/blog/you-have-right-be-treated-fairly-financial-marketplace/>.

⁸⁶ Patrice Ficklin, *Usted tiene derecho a que lo traten de manera justa en el mercado financiero*, Consumer Financial Protection Bureau (May 2, 2016), <http://www.consumerfinance.gov/about-us/blog/usted-tiene-derecho-que-lo-traten-de-manera-justa-en-el-mercado-financiero/>.

⁸⁷ Brian Kreiswirth & Anna-Marie Tabor, *What you need to know about the Equal Credit Opportunity Act and how it can help you: Why it was passed and what it is*, Consumer Financial Protection Bureau (Oct. 31, 2016), <http://www.consumerfinance.gov/about-us/blog/what-you-need-know-about-equal-credit-opportunity-act-and-how-it-can-help-you-why-it-was-passed-and-what-it/>.

⁸⁸ Rebecca Gelfond & Frank Vespa-Papaleo, *What you need to know about the Equal Credit Opportunity Act and how it can help you: Know your rights*, Consumer Financial Protection Bureau (Nov. 2, 2016),

shopping for an auto loan.⁹⁰

The blog posts may be accessed any time at www.consumerfinance.gov/blog.

6.2 Supervisory Highlights

Supervisory Highlights reports anchor the Bureau's efforts to communicate about the Bureau's supervisory activity. Because the Bureau's supervisory process is confidential, *Supervisory Highlights* reports provide information on supervisory trends the Bureau observes, without identifying specific entities, as well as information on public enforcement matters that arise from supervisory reviews. In 2016, *Supervisory Highlights* covered many topical issues pertaining to fair lending, including mortgage servicing, HMDA examinations where institutions improperly coded actions taken on conditionally-approved applications with unmet underwriting conditions, LEP consumers, redlining, and settlement updates for recent enforcement actions that originated in the supervisory process.

More information about the topics discussed this year in *Supervisory Highlights* can be found in Section 2.1 of this Report. As with all Bureau resources, all editions of *Supervisory Highlights* are available on www.consumerfinance.gov/reports.

<http://www.consumerfinance.gov/about-us/blog/what-you-need-know-about-equal-credit-opportunity-act-and-how-it-can-help-you-know-your-rights/>.

⁸⁹ Patrice Ficklin, *Fair Lending priorities in the new year*, Consumer Financial Protection Bureau (Dec. 16, 2016), <http://www.consumerfinance.gov/about-us/blog/fair-lending-priorities-new-year/>.

⁹⁰ Patrice Ficklin & Daniel Dodd-Ramirez, *Don't get taken for a ride; protect yourself from an auto loan you can't afford*, Consumer Financial Protection Bureau (July 5, 2016), <http://www.consumerfinance.gov/about-us/blog/dont-get-taken-ride-protect-yourself-auto-loan-you-cant-afford/>.

6.3 Speaking Engagements & Roundtables

To meet our mission of educating and informing stakeholders about fair lending, the Office of Fair Lending and Equal Opportunity had the opportunity to participate in a number of outreach speaking events and roundtables throughout 2016. In these events, we shared information on fair lending priorities, emerging issues, and heard feedback from our stakeholders on the work we do.

Fair Lending staff attended numerous roundtables throughout the year on a variety of issues related to fair lending. Some examples of the topics covered include student lending, language access issues, HMDA, small business lending, mortgage servicing, and credit reporting.



CFPB Director Richard Cordray, External Affairs Assistant Director Zixta Martinez, and Fair Lending Director Patrice Ficklin with participants from an African-American leaders roundtable.



Bureau staff meet with participants from a roundtable on fair lending.

7. Interagency reporting

Pursuant to ECOA, the CFPB is required to file a report to Congress describing the administration of its functions under ECOA, providing an assessment of the extent to which compliance with ECOA has been achieved, and giving a summary of public enforcement actions taken by other agencies with administrative enforcement responsibilities under ECOA.⁹¹ This section of this report provides the following information:

- a description of the CFPB's and other agencies' ECOA enforcement efforts; and
- an assessment of compliance with ECOA.

In addition, the CFPB's annual HMDA reporting requirement calls for the CFPB, in consultation with HUD, to report annually on the utility of HMDA's requirement that covered lenders itemize certain mortgage loan data.⁹²

7.1 ECOA enforcement

The enforcement efforts and compliance assessments made by all the agencies assigned enforcement authority under Section 704 of ECOA are discussed in this section.

⁹¹ 15 U.S.C. § 1691f.

⁹² 12 U.S.C. § 2807.

7.1.1 Public enforcement actions

In addition to the CFPB, the agencies charged with administrative enforcement of ECOA under Section 704 include: the FRB, the FDIC, the OCC, and the NCUA (collectively, the FFIEC agencies)⁹³; the FTC, the Farm Credit Administration (FCA), the Department of Transportation (DOT), the Securities and Exchange Commission (SEC), the Small Business Administration (SBA), and the Grain Inspection, Packers and Stockyards Administration (GIPSA) of the Department of Agriculture.⁹⁴ In 2016, CFPB had two public enforcement actions for violations of ECOA, and the OCC issued one public enforcement action for violations of ECOA and/or Regulation B.

7.1.2 Violations cited during ECOA examinations

Among institutions examined for compliance with ECOA and Regulation B, the FFIEC agencies reported that the most frequently cited violations were:

TABLE 1: MOST FREQUENTLY CITED REGULATION B VIOLATIONS BY FFIEC AGENCIES: 2016

FFIEC Agencies Reporting	Regulation B Violations: 2016
CFPB, FDIC, FRB, NCUA, OCC	12 C.F.R. §§ 1002.4(a): Discrimination on a prohibited basis in a credit transaction.
	12 C.F.R. § 1002.6(b): Improperly considering age, receipt of public assistance, certain other income, or another prohibited basis in a system of

⁹³ The FFIEC is a “formal interagency body empowered to prescribe uniform principles, standards, and report forms for the federal examination of financial institutions” by the member agencies listed above and the State Liaison Committee “and to make recommendations to promote uniformity in the supervision of financial institutions.” Federal Financial Institutions Examination Council, <http://www.ffiec.gov> (last visited March 31, 2017).

⁹⁴ 15 U.S.C. § 1691c.

evaluating applicant creditworthiness.

12 C.F.R. § 1002.7(d)(1): Improperly requiring the signature of an applicant's spouse or other person.

12 C.F.R. §§ 1002.9(a)(1), (a)(1)(i), (a)(2), (b), (b)(2), (c): Failure to timely notify an applicant when an application is denied; failure to provide notice to the applicant 30 days after receiving a completed application concerning the creditor's approval of, counteroffer or adverse action on the application; failure to provide sufficient information in an adverse action notification, including the specific reasons the application was denied; failure to timely and/or appropriately notify an applicant of either action taken or of incompleteness after receiving an application that is incomplete.

12 C.F.R. §§ 1002.12(b)(1), (b)(1)(ii)(A): Failure to preserve records on actions taken on an application or of incompleteness.

12 C.F.R. §§ 1002.13(a)(1)(i): Failure to request information on an application pertaining to an applicant's ethnicity,

12 C.F.R. §14(a), (a)(1): Failure to routinely provide an applicant with a copy of all appraisals and other written valuations developed in connection with an application for credit that is to be secured by a first lien on a dwelling, and/or failure to provide an applicant with a notice in writing of the applicant's right to receive a copy of all written appraisals developed in connection with the application.

TABLE 2: MOST FREQUENTLY CITED REGULATION B VIOLATIONS BY OTHER ECOA AGENCIES, 2016

Other ECOA Agencies	Regulation B Violations: 2016
FCA	<p>12 C.F.R. § 1002.9: Failure to timely notify an applicant when an application is denied; failure to provide sufficient information in an adverse action notification, including the specific reasons the application was denied.</p> <p>12 C.F.R. § 1002.13(a)(1): Failure to request and collect information about the race, ethnicity, sex, marital status, and age of applicants seeking certain types of mortgage loans.</p>

The GIPSA, the SEC, and the SBA reported that they received no complaints based on ECOA or Regulation B in 2016. In 2016, the DOT reported that it received a “small number of consumer inquiries or complaints concerning credit matters possibly covered by ECOA,” which it “processed informally.” The FTC is an enforcement agency and does not conduct compliance examinations.

7.2 Referrals to the Department of Justice

In 2016, the FFIEC agencies including the CFPB referred a total of 20 matters to the DOJ. The FDIC referred four matters to the DOJ. These matters alleged discriminatory treatment of persons in credit transactions due to protected characteristics, including age, race, national origin, and receipt of public assistance income. The FRB referred seven matters to the DOJ. These matters alleged discriminatory treatment of persons in credit transactions due to protected characteristics, including race, national origin, and marital status. The OCC referred one matter to the DOJ on the basis of marital status discrimination. The CFPB referred eight matters to the DOJ during 2016, finding discrimination in credit transactions on the following prohibited bases: race, national origin, age, receipt of public assistance income, sex, and marital status.

7.3 Reporting on the Home Mortgage Disclosure Act

The CFPB's annual HMDA reporting requirement calls for the CFPB, in consultation with the Department of Housing and Urban Development (HUD), to report annually on the utility of HMDA's requirement that covered lenders itemize loan data in order to disclose the number and dollar amount of certain mortgage loans and applications, grouped according to various characteristics.⁹⁵ The CFPB, in consultation with HUD, finds that itemization and tabulation of these data further the purposes of HMDA. For more information on the Bureau's proposed amendments to HMDA's implementing regulation, Regulation C, please see the Rulemaking section of this report (Section 4).

⁹⁵ See 12 U.S.C. § 2807.

8. Conclusion

In this, our fifth Fair Lending Report to Congress, we outline our work in furtherance of our statutory mandate to ensure fair, equitable, and nondiscriminatory access to credit. Our work continues to reflect the areas that pose the greatest risk of consumer harm, and we continue to reprioritize our approach to better position our work to understand and address emerging issues. Our multipronged approach uses the full variety of tools at our disposal – supervision, enforcement, rulemaking, outreach, research, data-driven prioritization, interagency coordination, and more. We are pleased to present this report as we continue to fulfill our statutory mandate as well as the Bureau’s mission to help consumer finance markets work by making rules more effective, by consistently and fairly enforcing these rules, and by empowering consumers to take more control over their economic lives.

APPENDIX A:

Defined terms

TERM	DEFINITION
Bureau	The Consumer Financial Protection Bureau
CFPB	The Consumer Financial Protection Bureau
CMS	Compliance Management System
CRA	Community Reinvestment Act
Dodd-Frank Act	The Dodd-Frank Wall Street Reform and Consumer Protection Act
DOJ	The U.S. Department of Justice
DOT	The U.S. Department of Transportation
ECOA	The Equal Credit Opportunity Act

FCA	Farm Credit Administration
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 - the FFIEC member agencies are the Board of Governors of the Federal Reserve System (FRB), the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA), the Office of the Comptroller of the Currency (OCC), and the Consumer Financial Protection Bureau (CFPB). The State Liaison Committee was added to FFIEC in 2006 as a voting member.
FRB	The U.S. Board of Governors of the Federal Reserve System
FTC	The U.S. Federal Trade Commission
GIPSA	Grain Inspection, Packers and Stockyards Administration of the U.S. Department of Agriculture
HMDA	The Home Mortgage Disclosure Act
HUD	The U.S. Department of Housing and Urban Development
LEP	Limited English Proficiency or Limited English Proficient

LGBT Lesbian, gay, bisexual and transgender

NCUA The National Credit Union Administration

OCC The U.S. Office of the Comptroller of the Currency

SBA Small Business Administration

SEC U.S. Securities and Exchange Commission



Consumer Financial
Protection Bureau

1700 G Street N.W. | Washington, DC 20552

April 14, 2017

The Honorable Michael Crapo
Chairman
Committee on Banking, Housing, and Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Crapo:

Enclosed please find the Fair Lending Report of the Consumer Financial Protection Bureau as required under Section 1013 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Should you have any questions about this report, please contact me at (202) 435-7552.

Sincerely,

A handwritten signature in black ink, appearing to read 'Matt Pippin', written in a cursive style.

Matt Pippin
Deputy Assistant Director for Legislative Affairs



1700 G Street, N.W. Washington, DC 20552

April 14, 2017

The Honorable Jeb Hensarling
Chairman
Committee on Financial Services
United States House of Representatives
2129 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Hensarling:

Enclosed please find the Fair Lending Report of the Consumer Financial Protection Bureau as required under Section 1013 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Should you have any questions about this report, please contact me at (202) 435-7552.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Pippin", written in a cursive style.

Matt Pippin
Deputy Assistant Director for Legislative Affairs



Consumer Financial
Protection Bureau

1700 G Street, N.W., Washington, DC 20552

April 14, 2017

The Honorable Michael Pence
Vice President of the United States
President of the United States Senate
S-212, The Capitol
Washington, DC 20510

Dear Vice President Pence:

Enclosed please find the Fair Lending Report of the Consumer Financial Protection Bureau as required under Section 1013 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Should you have any questions about this report, please contact me at (202) 435-7552.

Sincerely,

A handwritten signature in black ink that reads "Matt Pippin". The signature is written in a cursive, flowing style.

Matt Pippin
Deputy Assistant Director for Legislative Affairs



1700 G Street, N.W., Washington, DC 20552

April 14, 2017

The Honorable Paul Ryan
Speaker
United States House of Representatives
H-209, The Capitol
Washington, DC 20515

Dear Speaker Ryan:

Enclosed please find the Fair Lending Report of the Consumer Financial Protection Bureau as required under Section 1013 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Should you have any questions about this report, please contact me at (202) 435-7552.

Sincerely,

A handwritten signature in black ink, appearing to read 'Matt Pippin', is written in a cursive style.

Matt Pippin
Deputy Assistant Director for Legislative Affairs



Consumer Financial
Protection Bureau

1700 G Street, N.W., Washington, DC 20552

April 14, 2017

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
United States House of Representatives
4340 Thomas P. O'Neill, Jr. House Office Building
Washington, DC 20515

Dear Ranking Member Waters:

Enclosed please find the Fair Lending Report of the Consumer Financial Protection Bureau as required under Section 1013 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Should you have any questions about this report, please contact me at (202) 435-7552.

Sincerely,

A handwritten signature in black ink that reads "Matt Pippin". The signature is written in a cursive, slightly slanted style.

Matt Pippin
Deputy Assistant Director for Legislative Affairs



April 17, 2017

The Honorable Thad Cochran
Chairman
Committee on Appropriations
United States Senate
S-128, The Capitol
Washington, DC 20510

The Honorable Patrick Leahy
Ranking Member
Committee on Appropriations
United States Senate
S-128, The Capitol
Washington, DC 20510

Dear Chairman Cochran and Ranking Member Leahy:

Pursuant to Section 748 of Division E of Public Law 114-113, attached please find the Consumer Financial Protection Bureau's letter to the Board of Governors of the Federal Reserve System requesting a transfer of funds in accordance with Section 1017 of Public Law 111-203.

Should you have any questions about this notification, please feel free to contact me at (202) 435-9711.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Galicia', written in a cursive style.

Catherine Galicia
Assistant Director for Legislative Affairs



Consumer Financial
Protection Bureau

1700 G Street N.W Washington, DC 20552

April 17, 2017

Steve Bernard
Division Director and Acting Chief Financial Officer
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Re: Funds Transfer Request, FY 2017 Quarter 3

Dear Mr. Bernard:

Section 1017(a)(1) of the Consumer Financial Protection Act ("Act") requires the Board of Governors of the Federal Reserve System ("Board") to transfer to the Bureau of Consumer Financial Protection ("Bureau") each quarter the amount determined by the Director to be reasonably necessary to carry out the authorities of the Bureau under Federal consumer financial law and the Act. I have determined that \$125,600,000 is the amount necessary to carry out the authorities of the Bureau for FY 2017 Q3, and I request that the Board transfer this amount to the Bureau immediately. The Bureau's budget is available on its website, a copy of which is attached for your reference.

Please deposit the funds in the Bureau of Consumer Financial Protection Fund established at the Federal Reserve Bank of New York ("Bureau Fund"), as soon as possible after receipt of this letter. Disbursement instructions to transfer funding from the Bureau Fund into the Treasury General Account (ABA number 021030004 for credit to ALC number 9585000) will be made separately, as will investment direction.

Sincerely,

A handwritten signature in blue ink that reads 'Richard Cordray'.

Richard Cordray
Director

cc: Craig Delaney
Brenda Richards

Attachment: Print-out from www.consumerfinance.gov of CFPB budget

February 2016

The CFPB strategic plan, budget, and performance plan and report



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Message from Richard Cordray

Director of the CFPB



Continuing the Consumer Financial Protection Bureau's (CFPB's or Bureau's) established practice, I am pleased to share an integrated view of planning and performance updates that address requirements set forth in the Government Performance and Results Act (GPRA) of 1993, as amended in the GPRA Modernization Act (GPRAMA) of 2010.

This document presents the CFPB's goals, investment choices, and accomplishments holistically. Presenting the Bureau's long-term focus areas, resource allocations, and progress achieved to date in a unified document aims to provide a balanced and transparent status update on the CFPB's work to American consumers, Congress, and other key stakeholders.

I am proud to share the CFPB's Strategic Plan for fiscal years 2013-2017, which guides our long-range work, as well as a comprehensive review of progress that the CFPB achieved in fiscal year (FY) 2015 across its four Strategic Goals. In addition, this document contains the Bureau's most current view of budget projections for FY 2016-2017 and corresponding measures across its performance goals.

The CFPB continues to strengthen its performance planning and reporting capabilities. This year's report reflects the Bureau's continued emphasis on balanced performance planning, accurate data for measuring performance, and evaluating programs with a view toward increasing effectiveness.

To share a few highlights, in FY 2015, the CFPB:

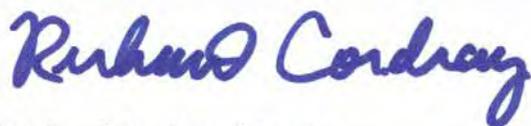
- Provided digital content, materials, and decision tools to more than 6.8 million consumers—nearly 1.2 million more consumers reached than the previous year;
- Handled more than 265,000 consumer complaints across a broad range of financial products, exceeding the 700,000 mark for the total number of consumer complaints handled by the CFPB since July 21, 2011 and expanded the Consumer Complaint Database to include consumer narratives;

- Shared investigative information with more than 100 different government agencies in 186 matters;
- Published 6 notable reports about specific consumer financial products, markets, or regulations, including the Data Point: Credit Invisibles report, the Arbitration Study report, and others; and
- Hosted 15 public events on key issues affecting consumer financial markets such as credit cards, mortgages, auto finance, and payday lending.

Results achieved in the course of FY 2015 suggest that the Bureau continues to mature across its focus areas in supervision, enforcement, research, and outreach to American consumers. While the CFPB's resource base is not expected to experience substantial increases in FY 2016-17, the Bureau's work to date indicates that consumers of financial services face challenges across product areas, highlighting the need for the Bureau to leverage available resources carefully. The CFPB will ensure effectiveness of its actions based on careful planning, data-driven choices, deployment of innovative operational and technological solutions, and engagement of its mission-focused workforce across the nation.

Congress created the CFPB as an independent Bureau within the Federal Reserve System as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, in direct response to a severe financial crisis. While the immediate effects of the turmoil have receded over the last several years, structural issues that the CFPB has identified through its work clearly signal that the Bureau's mission of protecting American consumers remains as critical as ever. The Bureau will continue to work closely with Congress, businesses, consumer advocates, and Federal, state, and local partners to increase the effectiveness and robustness of its consumer protection efforts.

Sincerely,



Richard Cordray, Director
February 2016

Overview of the CFPB

The Consumer Financial Protection Bureau (CFPB) was established on July 21, 2010 under Title X of the Dodd-Frank Wall Street Reform and Consumer Protection Act Public Law No. 111-203 (Dodd-Frank Act). The CFPB was established as an independent bureau within the Federal Reserve System and is an Executive agency as defined in Section 105 of Title 5, United States Code.

The Dodd-Frank Act authorizes the CFPB to exercise its authorities to ensure that, with respect to consumer financial products and services:

1. Consumers are provided with timely and understandable information to make responsible decisions about financial transactions;
2. Consumers are protected from unfair, deceptive, or abusive acts and practices and from discrimination;
3. Outdated, unnecessary, or unduly burdensome regulations are regularly identified and addressed in order to reduce unwarranted regulatory burdens;
4. Federal consumer financial law is enforced consistently in order to promote fair competition; and
5. Markets for consumer financial products and services operate transparently and efficiently to facilitate access and innovation.

Under the Dodd-Frank Act, on the designated transfer date, July 21, 2011, certain authorities and functions of several agencies relating to Federal consumer financial law transferred to the CFPB in order to accomplish the above objectives. These authorities were transferred from the Board of Governors of the Federal Reserve System (Board of Governors), Office of the Comptroller of the Currency (OCC), Office of Thrift Supervision (OTS), Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA), and the Department of Housing and Urban Development (HUD). In addition, Congress vested the Bureau with authority to enforce in certain circumstances the Federal Trade Commission's (FTC) Telemarketing Sales Rule and its rules under the FTC Act, although the FTC retains full authority over these rules. The Dodd-Frank Act also provided the CFPB with certain other Federal consumer financial regulatory authorities.

Our organization

Under the Dodd-Frank Act, the Secretary of the Treasury was responsible for establishing the CFPB and performing certain functions of the Bureau until a Director of the CFPB was in place. The Bureau's day-to-day operations were managed by the Special Advisor to the Secretary of the Treasury for the Consumer Financial Protection Bureau until January 4, 2012, when President Obama appointed Richard Cordray as the first Director of the CFPB. Subsequently, the U.S. Senate confirmed the appointment of Richard Cordray on July 16, 2013, and Director Cordray was sworn in as the first Senate-confirmed Director of the CFPB on July 17, 2013.

To accomplish its mission, the CFPB is organized into six primary divisions:

1. **Consumer Education and Engagement:** works to empower consumers with the knowledge, tools, and capabilities they need in order to make better-informed financial decisions by engaging them in the right moments of their financial lives, while addressing the unique financial challenges faced by four specific populations.
2. **Supervision, Enforcement, and Fair Lending:** ensures compliance with Federal consumer financial laws by supervising market participants and bringing enforcement actions when appropriate.
3. **Research, Markets, and Regulations:** conducts research to understand consumer financial markets and consumer behavior, evaluates whether there is a need for regulation, and determines the costs and benefits of potential or existing regulations.
4. **Legal Division:** ensures the Bureau's compliance with all applicable laws and provides advice to the Director and the Bureau's divisions.
5. **External Affairs:** manages the Bureau's relationships with external stakeholders and ensures that the Bureau maintains robust dialogue with interested stakeholders to promote understanding, transparency, and accountability.
6. **Operations:** builds and sustains the CFPB's operational infrastructure to support the entire organization and hears directly from consumers about challenges they face in the marketplace through their complaints, questions, and feedback.

Our mission

The CFPB is a 21st century agency that helps 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.

Our vision

If we achieve our mission, then we will have encouraged the development of a consumer finance marketplace

- where customers can see prices and risks up front and where they can easily make product comparisons;
- in which no one can build a business model around unfair, deceptive, or abusive practices;
- that works for American consumers, responsible providers, and the economy as a whole.

We will achieve our mission and vision through:

Data-driven analysis

The CFPB is a data-driven agency. We take in data, manage it, store it, share it appropriately, and protect it from unauthorized access. Our aim is to use data purposefully, to analyze and distill data to enable informed decision-making in all internal and external functions.

Innovative use of technology

Technology is core to the CFPB accomplishing its mission. This means developing and leveraging technology to enhance the CFPB's reach, impact, and effectiveness. We strive to be recognized as an innovative, 21st century agency whose approach to technology serves as a model within government.

Valuing the best people and great teamwork

At the CFPB, we believe our people are our greatest asset. Therefore, we invest in world-class training and support in order to create a diverse and inclusive environment that encourages employees at all levels to tackle complex challenges. We also believe effective teamwork extends outside the walls of the CFPB. We seek input from and collaborate with consumers, industry, government entities, and other external stakeholders.

We aim to embody the following values in everything we do:

Service

Our mission begins with service to the consumer and our country. We serve our colleagues by listening to one another and by sharing our collective knowledge and experience.

Leadership

Fostering leadership and collaboration at all levels is at the core of our success. We believe in investing in the growth of our colleagues and in creating an organization that is accountable to the American people.

Innovation

Our organization embraces new ideas and technology. We are focused on continuously improving, learning, and pushing ourselves to be great.

Plan overview

Our strategic plan articulates four goals

Goal 1	Prevent financial harm to consumers while promoting good practices that benefit them.
Goal 2	Empower consumers to live better financial lives.
Goal 3	Inform the public, policy makers, and the CFPB’s own policy-making with data-driven analysis of consumer finance markets and consumer behavior.
Goal 4	Advance the CFPB’s performance by maximizing resource productivity and enhancing impact.

In support of each goal we outline

Budget	Resource allocations we will make in order to achieve our goals.
Outcomes	Desired outcomes that further define the focus of our work.
Strategies & investments	Strategies and investments that lay out the actions we will take to accomplish our outcomes.
Performance goals	Specific, measurable goals we will use to assess our progress along with associated measures and indicators.

Budget overview

The CFPB's operations are funded principally by transfers made by the Board of Governors of the Federal Reserve System 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 within the limits set forth in the Dodd-Frank Act. Transfers through FY 2013 were capped at pre-set percentages of the total 2009 operating expenses of the Federal Reserve System. In FY 2014, FY 2015 and beyond, the funding caps have been adjusted annually, based on the percentage increase in the employment cost index for the total compensation for state and local government workers, which is published by the Federal Government. Transfers from the Federal Reserve System were capped at \$618.7 million for FY 2015 and are capped at \$631.7 million for FY 2016. For FY 2017, the funding cap will be \$646.2 million. Funds transferred from the Federal Reserve System are deposited into the Bureau of Consumer Financial Protection Fund (Bureau Fund), which is maintained at the Federal Reserve Bank of New York.

Pursuant to the Dodd-Frank Act, the CFPB is also authorized to collect and retain for specified purposes civil penalties obtained from any person for violations of Federal consumer financial laws. The CFPB generally is authorized to use these funds for payments to the 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. Funds collected by the CFPB under this authority are deposited into the Consumer Financial Civil Penalty Fund (Civil Penalty Fund) separately maintained at the Federal Reserve Bank of New York. Amounts in the Civil Penalty Fund are available without fiscal year limitation.

Bureau Fund

The CFPB Bureau Fund FY 2016 and FY 2017 budget estimates included in this Report allow the Bureau to continue to fulfill its statutory purpose, objectives, and functions pursuant to Section 1021 of the Dodd-Frank Act and will support Bureau operations as it continues to grow and mature as a Federal agency.

The FY 2017 budget estimate of \$636.1 million is 5.0% percent above the FY 2016 budget estimate of \$605.9 million. The budget supports additional operations, policy, and examination staff, and key investments supporting improvements to the consumer response system, consumer education and engagement initiatives, as well as IT infrastructure and system

implementation projects. The increase from FY 2016 to FY 2017 reflects primarily an increase in staffing, especially in the Operations; Research, Markets, and Regulations; and the Supervision, Examination and Fair Lending programs. The remaining increase will support migration of the consumer response function to the Bureau's enterprise solution to support steady state operations, improvements to support increased contact volume and enhance the services of the contact center, and efforts to raise public awareness of Bureau tools and resources. As discussed throughout this document, these funds will help the Bureau achieve its mission and the four strategic goals outlined in this plan.

Budget by strategic goal

Goal 1	Prevent financial harm to consumers while promoting good practices that benefit them.
Goal 2	Empower consumers to live better financial lives.
Goal 3	Inform the public, policy makers, and the CFPB's own policy-making with data-driven analysis of consumer finance markets and consumer behavior.
Goal 4	Advance the CFPB's performance by maximizing resource productivity and enhancing impact.

TABLE 1: Budget by strategic goal (*\$ in the millions*)

	FY 2015*	%	FY 2016**	%	FY 2017**	%
Goal 1	\$252.0	48%	\$279.4	46%	\$292.5	46%
Goal 2	\$107.8	20%	\$131.6	22%	\$139.9	22%
Goal 3	\$46.4	9%	\$56.3	9%	\$57.3	9%
Goal 4	\$118.2	23%	\$138.6	23%	\$146.4	23%
Total	\$524.4	100%	\$605.9	100%	\$636.1	100%

* FY 2015 amounts reflect obligations incurred and include upward adjustments to prior year obligations.

** FY 2016 and FY 2017 estimates are based on the best available information at the time the Budget was prepared and are subject to revision.

TABLE 2: FTE by strategic goal

	FY 2015	FY 2016	FY 2017
Goal 1	799	874	928
Goal 2	231	242	263
Goal 3	97	114	130
Goal 4	338	393	436
Total	1,465	1,623	1,757

The proportion of funding across all goals is expected to remain relatively constant through FY 2017. The following discussion provides details on the significant increases in FY 2016 and FY 2017 for each goal.

An increase in regulations and examination staff represents the largest increase in Goal 1. Examiner training and travel also increases to support the continued growth of the regional supervision and examination workforce. Additional increases in e-law tools and litigation support are expected to continue to support enforcement activities. In FY 2017, support for small business rulemaking activities is proposed to carry out the Bureau’s statutory obligations under Section 1071 of the Dodd-Frank Act. Finally, a moderate surge for the development of a Supervision Compliance Tool is expected to begin in earnest in FY 2016 but will plateau in FY 2017.

As discussed earlier, the increase in Consumer Response represents a significant portion of the increase in Goal 2. Amounts budgeted for the consumer response system and the contact center will support steady-state and service enhancements. Additionally, investments in consumer education and engagement initiatives also contribute to the increase in Goal 2.

New initiatives in FY 2016 and FY 2017 will result in an increase in the budget supporting Goal 3, although to a lesser extent. The increases largely support investments in consumer education and engagement activities for underserved and special populations as well as lookbacks or assessments of the effectiveness of rules previously issued by the Bureau.

An increase in the budget supporting Goal 4 reflects the Bureau’s evolution as a data-driven agency focused on protecting its infrastructure as it continues to grow. In FY 2017, investments across Goal 4 are expected to level off closer to FY 2015 levels as the development of technology infrastructure and operational support services approach steady-state levels.

There are several other investments that support all Goals. One such expense, the costs for facilities

agreements, includes costs incurred by the Bureau to maintain space for regional offices in Chicago, San Francisco, and New York, as well as temporary space in Washington D.C. during the renovation of the Bureau's headquarters, which is projected to conclude by the end of FY 2017. There will be an associated temporary increase in facilities costs during FY 2017 while facilities services are phased in at the renovated headquarters building, but this will level out when most Bureau staff return to the headquarters location upon completion of the renovation. The Bureau also expects to incur a corresponding temporary increase in Furniture, Fixtures and Equipment for the headquarters building renovation necessary to furnish the newly renovated space prior to occupation.

Key investments are described in more detail within the discussion of each goal.

TABLE 3: Key investments (\$ in the millions)

Outcome	Key Investment Description	FY 2015	FY 2016	FY 2017
1.1	Disclosure, Design, Testing, and Implementation	\$0.6	\$1.1	\$0.4
	Small Business Rulemaking	-	-	\$2.0
1.2 / 1.3	Examiner Training and Travel	\$15.6	\$17.8	\$18.0
	e-Law Tools and Support	\$7.0	\$3.3	\$1.7
	Litigation Support	\$3.0	\$6.5	\$6.8
	Supervision Compliance Tool	\$2.6	\$4.2	\$2.0
	Review of Enforcement Processes	\$1.6	-	-
	Supervision and Enforcement Training & Travel	\$1.1	\$2.4	\$2.6
	Examiner Commissioning Training Program	\$1.0	\$1.6	\$1.6
	Nonbank Registration	-	\$1.5	\$1.0
	Consumer Reporting Studies	-	-	\$3.8
2.1	Consumer Response System and Contact Center Support	\$22.7	\$29.7	\$35.5
	Consumer Response Operational and Program Support	\$2.9	\$4.1	\$2.1
	Consumer Response System—Complaint Analytics	\$2.8	\$2.7	\$2.7
	Optimizing CFPB Communication and Consumer Engagement Channels	\$0.7	\$1.0	\$0.7
2.2	Consumer Services Awareness Building	\$6.5	\$14.0	\$11.0
	Consumer Education Initiatives	\$3.8	\$5.4	\$6.0
	Underserved and Special Populations Programs and Outreach	\$1.7	\$3.6	\$4.2
	Consumer Experience Program	\$1.3	\$2.5	\$3.7

Outcome	Key Investment Description	FY 2015	FY 2016	FY 2017
	Your Money, Your Goals	\$1.1	\$0.9	\$1.0
3.1	Credit Card Database	\$2.9	\$3.1	\$3.3
	Other Market Data	\$1.6	\$1.5	\$0.6
	National Mortgage Database	\$1.4	\$1.6	\$1.5
	HMDA Development and Implementation	\$1.2	\$2.1	\$1.6
	HMDA Data Processing	\$0.7	\$0.8	\$1.0
3.2	Primary Data Collection	\$1.0	\$1.8	\$0.7
	Underserved and Special Populations Research	\$0.6	\$2.4	\$2.0
	Financial Education Research	\$0.6	\$1.2	\$2.1
	Lookbacks	-	\$3.3	\$2.5
4.1	Human Capital Shared Services, Infrastructure, and Operations	\$7.2	\$7.7	\$7.7
	Learning, Leadership, and Organization Development Facilitation and Design	\$2.1	\$2.6	\$2.7
	Outreach, Candidate Recruiting, and Candidate Selection support	\$1.4	\$2.5	\$1.8
	Diversity, Inclusion and Equal Opportunity Initiatives	\$0.9	\$3.2	\$2.2
4.2	Technology Infrastructure	\$21.8	\$31.2	\$27.1
	Technology Infrastructure - Shared Services	\$17.1	\$2.9	\$1.5
	Cybersecurity	\$7.5	\$9.3	\$8.1
	IT Portfolio Management	\$6.6	\$11.5	\$10.1
	Data Infrastructure and Analysis	\$4.7	\$8.1	\$8.4
	Design and Software Development Support	\$4.1	\$6.6	\$6.4

Outcome	Key Investment Description	FY 2015	FY 2016	FY 2017
	e-Discovery Services Implementation	\$3.9	\$4.4	\$5.5
	Customer Relationship Management System	\$1.7	\$6.0	\$5.4
	Extranet	\$0.8	\$0.3	\$0.2
	Document Management System	\$0.1	\$2.5	\$1.0
4.3	Audits of the Bureau	\$16.3	\$14.2	\$14.1
	Financial Management Support Services	\$4.2	\$4.7	\$4.8
	Procurement Services & Support	\$1.8	\$2.7	\$2.5
	Internal Controls	\$0.9	\$1.7	\$1.1
ALL	Facilities Agreements (Occupancy)	\$19.2	\$20.4	\$21.9
	Facilities Agreements (Utilities, Security, Other)	\$5.3	\$3.8	\$12.8
	Facilities Agreements (Occupancy) for Temporary Space	\$10.0	\$10.0	\$10.1
	Facilities Agreements (Utilities, Security, Other) for Temporary Space	\$5.0	\$5.6	\$5.8
	Architecture and Engineering Services for HQ Building Renovation	\$2.5	-	-
	Furniture, Fixtures and Equipment for HQ Building Renovation	-	\$3.0	\$10.0
	Library Resources & Services	\$2.7	\$3.4	\$3.5
	Personnel Security Investigations	\$1.3	\$1.7	\$1.6
	Other*	\$23.4	\$15.8	\$13.3
Total		\$258.5	\$305.9	\$311.7

Budget by object class, program, and FTE

TABLE 4: Budget by object classification (\$ in the millions)

Object Classification	FY 2015	FY 2016	FY 2017
Personnel Compensation	\$192.3	\$219.2	\$238.5
Personnel Benefits	\$73.4	\$80.6	\$85.7
Benefits to Former Personnel	\$0.3	\$0.2	\$0.2
Travel and Transportation of Persons	\$17.8	\$18.6	\$19.0
Transportation of Things	\$0.1	\$0.2	\$0.2
Rents, Communications, and Misc Charges	\$16.9	\$15.6	\$17.7
Printing and Reproduction	\$2.5	\$2.8	\$3.1
Other Contractual Services	\$191.7	\$225.7	\$232.3
Supplies and Materials	\$5.5	\$5.0	\$5.1
Equipment	\$21.4	\$38.0	\$34.3
Land and Structures	\$2.5	-	-
Total	\$524.4	\$605.9	\$636.1

In FY 2016 and FY 2017, the Bureau will continue to expand its capacity in order to successfully achieve its strategic goals. Expenses related to personnel compensation and benefits represent the largest increases in FY 2016 and FY 2017, driven by increases in the staffing levels within the Operations and Supervision, Enforcement, and Fair Lending programs. Travel expenses are also projected to increase as the examination workforce continues to grow and conduct various examination activities across the country. The growth in funds allocated to rents, communications, and miscellaneous expenses are due to annual rental increases for headquarters and regional space, and the cost to obtain new space for the Southeast region. The increase in other contractual services in FY 2016 and FY 2017 is reflective of a number of existing and new investments across all programs and goals. Equipment cost increases from FY 2015 to FY 2016 stem from infrastructure development.

TABLE 5: Budget by program (*\$ in the millions*)

	FY 2015	FY 2016	FY 2017
Office of the Director	\$8.0	\$9.7	\$10.1
Operations	\$57.4	\$69.4	\$71.7
Operations - Consumer Response	\$50.8	\$59.3	\$63.7
Consumer Education and Engagement	\$26.3	\$42.9	\$44.9
Research, Markets, and Regulations	\$34.4	\$45.8	\$47.8
Supervision, Enforcement, and Fair Lending	\$140.8	\$161.6	\$167.9
Legal	\$13.4	\$15.4	\$16.4
External Affairs	\$7.0	\$8.1	\$9.0
Other Programs*	\$2.8	\$2.8	\$3.3
Centralized Services	\$183.5	\$190.9	\$201.3
Total	\$524.4	\$605.9	\$636.1

* Other Programs includes programs such as the Ombudsman and Administrative Law Judges.

The increase in Bureau resources underscores its commitment to its mission to protect and empower consumers.

Consumer Response realizes an increase in funding as it continues to develop and enhance the consumer response system and contact center in order to support steady-state operations and enhance services. The largest investments within Consumer Education and Engagement focus on building consumer awareness of Bureau tools and resources. Increased costs in the Research, Markets, and Regulations reflect the Bureau's need to conduct Lookbacks on Title XIV mortgage regulations under its statutory authority.

Within Centralized Services, the increased costs support budgeted amounts for programmatic and operational services that support the entire agency (e.g., facilities, utilities, and IT-related equipment and services). The cost of Centralized Services (including rent, facilities, security, maintenance, utilities costs) increases as the Bureau continues to utilize temporary office space for its Washington, D.C. staff, as planned renovations to the Bureau's permanent headquarters

continue. These renovations will update the headquarters building to current energy, environmental, and security standards and make necessary repairs to an aging building systems and infrastructure. These renovations include replacement of major infrastructure such as the roof, building enclosure, and heating, water, and electrical systems. The current headquarters building has not undergone a significant renovation since it was constructed in 1976. The CFPB entered into an interagency agreement with the General Services Administration (GSA) in FY 2013 to manage the renovation process.

TABLE 6: FTE by program

Programs	FY 2015	FY 2016	FY 2017
Office of the Director	32	39	42
Operations	266	313	348
Operations - Consumer Response	151	150	156
Consumer Education and Engagement	62	73	87
Research, Markets, and Regulations	133	162	185
Supervision, Enforcement, and Fair Lending	678	742	776
Legal	65	74	82
External Affairs	39	46	51
Other Programs	39	24	30
Total	1,465	1,623	1,757

The increases in full-time equivalent employees (FTEs) support the Bureau’s continued growth toward steady-state operations. The increases within the Operations Division support the Bureau’s data-driven work and analysis. Increases in Research, Markets, and Regulations expand the Bureau’s capacity to carry out its Unified Agenda and further develop expertise in market monitoring. The additional workforce within Supervision, Enforcement, and Fair Lending including the growth of the regional examination workforce, will enable the Bureau to continue to supervise and enforce compliance with the Federal consumer financial laws across the country. The Bureau will also continue to increase FTE levels to support consumer response functions and effectively meet the demands associated with the increasing volume of consumer complaints received by the Bureau. These staffing increases are critical to creating and maintaining a high-performing organization.

Budget authority

Funding required to support the CFPB's operations is obtained primarily through transfers from the Board of Governors of the Federal Reserve System. In accordance with the Dodd-Frank Act, in FY 2013, transfers to the Bureau were capped at 12 percent of the Federal Reserve System's 2009 operating expenses. After FY 2013, the transfer cap was adjusted annually based on the percentage increase in the Employment Cost Index published by the Federal Government for total compensation for state and local government. The inflation-adjusted transfer cap for FY 2016 is \$631.7 million, and the transfer cap for FY 2017 is \$646.2 million. Funds transferred from the Federal Reserve System to fund the operations of the Bureau are transferred into the Bureau Fund quarterly and maintained at the Federal Reserve Bank of New York. The Bureau anticipates requesting less than the transfer cap to fund operations in FY 2016 and FY 2017.

In addition to transfers from the Federal Reserve, a small portion of the CFPB's budget resources comes from receipts collected from interest on Treasury securities and filing fees pursuant to the Interstate Land Sales Full Disclosure Act of 1968 (ILSA). ILSA fees are deposited into an account maintained by the Department of the Treasury and may be expended for the purpose of covering all or part of the costs that the Bureau incurs to operate the ILSA Program.

TABLE 7: Bureau Fund (\$ in the millions)

Receipts	FY 2015	FY 2016	FY 2017
Transfers from the Federal Reserve Board	\$485.1	\$564.9	\$636.1
Other Receipts	\$0.3	\$0.3	\$0.3
Unobligated Balances, start of year	\$139.5	\$130.0	\$90.4
Recoveries of Prior Year Obligations	\$29.5	\$1.0	\$1.0
Total Budgetary Resources	\$654.4	\$696.2	\$727.8
Total Obligations	\$524.4	\$605.9	\$636.1

Civil Penalty Fund budget authority

The Dodd-Frank Act authorizes the CFPB to collect and retain for specified purposes civil penalties obtained from any person in a judicial or administrative action under Federal consumer financial laws. The CFPB maintains the Consumer Financial Civil Penalty Fund (CPF) for this purpose. Collections of civil penalties are deposited into the CPF, and such funds are available for payments to victims of activities for which civil penalties have been imposed under the Federal consumer financial laws. To the extent that victims cannot be located or payments are otherwise not practicable, the Bureau is authorized to use such funds for consumer education and financial literacy programs. As directed by the Dodd-Frank Act, the CFPB maintains a separate account for these funds at the Federal Reserve Bank of New York.

On May 7, 2013, the Bureau published in the *Federal Register* the Civil Penalty Fund rule, 12 C.F.R. part 1075, a final rule governing how the Bureau will use funds in the CPF. This rule states that the Civil Penalty Fund Administrator will allocate funds to classes of eligible victims and, as appropriate, to consumer education and financial literacy programs in accordance with a schedule published by the Bureau on its website.

The CFPB collected \$342.1 million in actual deposits through the end of FY 2015 and expects to collect additional amounts during FY 2016. Of the amounts collected to date, the Bureau allocated \$239.3 million. Approximately \$210.5 million was allocated to compensate harmed consumers and \$28.8 million for consumer education and financial literacy programs. Of the \$28.8 million allocated to consumer education and financial literacy programs, \$12.3 million was obligated through the end of FY 2015, and an additional \$16.5 million is projected to be obligated in FY 2016.

Additional information regarding allocations from the CPF is available at consumerfinance.gov.

TABLE 8: Civil Penalty Fund (\$ in the millions)

Receipts	FY 2015	FY 2016	FY 2017
Collections	\$183.1	\$18.9	-
Unobligated Balances, start of year	\$157.1	\$305.6	\$137.6
Total Budgetary Resources	\$340.2	\$324.5	\$137.6
Total Obligations	\$34.6	\$186.9	\$119.5

GOAL 1

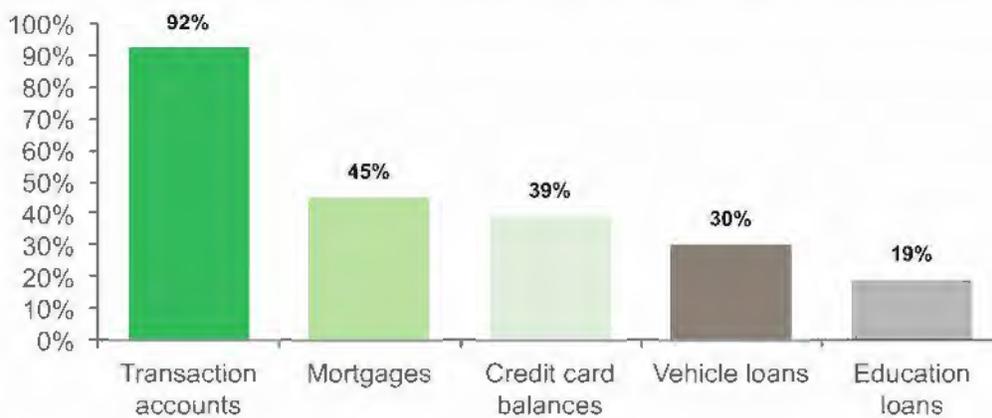
Prevent financial harm to consumers while promoting good practices that benefit them

TABLE 9: Budget for goal 1, by program (*\$ in the millions*)

Goal 1	FY 2015	FY 2016	FY 2017
Office of the Director	\$1.4	\$1.2	\$1.4
Operations	-	\$0.2	\$0.2
Research, Markets, and Regulation	\$12.5	\$15.9	\$18.9
Supervision, Enforcement, and Fair Lending	\$140.8	\$160.8	\$167.0
Legal	\$5.2	\$5.5	\$6.2
External Affairs	\$1.0	\$1.3	\$1.3
Other Programs	\$1.3	\$0.9	\$1.3
Centralized Services	\$89.8	\$93.6	\$96.2
Total	\$252.0	\$279.4	\$292.5

Introduction

FIGURE 1: Percent of American families that rely on one or more financial product¹



Prior to enactment of the Dodd-Frank Act, consumer financial protection had not been the primary focus of any one Federal agency, and no agency could set the rules for and oversee the entire consumer financial market. The result was a system without sufficiently effective rules or consistent enforcement of the law. These factors ultimately contributed to the 2008 financial crisis.

Consumer financial protection is the CFPB's singular focus. The Dodd-Frank Act increased accountability in government by consolidating consumer financial protection authorities that had existed across seven different Federal agencies into one, the newly formed Consumer Financial Protection Bureau. These authorities include the ability to issue regulations under more than a dozen Federal consumer financial laws. As provided in section 1021 of the Dodd-Frank Act, the purpose of the CFPB is to implement, and where applicable, enforce Federal consumer financial laws consistently for the purpose of ensuring that all consumers have access to markets for consumer financial products and services and that such markets are fair, transparent, and competitive.

In addition, the Dodd-Frank Act gives the CFPB the authority to supervise and examine many nonbank financial service providers previously unsupervised at the Federal level, such as mortgage companies, payday lenders, and private education lenders of any size, and larger participants of other markets that the Bureau defines by rules, such as credit reporting companies. With the consolidation of existing and new authorities, the CFPB is now focused and equipped to prevent financial harm to consumers while promoting practices that benefit consumers across financial institutions.

¹ Federal Reserve Board, "2010 Survey of Consumer Finances," tables 13-10, 6-10 based on public data, last updated 7/19/2012, www.Federalreserve.gov/econresdata/scf/scf_2010.htm (Last viewed 8/23/2012).

TABLE 10: Financial institutions subject to the CFPB supervisory authority for consumer financial protection purposes

Large banks, thrifts, credit unions & their affiliates	Certain nonbank institutions
Representing over \$10 trillion in assets (~75% of total industry)	Including companies engaged in mortgage lending, brokering, and servicing; payday lenders; private education lenders; and larger participants of the consumer debt collection and consumer reporting markets

Industry structure is always changing, and therefore, so too will the number of institutions that fall under the CFPB’s supervisory authority. The CFPB is designed to be agile and adjust its approach to supervising the financial industry in order to respond rapidly to changing consumer needs.

The CFPB will reach its first goal by achieving the following three outcomes:

1. **Outcome 1.1:** Create, adopt, and administer regulations in order to promote a consumer financial marketplace in which: (A) consumers can understand the costs, benefits, and risks associated with consumer financial products and services initially and over the term of the product or service, and (B) consumers are not subject to deceptive, unfair, abusive, or discriminatory practices.
2. **Outcome 1.2:** Supervise institutions to foster compliance with Federal consumer financial laws, promote a fair consumer financial marketplace, and prevent unlawful discrimination.
3. **Outcome 1.3:** Enforce Federal consumer financial laws and hold violators accountable.

Outcome 1.1

Create, adopt, and administer regulations in order to promote a consumer financial marketplace in which: (A) consumers can understand the costs, benefits, and risks associated with consumer financial products and services initially and over the term of the product or service, and (B) consumers are not subject to deceptive, unfair, abusive, or discriminatory practices.

Outcome leader: Associate Director of Research, Markets, and Regulations

Strategies and investments

The following strategies and investments have been put in place to help the CFPB achieve outcome 1.1.

Strategies

- Develop and maintain an efficient fact-based approach to developing, evaluating, revising, and finalizing regulations.
- Develop a rule-writing team with highly advanced skills in relevant and specialized legal, business, and economic areas.
- Work with consumers and industry stakeholders on developing regulations to implement existing Federal consumer financial laws effectively.
- Leverage technology to continuously improve the efficiency and effectiveness of Federal rulemaking processes and procedures.

Investments

PERSONNEL

Continue to expand capacity to conduct rulemaking activities, provide interpretive guidance, develop small business compliance guides and provide other implementation support, and evaluate benefits and costs of potential rules.

DISCLOSURE, DESIGN, TESTING, AND IMPLEMENTATION

Continue to conduct and gain expertise in disclosure design and disclosure usability testing. Qualitative research, such as one-on-one interviews and focus groups, enables the Bureau to put forward proposed forms which consumers are more likely to be able to navigate and comprehend.

These investments also contribute to evidence-based market research.

SMALL BUSINESS RULEMAKING

Section 1071 of the Dodd-Frank Act requires lenders to gather and report information about credit applications made by small, women-owned, and minority-owned businesses. The Dodd-Frank Act vests CFPB with authority to prescribe rules and issue guidance necessary to carry out, enforce, and compile data pursuant to section 1071.

Performance goals

The CFPB will assess its progress on achieving outcome 1.1 through the following three performance goals:

Performance goal 1.1.1: Complete consumer protection related rulemakings within nine months of final public comments.

The Bureau has made it a priority to ensure that it puts consumer protection regulations into place, including those implementing statutory requirements, in a timely manner. For this reason, the Bureau believes that completion of its own regulatory proposals within nine months of the close of the final public comment period is a good measure of whether it is meeting this goal.

PERFORMANCE MEASURE

TABLE 11: The percentage of proposed rulemakings, conducted solely by the CFPB, finalized or otherwise resolved within nine months of the due date for receipt of final public comments.²

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Target	NA	75%	75%	75%	75%	75%
Actual	100%	78%	100%	86%	NA	NA

PROGRESS UPDATE AND FUTURE ACTION

In FY 2015, the Bureau issued a number of rulemakings within nine months of the closing of a final comment period.

The Bureau issued a number of technical and clarifying amendments to the mortgage rules

² This measure does not include interagency rulemakings, rulemakings inherited from the Federal Reserve Board, and rulemakings on which the Bureau expects to do further quantitative research following the receipt of public comments.

issued in January 2013 to implement consumer protection provisions enacted by the Dodd-Frank Act. The Bureau issued a rule in October 2014 that provides an alternative small servicer definition for non-profit entities that meet certain requirements and amends the existing exemption from the ability-to-repay rule for non-profit entities that meet certain requirements. This rule also provides a cure mechanism for the points and fees limit that applies to qualified mortgages. While not included in this calculation, the Bureau issued an interpretive rule providing guidance to clarify that the Bureau's Ability-to-Repay Rule incorporates the existing definition of "assumption" under Regulation Z.

In January 2015, the Bureau finalized amendments to the TILA-RESPA Integrated Disclosures rulemaking. This rule extends the timing requirement for revised disclosures when consumers lock a rate or extend a rate lock after the Loan Estimate is provided and permits certain language related to construction loans for transactions involving new construction on the Loan Estimate. This rule also amended the 2013 Loan Originator Final Rule to require placement of the Nationwide Mortgage Licensing System and Registry ID (NMLSR ID) on the integrated disclosures. Additionally, the Bureau made non-substantive corrections, including citation and cross-reference updates and wording changes for clarification purposes, to various provisions of Regulations X and Z, as amended or adopted by the 2013 TILA-RESPA Final Rule.

During FY 2015, and at the end of FY 2014, the Bureau finalized two larger participant rulemakings. The first rule defines larger participants in a market for international money transfers. Specifically, this rule identifies a market for international money transfers and defines "larger participants" of this market that are subject to the Bureau's supervisory authority. In June 2015, the Bureau finalized a rule defining larger participants in the market for automobile financing. Among other things, the final rule identifies a market for automobile financing and defines "larger participants" of this market that are subject to the Bureau's supervisory authority. In addition, the rule defines certain automobile leasing activity as a financial product or service.

Following up on the Bureau's 2011 Streamlining RFI, the Bureau finalized amendments to Regulation P, which implements the Gramm-Leach-Bliley Act. Regulation P requires, among other things, that financial institutions provide an annual disclosure of their privacy policies to their customers. The amendment created an alternative delivery method for this annual disclosure, which financial institutions will be able to use under certain circumstances.

In August 2014, the Bureau finalized amendments to subpart B of Regulation E, which implements the Electronic Fund Transfer Act, and the official interpretation to the regulation. This final rule extends a temporary provision that permits insured institutions to estimate certain pricing disclosures pursuant to section 1073 of the Dodd-Frank Act. Absent further action by the Bureau, that exception would have expired on July 21, 2015. Based on a determination that the termination of the exception would negatively affect the ability of insured

institutions to send remittance transfers, the Bureau issued a rule extending the temporary exception by five years from July 21, 2015, to July 21, 2020. The Bureau also made several clarifications and technical corrections to the regulation and commentary.

Finally, during FY 2015, the Bureau proposed a rule to amend Regulation C to implement amendments to the Home Mortgage Disclosure Act (HMDA) made by section 1094 of the Dodd-Frank Act. Consistent with section 1094 of the Dodd-Frank Act, the Bureau proposed to add several new reporting requirements and to clarify several existing requirements. The Bureau also proposed changes to institutional and transactional coverage under Regulation C. Today, HMDA data are the preeminent data source for regulators, researchers, economists, industry, and advocates studying and analyzing trends in the mortgage market for a variety of purposes, including general market and economic monitoring, as well as assessing housing needs, public investment, and possible discrimination. The final rule was issued a little over a year after the close of the comment period: as the Bureau worked to finalize the proposed rule, the Bureau took a number of issues into consideration, including over 400 comments. Further, in light of the various Dodd-Frank Act requirements and private market data standards initiatives, the Bureau believes that it is important to conduct a broad public dialog about the HMDA rulemaking and to use implementation of the new HMDA requirements as an opportunity to comprehensively review the HMDA reporting regime. In particular, the Bureau used this rulemaking to assess whether there were opportunities to improve upon the data collected, reduce unnecessary burden on financial institutions, and, as appropriate, modernize and streamline the manner in which financial institutions collect and report data.

The Bureau also proposed a number of rules in FY 2015, which have not yet been finalized.

The Bureau also proposed a rulemaking to address certain mortgage servicing rules issued in 2013. The proposal focuses 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 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 makes technical corrections to several provisions of Regulations X and Z. The Bureau proposed and finalized revisions to the regulatory definitions of small creditor, and rural and underserved areas, for purposes of certain special provisions and exemptions from various requirements provided to certain small creditors under the Bureau's mortgage rules.

The Bureau proposed a rule to create comprehensive consumer protections for prepaid financial products. Among other things, the proposal would require prepaid companies to limit

consumers' losses when 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. The Bureau also proposed new "Know Before You Owe" prepaid disclosures that would provide consumers with clear information about the costs and risks of prepaid products upfront.

Performance goal 1.1.2: Complete all five-year regulation assessments on schedule.

Section 1022(d) of the Dodd-Frank Act requires the CFPB to assess each significant rule the Bureau adopts under Federal consumer financial law and publish a report of the assessment within five years of the effective date of such rule. The assessment addresses, among other factors, the rule's effectiveness in meeting the purposes and objectives of Title X of the Dodd-Frank Act, and the specific goals stated by the Bureau.

PERFORMANCE MEASURE

TABLE 12: The percentage of five-year regulation assessments completed on schedule.

	Target	Actual
FY 2012	NA	NA
FY 2013	Develop a plan for meeting a pre-rule baseline	The Bureau began identifying existing data that may be useful for establishing baselines and for analysis of potential changes from those baselines, identifying gaps in the necessary data, and planning for the acquisition of additional data to fill those gaps.
FY 2014	Develop strategies to best isolate the effect of rules	The Bureau continued developing an approach and interpretation of the lookback requirement for all major rules, developed sources of data to monitor impacts of mortgage rules, developed contacts with industry and policy communities to collect data, and continue planning for assessing the impact of the Remittance rule.
FY 2015	Begin collection and analysis of relevant quantitative and qualitative information	The Bureau continued market monitoring, and assessing and preparing data sources, such as the National Mortgage Database (NMDB), HMDA, the Consumer Credit Panel, and rate-sheet data for use in Lookback analysis.
FY 2016	Continue collection and analysis of relevant quantitative and qualitative information. Plan industry outreach regarding the impact of rules that went into effect at the beginning of 2014	NA
FY 2017	Continue collection and analysis of relevant quantitative and qualitative data. Conduct industry outreach regarding the impact of rules that went into effect at the beginning of 2014*	NA

* The “conducting industry outreach” target was moved from FY 2016 to FY 2017 to assess industry adjustment to the rules over the longest period of time possible since the effective date, which will provide a richer picture of impacts and adjustments and is more likely to reveal trends.

PROGRESS UPDATE AND FUTURE ACTION

The Bureau's first five-year assessments will be due in FY 2019. In FY 2016, the Bureau will continue to develop data collection and methodologies to enable the Bureau to draw inferences about the effects of rules.

Performance goal 1.1.3: Ensure that all rulemakings are informed by public outreach processes, such as Small Business Regulatory Enforcement Fairness Act (SBREFA) panels and consumer and industry roundtables.

The Regulatory Flexibility Act, as amended by SBREFA and the Dodd-Frank Act, requires the Bureau to convene a Small Business Review Panel before proposing a rule that will have a significant economic impact on a substantial number of small entities. Other public outreach efforts, such as meetings with consumers and industry stakeholders in the development of a proposal, inform and otherwise assist the Bureau in crafting more effective rules. The Bureau is also interested in exploring ways to increase general consumer involvement in the rulemaking process.

PERFORMANCE MEASURE

TABLE 13: The percentage of significant consumer protection related, notice-and-comment rulemakings informed by public outreach processes

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Target	NA	NA	100%	100%	100%	100%
Actual	100%	100%	100%	100%	NA	NA

PROGRESS UPDATE AND FUTURE ACTION

In March 2015, under SBREFA, the Bureau released an outline of proposals under consideration for the payday lending, vehicle title lending, and installment lending rulemaking. As part of the SBREFA process, in April 2015, the Bureau along with the Office of Management and Budget and the Small Business Administration's Chief Counsel for Advocacy, met with small lenders that may be affected by the rulemaking to obtain feedback on the proposals. This rulemaking builds on Bureau research, including a white paper the Bureau published on payday and advance deposit loan in April 2013, a data point providing additional research in March 2014, and ongoing analysis.

Throughout FY 2015, staff continued to participate in numerous outreach meetings and external events to monitor implementation issues in connection with its mortgage rules.

Following the issuance of the final TILA-RESPA Integrated Disclosures rule in November 2013, Bureau staff participated in numerous roundtables, outreach meetings, and external events to allow stakeholders an opportunity to provide input and discuss any issues presented by the implementation of the rule. The Bureau considered this feedback as it formulated and issued additional proposals to clarify or address some of the matters and issues raised in connection with these rules. The CFPB also encouraged all stakeholders to submit formal written comments on these proposals.

The Bureau also conducted numerous other public outreach efforts in FY 2015 to inform and assist the Bureau in developing non-mortgage rules. 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. Furthermore, the Bureau in FY 2015 continued to conduct outreach in connection with its remittances rule, including conducting interviews with regulated entities, which informed revisions to its regulations implementing provisions of the Dodd-Frank Act that established a new system of federal protections for remittance transfers sent by consumers in the United States to individuals and businesses in foreign countries.

In FY 2016, the CFPB intends to continue to undertake its public outreach efforts to consumers and industry stakeholders as it considers topics for other possible future consumer protection related rules.

Outcome 1.2

Supervise institutions to foster compliance with Federal consumer financial laws, promote a fair consumer financial marketplace, and prevent unlawful discrimination.

Outcome 1.3

Enforce Federal consumer financial laws and hold violators accountable.

Outcome leader: Associate Director of Supervision, Enforcement, and Fair Lending

Background

The Bureau's Division of Supervision, Enforcement, and Fair Lending is responsible for supervising for compliance with and enforcing consumer financial protection law, including fair lending laws. The Division closely coordinates its use of both the supervision and enforcement tools, which work in tandem toward the common goal of preventing financial harm to consumers while promoting good practices that benefit them. For example, information received through enforcement may inform supervision priorities; a particular matter may arise through supervision and ultimately be resolved through enforcement; or compliance with enforcement actions may be monitored through supervision. The Associate Director for SEFL is accountable for both outcomes 1.2 and 1.3. Thus, these outcomes are closely linked and for the purposes of performance reporting, are combined with respect to their constituent performance goals.

Strategies and investments

The following strategies and investments have been put in place to help the CFPB achieve outcome 1.2 and outcome 1.3.

Strategies

- Acquire and analyze qualitative and quantitative information and data pertaining to consumer financial products and service markets and companies.
- Focus resources on institutions and their product lines that pose the greatest risk to consumers, based on their size, nature of the product, and field and market intelligence.

- Implement a framework for sharing information, coordinating activity, and promoting best practices with fellow financial institutions' supervisory and law enforcement agencies to ensure the most effective use of regulatory resources.
- Implement internal policies that facilitate the integration of the CFPB's supervision, enforcement, and fair lending functions.
- Continue to develop a technology solution for coordinating supervisory information, capable of recording, storing, tracking, and reporting information on the CFPB's supervisory process.
- Continue implementing a tool capable of reviewing loan and deposit portfolios for compliance with Federal consumer financial laws.

Investments

PERSONNEL

Continue to develop our staff and supervisory skills to expand the CFPB's capacity to focus on risks to consumers in the policies and practices of consumer financial providers; analyze available data on the activities of providers, on the markets in which they operate, and on the risks to consumers; implement and enforce Federal consumer financial laws consistently for both bank and nonbank consumer financial companies; and, investigate and take actions to address potential violations of Federal consumer financial laws.

EXAMINER TRAINING AND TRAVEL

Continue supporting the development and delivery of training courses essential to maintaining a highly effective workforce. Also, support the travel requirements of the CFPB's distributed workforce in order to effectively carry out its supervision program.

E-LAW TOOLS AND SUPPORT

Maintain and increase capacity of electronic tools that obtain, process, and analyze evidence received in enforcement investigations, enabling the CFPB to bring enforcement actions to address violations of Federal consumer financial laws more efficiently.

LITIGATION SUPPORT

Employ standard investigatory tools to compel documents and testimony and to seek injunctive and monetary remedies through civil actions or administrative proceedings. These functions require the use of services such as expert witnesses, court reporters, and transcription services.

SUPERVISION COMPLIANCE TOOL

Automate data collection and analysis in order to review loan files more thoroughly, use supervision resources more efficiently, and streamline the on-site portion of the exam. This tool assists in improving the CFPB's ability to assess compliance with Federal consumer financial laws, and assess and detect risks to consumers.

REVIEW OF ENFORCEMENT PROCESSES

Engage third-party consultant to study the current planning measures, techniques, and administrative duties leading up to the commencement of enforcement work on an assigned issue. The primary goal of this effort is to find and eventually implement potential efficiencies in Enforcement's administrative, planning, and review processes.

SUPERVISION AND ENFORCEMENT TRAINING AND TRAVEL

Continue supporting the development and delivery of training courses essential to maintaining a highly effective supervision and enforcement program. In addition, support the travel requirements of supervision and enforcement work.

EXAMINER COMMISSIONING TRAINING PROGRAM

The examiner commissioning training program (ECTP) establishes transparent criteria and a training plan that will provide every examiner the opportunity to pursue their commissioning. Successful completion of the ECTP is a significant milestone in an examiner's career, signifying an examiner's attainment of the broad-based technical expertise, knowledge, skills, and tools necessary to perform the duties of a commissioned examiner.

NONBANK REGISTRATION

Manage and maintain an enterprise level registration program to facilitate the supervision of financial institutions or entities supervised by the CFPB.

CONSUMER REPORTING STUDY

Study to develop and improve metrics to assess the accuracy of consumer reports. Develop tools and benchmarks to monitor accuracy of consumer reporting industry-wide and at specific companies.

Performance goals

The CFPB will assess the progress on achieving outcomes 1.2 and 1.3 through the following eight performance goals:

Performance goal 1.2.1 / 1.3.1: Perform supervision activities at financial services institutions under the CFPB’s jurisdiction to foster compliance with Federal consumer financial laws.

The CFPB has supervisory authority over banks, thrifts, and credit unions with over \$10 billion in assets and their affiliates (collectively “banks”) and over nonbank institutions (“nonbanks”), regardless of size, in certain specific markets: mortgage companies (originators, brokers, servicers, and providers of loan modification or foreclosure relief services); private education lenders; and payday lenders. The CFPB also has supervisory authority over larger participants in other nonbank markets as the CFPB defines by rule. To date, the CFPB has issued five rules defining larger participants in the following markets: consumer reporting (effective September 2012), consumer debt collection (effective January 2013), student loan servicing (effective March 2014), international money transfers (effective December 2014), and automobile financing (effective August 2015). The CFPB’s Offices of Supervision Examinations, Supervision Policy, Enforcement, and Fair Lending collaborate to conduct supervisory activities at these institutions. Supervisory activities foster compliance with Federal consumer financial laws, promote a fair consumer financial marketplace, and prevent unlawful discrimination.

PERFORMANCE MEASURE

TABLE 14: Supervision activities opened during the fiscal year

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Target	NA	NA	NA	155-170	160-200*	160-200
Actual	149	160	127	150	NA	NA

* The FY 2016 target was adjusted from the FY 2014 annual performance plan and report to reflect significant reductions in the Bureau’s backlog of examination reports.

PROGRESS UPDATE AND FUTURE ACTION

In FY 2015, the CFPB continued implementing its supervision program, opening 150 supervisory activities at large banks and nonbank financial institutions. Examination activities generally focus on one of the following institution product lines (IPLs) or a baseline compliance management system:

- automobile finance origination;

- automobile finance servicing;
- consumer reporting;
- credit card account management;
- debt collection;
- deposits;
- mortgage origination;
- mortgage servicing;
- remittance transfer;
- short term, small dollar lending;
- student loan origination; or,
- student loan servicing.

The exam schedule for FY 2016 was informed by strategic priorities for all areas of compliance, including fair lending, taking into account risk assessments across markets and for each institution. The prioritized exam calendar includes 191 exam events scheduled in 2016. CFPB's risk-based prioritization process allows it to compare product lines at particular institutions across charters and markets. The CFPB's prioritization approach assesses risks to the consumer at two levels: the market level and the institution level. At the market level, the Bureau assesses the risk to the consumer from the products offered and industry practices followed. At the institution level, the Bureau considers asset size and market share, nature of product offered and associated risk, and field market intelligence (FMI). FMI includes qualitative and quantitative factors for each IPL, such as the strength of compliance management systems, the existence of other regulatory actions, findings from CFPB's prior exams, metrics gathered from public reports, the number and severity of consumer complaints received, and fair-lending-focused information.

The CFPB expanded its Supervision and Examination Manual in FY 2015 by adding or revising examination procedures for:

- Mortgage Origination (September 2015)
- TILA Procedures—TILA RESPA Integrated Disclosures, also known as Know Before You Owe Mortgage Disclosures (September 2015)
- RESPA Procedures—TILA RESPA Integrated Disclosures, also known as Know Before You Owe Mortgage Disclosures (September 2015)

- Automobile Finance (June 2015)
- Mortgage Origination (May 2015; *Superseded with the September 2015 update, see above*)
- RESPA Procedures—TILA RESPA Integrated Disclosures, also known as Know Before You Owe Mortgage Disclosures (April 2015; *Superseded with the September 2015 update, see above*)
- TILA Procedures—TILA RESPA Integrated Disclosures, also known as Know Before You Owe Mortgage Disclosures (April 2015; *Superseded with the September 2015 update, see above*)
- Credit Card Account Management (February 2015)

The CFPB continues to coordinate with applicable Federal and state regulators on supervisory activities to minimize regulatory burden, leverage resources, and decrease the risk of conflicting supervisory directives. To facilitate this coordination, the CFPB has memoranda of understanding with, among others, the Federal prudential regulators, the Federal Trade Commission, and over sixty state bank and nonbank supervisory agencies. In addition, the CFPB has a framework with state financial agencies that establishes a dynamic and flexible process for coordination on supervision and enforcement matters.

The CFPB is currently developing a replacement system for the Supervision and Examination System, its system of record for supervision work. The replacement system will organize entities by IPL, capture relationships between entities, schedule examinations, support supervisory workflows, and document the supervision process.

Performance goal 1.2.2 / 1.3.2: Effectively initiate supervisory activities at financial services institutions under the CFPB’s jurisdiction to determine compliance with the Federal fair lending laws, including the Equal Credit Opportunity Act (ECOA) and the Home Mortgage Disclosure Act (HMDA).

The CFPB’s fair lending supervision program assesses whether supervised entities have engaged in, or are engaging in, violations of the Federal fair lending laws within the Bureau’s jurisdiction. The Bureau accomplishes this assessment through examinations that evaluate institutions’ compliance with those laws.

PERFORMANCE MEASURE

TABLE 15: Fair lending supervision activities opened during the fiscal year³

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Target	NA	NA	NA	20-35	20-35	20-35
Actual	67	47	33	27	NA	NA

PROGRESS UPDATE AND FUTURE ACTION

The overall number of Fair Lending supervisory activities has decreased from FY 2013 (47) to FY 2014 (33) and FY 2015 (27) because, in the Bureau's earliest years, Fair Lending conducted baseline risk assessments and information gathering surveys of a large number of institutions. In FY 2015, Fair Lending has continued the process of executing against this earlier baseline work with targeted fair lending reviews, which are more in-depth and take more time and resources than the initial information reviews. The decrease also reflects risk-based prioritization decisions about where to focus supervisory resources, based on past examination work as well as additional prioritization inputs. Hence, there are fewer supervisory reviews overall than in previous periods.

The CFPB publishes *Supervisory Highlights* several times each year to share findings from recent examinations (see Performance goal 1.2.3/1.3.3). In October 2014, the Bureau published the Fall 2014 issue of *Supervisory Highlights* with sections discussing the Bureau's supervisory observations in conducting HMDA Data Integrity Reviews (HMDA Reviews) at dozens of bank and nonbank mortgage lenders, and a discussion of the Bureau's public enforcement action for ECOA violations at GE Capital Retail Bank, now known as Synchrony Bank. The Winter 2015 edition of *Supervisory Highlights* published in March 2015 included information on the Bureau's supervisory observations regarding violations related to the failure of banks and nonbanks to consider forms of income protected by ECOA and Regulation B when applying for credit, such as public assistance income, and also provided information regarding adverse action notice deficiencies and failure to provide these notices in a timely manner. The Winter 2015 edition discussed 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 reminds lenders that requiring unnecessary documentation from consumers who receive Social Security disability income may raise fair lending risk, and calls

³ This indicator includes MRA follow-up reviews starting in FY 2015. In addition, this indicator counts mortgage Targeted ECOA Exams and their associated HMDA Data Integrity Exams separately as two examinations. The overall supervision activities indicator combines mortgage Targeted ECOA Exams and their associated HMDA Data Integrity Exam as a single examination.

attention to standards and guidelines that may help lenders comply with the law. The Summer 2015 edition of *Supervisory Highlights* published in June, 2015 discussed the CFPB bulletin issued on May 11, 2015 that provides guidance to help lenders avoid prohibited discrimination against applicants whose income includes vouchers from the Section 8 Housing Choice Voucher (HCV) Homeownership Program. The bulletin also reminds lenders that discriminating against consumers because some or all of their income is from a public assistance program may violate federal fair lending protections.

Performance goal 1.2.3 / 1.3.3: Issue examination reports within the CFPB’s established time periods following the close of examinations.

Effective supervision of financial institutions to foster compliance with Federal consumer financial laws requires prompt notice to institutions of matters requiring their attention and action to avoid further violations or consumer harm. A thorough report development and review process ensures high-quality reports that appropriately explain what the examination team found and why corrective actions, if any, are expected.

PERFORMANCE MEASURE

TABLE 16: Percentage of examination reports issued within an established period following the close of examinations

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Target	NA	Baseline	50%	60%	60%	60%
Actual	NA	15%	25%	28%	NA	NA

PROGRESS UPDATE AND FUTURE ACTION

The CFPB continues to focus on issuing high-quality examination reports and supervisory letters in a timely manner. During FY 2015, Supervision continued to analyze the report development and review processes to determine methods for improving and increasing effectiveness and efficiency. Based on that review, Supervision modified its processes to account for the need to analyze information obtained after examiners complete the on-site portion of an examination and to better monitor reports that do not meet processing milestones. Based on that review, Supervision modified its processes to account for the need to analyze information obtained after examiners have completed the on-site portion of an examination, and to better monitor reports that do not meet processing milestones.

Additionally, in Q4 FY 2015, Supervision began a new project that will include a review of current templates for supervisory letters and examination reports. The project will look for areas that can

be streamlined without losing key content that should be communicated to supervised entities.

Even after the implementation of these improvements, the CFPB will continue to review and analyze its processes to determine methods for improvement and increased effectiveness and efficiency. The CFPB intends to be transparent about the goals of its supervision program and the steps being taken to achieve those goals, while protecting the confidentiality of the underlying financial institution-specific information.

In line with the CFPB's commitment to transparency, the CFPB has and will continue to publish *Supervisory Highlights* several times per year to share findings from recent examinations. In addition to these findings—which are communicated without identifying specific institutions, except for enforcement actions already made public—*Supervisory Highlights* shares remedies that Supervision has obtained for consumers who suffered financial or other harm as a result of violations of law. The purpose of this publication is to provide the public—and in particular, industry—information about supervisory expectations and compliance problems found in examinations so that industry can meet those expectations and improve compliance as needed.

The CFPB published three editions of *Supervisory Highlights* in FY 2015.

- Fall 2014 (Issue 6)—October 28, 2014: This issue of *Supervisory Highlights* reports examination findings in the areas of mortgage servicing, student loan servicing, consumer reporting, debt collection, and deposits. The report highlights supervision work generally completed between March 2014 and June 2014 and includes information about public enforcement actions that resulted, at least in part, from the Bureau's supervisory work.
- Winter 2015 (Issue 7)—March 11, 2015: This issue of *Supervisory Highlights* includes examination findings in the areas of mortgage origination, consumer reporting, debt collection, fair lending, and deposits. It highlights supervision work generally completed between July 2014 and December 2015 and includes information about remedial actions that resulted, at least in part, from the Bureau's supervisory work.
- Summer 2015 (Issue 8)—June 23, 2015: Issue 8 of *Supervisory Highlights* covers examination findings in the areas of mortgage origination, fair lending, mortgage servicing, deposits, short term, small dollar lending, and debt collection. It highlights supervision work generally completed between January 2015 and April 2015 and includes information about recent public enforcement actions that were a result, at least in part, of CFPB's supervisory work. This report also includes information on recent supervision program developments, such as updated mortgage origination examination procedures reflecting mortgage disclosure changes, as well as more information on CFPB's risk-based approach to supervision.

Performance goal 1.2.4 / 1.3.4: Supervisory matters requiring attention resolved by the prescribed timeframe.

The CFPB monitors institutions that receive notice of matters requiring attention to ensure that corrective actions are taken within the prescribed timeframe in response to supervisory activities, which fosters compliance with Federal consumer financial laws and promotes a fair consumer financial marketplace.

PERFORMANCE MEASURE

TABLE 17: The percentage of supervisory matters requiring attention resolved by the prescribed timeframe in response to supervisory activities

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Target	NA	Baseline	80%	80%	80%	80%
Actual	NA	62%	90%	97%	NA	NA

PROGRESS UPDATE AND FUTURE ACTION

Deliberate efforts were made in FY 2014 to ensure CFPB allotted more realistic and reasonable timeframes for supervised institutions to correct matters requiring attention. Regions placed further emphasis on timeframe follow-up to ensure supervised institutions complied with prescribed deadlines.

The CFPB continues to conduct on-site reviews of particular issues or actions that may require independent validation.

Performance goal 1.2.5 / 1.3.5: Cooperate and share information with its partners in local, state, and federal law enforcement as part of its efforts to protect consumers, deter wrongdoers, and build a better marketplace.

This indicator ensures that the CFPB works well with its partners at the local, state, and federal level to share information, subject to the Bureau’s regulations, policies on information sharing, and other legal restrictions, across jurisdictions and to make the best use of limited resources.

PERFORMANCE MEASURE

TABLE 18: Instances in which the CFPB obtains information from local, state, or federal law enforcement partners that contributes to CFPB law enforcement actions, or investigations in which the CFPB cooperates or shares information with law enforcement partners.⁴

	FY 2012	FY 2013	FY 2014	FY 2015	FY2016	FY2017
Target	NA	NA	NA	Share requested investigative information*	Share requested investigative information*	Share requested investigative information*
Actual	22	80	280	186	NA	NA

* When investigative information is requested by law enforcement and regulatory agencies, share responsive information where permissible under relevant law and appropriate under the circumstances

PROGRESS UPDATE AND FUTURE ACTION

The Bureau continues to cultivate strong working relationships with its partners at federal, state, and local regulators and law enforcement agencies. In May 2013, the Bureau entered into a framework with state financial regulatory authorities that established a dynamic and flexible process for coordination on supervision and enforcement matters. Since opening its doors in July 2011, the Bureau has signed more than 60 information-sharing MOUs with federal, state, and local governmental agencies. On September 2, 2015, the Bureau and HUD signed a Memorandum of Understanding, delineating among other things, how each agency will use and properly share information to enhance fair lending compliance and interagency collaboration. In particular, HUD will have access to the Bureau’s Government Portal which will allow HUD to view the Bureau’s consumer complaints. HUD, in turn, will provide quarterly reports to the Bureau that describes the fair lending complaints that it has received.

This fiscal year, the Bureau has shared investigative information with more than 107 different government agencies in 186 matters and will continue to coordinate and cooperate with its partners in the Bureau’s efforts to protect consumers. The Bureau is committed to maximizing its ability to protect and assist consumers in coordination with its partners while also ensuring that confidential information relating to consumers and businesses is appropriately protected.

⁴ For this measure, the Bureau reports each instance when information is shared for the same investigation or in other circumstances as one instance.

Performance goal 1.2.6 / 1.3.6: Where the Bureau determines enforcement action is warranted, file or settle action within two years of opening its investigation.

Filing enforcement actions in a timely manner is an important measure of the CFPB’s effectiveness. The Bureau seeks to balance the need to effectively pursue complex and time-consuming cases while minimizing any unnecessary delay between conduct and resolution. Timely pursuit of resolutions increases deterrence and provides consumers with greater protections of law.

PERFORMANCE MEASURE

TABLE 19: Where the Bureau determines enforcement action is warranted, file or settle action within two years of opening its investigation

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Target	NA	Baseline	Baseline	65%	65%	65%
Actual	NA	Baseline under development	75%	70%	NA	NA

PROGRESS UPDATE AND FUTURE ACTION

Following the determination that enforcement action is warranted, each matter is reviewed at regular intervals to ensure that it is progressing in a timely manner. The CFPB believes the target chosen is reasonable based on the Bureau’s experience so far and the experience of other similar enforcement agencies. The CFPB will, however, continue to monitor this to assess whether it is an appropriate way to measure the Bureau’s performance going forward.

Performance goal 1.2.7 / 1.3.7: Successfully resolve the cases the CFPB files in court and administrative adjudicative proceedings whether by litigation, settlement, issuance of a default judgment, or other means.

This measure ensures that the CFPB successfully resolves as many actions as possible while, at the same time, pursuing complex and challenging actions when appropriate, even when success is not assured.

PERFORMANCE MEASURE

TABLE 20: The percentage of all cases concluded by the CFPB that were successfully resolved through litigation, a settlement, issuance of a default judgment, or other means

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Target	NA	75%	75%	75%	75%	75%
Actual	100%	100%	100%	100%	NA	NA

PROGRESS UPDATE AND FUTURE ACTION

During FY 2015, the CFPB successfully resolved over 50 cases against corporate or individual entities through litigation, a settlement, issuance of default judgment, or other means. Through CFPB's successfully resolved cases, the Bureau helped secure restitution, principal reductions, cancelled debt, and other relief for consumers. Some of the Bureau's actions also resulted in civil penalties, which are paid to the Bureau's CPF, which is used to compensate harmed consumers and provide financial education. The following is a brief discussion of some of these successfully-resolved matters.

The Bureau took action against Sprint Corporation and Verizon Wireless to address their illegally billing wireless consumers hundreds of millions of dollars in unauthorized third-party charges. At the Bureau's request, federal courts ordered Verizon and Sprint to pay a total of \$120 million in redress directly to consumers. These actions, which were coordinated with the Federal Communications Commission and state attorneys general, also resulted in \$38 million in state and federal fines and penalties.

The Bureau took its first enforcement action to protect consumers against illegal overdraft fees, ordering Regions Bank to pay approximately \$49 million in consumer relief and a \$7.5 million penalty.

In partnership with the Navajo Nation, the Bureau helped halt an illegal tax refund scheme run by S/W Tax Loans, Inc. that used tax-preparation franchises to steer low-income consumers, including many citizens of the Navajo Nation, toward high-cost refund-anticipation loans. CFPB's action resulted in a court order of approximately \$254,000 in consumer redress and required the defendants to pay \$438,000 in civil penalties. Furthermore, the final order bars the individual defendants from offering financial products associated with tax refunds and from investing, financing, or working for any entity that offers such products for a period of five years.

Along with authorities in 47 states, the Bureau took action against JPMorgan Chase for selling bad credit card debt and illegally robo-signing court documents. The Bureau and the states

found that Chase sold “zombie debts” to third-party debt buyers, which include accounts that were inaccurate, settled, discharged in bankruptcy, not owed, or otherwise not collectible. The Bureau’s order required Chase to permanently cease all attempts to collect, enforce in court, or sell more than 528,000 consumers’ accounts. Chase was also ordered to pay at least \$50 million in cash refunds to consumers, as well as \$136 million in penalties to the CFPB and the states.

The CFPB took action against Encore Capital Group and Portfolio Recovery Associates (PRA), the two largest debt buyers in the country, for their illegal debt collection activities. The Bureau found that Encore Capital Group and PRA bought debts that were potentially inaccurate, lacking documentation, or unenforceable. Without verifying the debt, the companies collected payments by pressuring consumers with false statements and filing lawsuits using robo-signed affidavits. The CFPB ordered the companies to overhaul their debt collection and litigation practices, stop reselling debts to third parties, and stop collecting on certain debts. As a result of the Bureau’s action, Encore will pay up to \$42 million in consumer relief and PRA will pay \$19 million. Encore and PRA will also pay penalties of \$10 million and \$8 million, respectively.

Performance goal 1.2.8 / 1.3.8: Successfully resolve the fair lending cases the CFPB files in court and administrative adjudicative proceedings, whether by litigation, settlement, issuance of a default judgment, or other means.

When the Dodd-Frank Act created within the CFPB an Office of Fair Lending and Equal Opportunity, it set forth as one of that Office’s functions the enforcement of Federal fair lending laws, including ECOA and HMDA. The CFPB seeks to successfully resolve as many fair lending actions as possible while, at the same time, pursuing complex and challenging actions when appropriate, even when success is not assured.

PERFORMANCE MEASURE

TABLE 21: The percentage of all fair lending cases concluded by the CFPB that were successfully resolved through litigation, a settlement, issuance of a default judgment, or other means

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Target	NA	75%	75%	75%	75%	75%
Actual	100%	NA*	100%	100%	NA	NA

* Although the stipulation for the two public enforcement actions was executed in September 2013, the denominator for this goal is zero because the consent orders were executed in October 2013, and the result is “NA”. These two matters are counted as successfully resolved in the FY2014 results.

PROGRESS UPDATE AND FUTURE ACTION

In FY 2015, the Bureau successfully resolved, through consent orders, all four fair lending public enforcement actions concluded that year. On May 28, 2015, the CFPB and the DOJ filed a joint complaint against Provident Funding Associates (Provident) alleging discrimination in mortgage lending, along with a proposed order to settle the complaint, which was entered by the court on June 18, 2015. The complaint alleges that from 2006 to 2011, Provident charged over 14,000 African-American and Hispanic borrowers more in brokers' fees than similarly-situated non-Hispanic white borrowers on the basis of race and national origin. The complaint alleges that Provident's conduct constituted discrimination in violation of ECOA. Provident is required under the order to pay \$9 million in damages to harmed African-American and Hispanic borrowers.

On July 14, 2015, CFPB and DOJ resolved an action with American Honda Finance Corporation (Honda), requiring Honda to put in place new measures to address discretionary auto loan pricing and compensation practices. Honda's past practices resulted in thousands of African-American, Hispanic, and Asian and Pacific Islander borrowers paying higher interest rates than similarly-situated non-Hispanic white borrowers for their auto loans. As part of the resolution, Honda changed its pricing and compensation system to substantially reduce dealer discretion and minimize the risks of discrimination, and is required to pay \$24 million in damages to affected borrowers.

On September 24, 2015, the CFPB and the DOJ filed a joint complaint against Hudson City Savings Bank (Hudson City)⁵ alleging unlawful redlining practices in mortgage lending that denied residents in majority-Black-and-Hispanic neighborhoods fair access to mortgage loans. The complaint alleges that from at least 2009 to 2013 Hudson City illegally redlined by providing unequal access to credit to neighborhoods in New York, New Jersey, Connecticut, and Pennsylvania. Specifically, Hudson City structured its business to avoid and thereby discourage residents in majority-Black-and-Hispanic neighborhoods from accessing mortgages. The proposed consent order was entered by the court on November 4, 2015, requiring Hudson City to pay \$25 million in direct loan subsidies to qualified borrowers in the affected communities, \$2.25 million in community programs and outreach, and a \$5.5 million penalty. This represents the largest redlining settlement in history as measured by such direct subsidies.

On September 28, 2015, CFPB and DOJ resolved an action with Fifth Third Bank (Fifth Third), requiring Fifth Third to put in place new measures to address discretionary auto loan

⁵ On September 30, 2015, the Board of Governors of Federal Reserve System approved M&T Bank Corporation's (M&T) application to acquire Hudson City Bancorp, Inc. and its subsidiary Hudson City Savings Bank, F.S.B. and the merger of Hudson City Savings Bank, F.S.B. with and into M&T's subsidiary, Manufacturers Banking and Trust Company (M&T Bank), with M&T Bank as the surviving institution.

pricing and compensation practices. Fifth Third's past practices resulted in thousands of African-American and Hispanic borrowers paying higher interest rates than similarly-situated non-Hispanic white borrowers for their auto loans. As part of the resolution, Fifth Third will change its pricing and compensation system by substantially reducing discretionary mark ups to minimize the risks of discrimination. The consent orders require that Fifth Third pay \$18 million in damages to affected borrowers.

GOAL 2

Empower consumers to live better financial lives

TABLE 22: Budget for goal 2, by program (*\$ in the millions*)

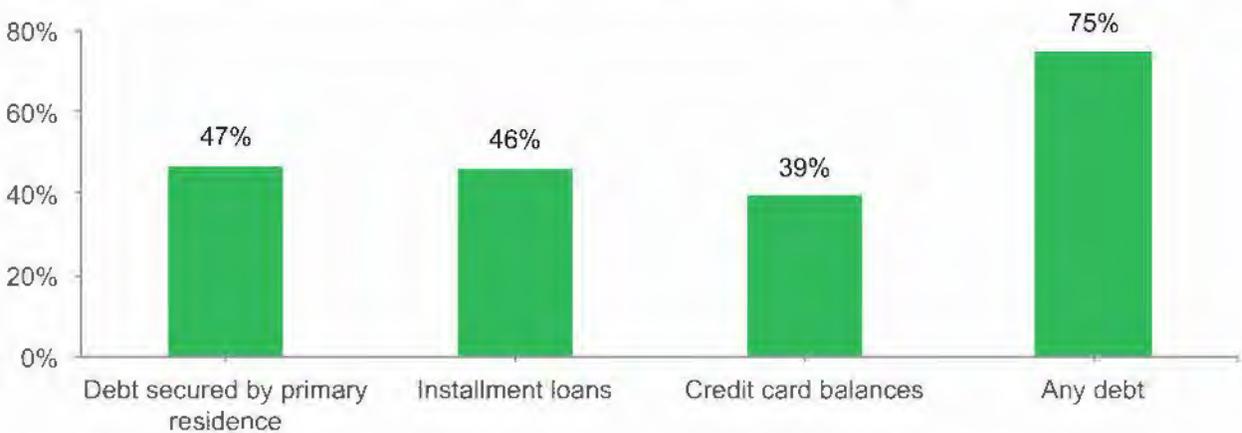
Goal 2	FY 2015	FY 2016	FY 2017
Office of the Director	\$1.4	\$1.2	\$1.4
Operations	-	\$0.3	\$0.3
Operations - Consumer Response	\$50.8	\$59.3	\$63.7
Consumer Education and Engagement	\$22.4	\$38.1	\$39.1
Legal	\$1.0	\$1.1	\$1.2
External Affairs	\$1.0	\$1.2	\$1.4
Other Programs	\$0.1	\$0.2	\$0.1
Centralized Services	\$31.2	\$30.2	\$32.7
Total	\$107.9	\$131.6	\$139.9

Introduction

FIGURE 2: Percentage of American families affected by select financial products, by type of asset⁶



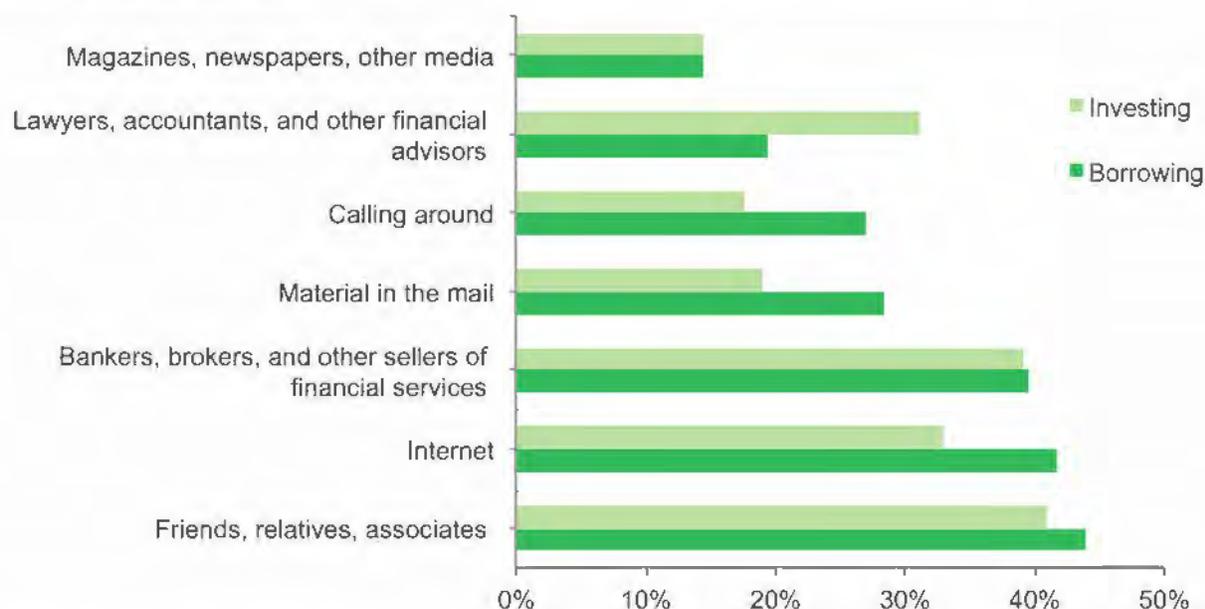
FIGURE 3: Percentage of American families affected by select financial products, by type of debt



The CFPB works to empower consumers with the knowledge, tools, and capabilities they need in order to make better-informed financial decisions by engaging them in the right moments of their financial lives, when they are most receptive to seeking out and acting on assistance. To that end, the CFPB will develop and maintain a variety of tools, programs, and initiatives that provide targeted, meaningful, and accessible assistance and information to consumers at the moment they need it both directly and through others who reach consumers directly.

⁶ Federal Reserve Board, "Changes in U.S. Family Finances from 2007 to 2010: Evidence from the Survey of Consumer Finances," Federal Reserve Bulletin, Vol 98, No 2, June 2012, pp. 28, 61, www.federalreserve.gov/pubs/bulletin/2012/pdf/scf12.pdf (Last viewed 8/23/2012)

FIGURE 4: Percentage of American families obtaining information about borrowing or investing through various sources⁷



Differences in financial education, capabilities, and skills complicate efforts to encourage better informed financial decision-making. Consumers represent diverse populations with diverse financial needs, choices, and challenges, and they seek out information about financial choices using a variety of channels. Therefore, the CFPB must be flexible and adaptable in addressing the highly diverse needs of American consumers. In addition to analyzing consumer complaints and pursuing financial research and training, the Bureau can accomplish this by ensuring that the Bureau’s workforce reflects the faces, ideas, backgrounds, and experiences of the American public.

The CFPB will reach its second goal by achieving the following two outcomes:

1. **Outcome 2.1:** Collect, monitor, respond to and share data associated with consumer complaints and inquiries regarding consumer financial products or services.
2. **Outcome 2.2:** Help consumers understand the costs, risks, and tradeoffs of financial decisions; build trusted relationships that are interactive and informative to help consumers take control of their financial choices to meet their own goals; and raise the effectiveness of those who provide financial education services to increase financial literacy.

⁷ Federal Reserve Board, “Changes in U.S. Family Finances from 2007 to 2010: Evidence from the Survey of Consumer Finances,” Federal Reserve Bulletin, Vol 98, No 2, June 2012, pg. 19, www.federalreserve.gov/pubs/bulletin/2012/pdf/scf12.pdf (Last viewed 8/23/2012)

Outcome 2.1

Collect, monitor, respond to and share data associated with consumer complaints and inquiries regarding consumer financial products or services.

Outcome leader: Associate Director, Operations

Background

The CFPB provides direct assistance to consumers, in real time, through Consumer Response. Consumer Response 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. Complaints inform the Bureau about business practices that may pose risks to consumers and help with the CFPB's work to supervise companies, enforce Federal consumer financial laws, and write better rules and regulations. In FY 2015, Consumer Response handled approximately 265,500 complaints.

TABLE 23: Top consumer complaints in FY 2015

Complaint Category	Approximate number of complaints
Debt Collection	84,700
Credit Reporting	54,300
Mortgage	50,400
Credit Card	20,800
Bank Account or Service	20,700
Consumer Loan	13,000
Student Loans	7,500
Payday Loan	5,700
Money Transfers	2,200
Prepaid	2,100
Other Financial Services	1,700

TABLE 24: Top 3 issues for top 5 products in FY 2015

Issue type	Number of complaints
Debt Collection	
Continued attempts to collect debt not owed	34,000
Communication tactics	15,200
Taking or threatening an illegal action	12,600
Credit Reporting	
Incorrect information on credit report	43,400
Credit reporting company's investigation	4,200
Unable to obtain report or score	3,300
Mortgage	
Problems when unable to pay	22,700
Making payments	18,600
Applying for the loan	4,300
Credit Card	
Billing disputes	3,300
Other	2,600
Identity theft / Fraud / Embezzlement	2,300
Bank Account or Service	
Account management	8,800
Deposits and withdrawals	5,400
Sending or receiving payments	2,700

Consumer Response handled approximately 265,500 consumer complaints across all products in FY 2015—about 10% more complaints than in FY 2014. Consumers submitted approximately 84,700 debt collection complaints and 54,300 credit reporting complaints, making those the most complained about products and services in FY 2015.

Strategies and investments

The following strategies and investments have been put in place to help the CFPB achieve outcome 2.1.

Strategies

- Collect, analyze, and leverage Consumer Response operational data to enable continuous improvement of the Bureau's services to consumers.
- Develop a seamless approach to delivery of appropriate and useful Consumer Response data within the CFPB and to the public so that information is timely, understandable, and maintains consumer privacy.
- Automate key internal operational systems, particularly the intake and routing process, in order to effectively scale Consumer Response operations.
- Maintain a robust training and development program to support Consumer Response operations as volume increases.

Investments

PERSONNEL

Hire additional staff to support intake, investigations, and data analysis in order to review, route, and address consumer complaints.

CONSUMER RESPONSE SYSTEM AND CONTACT CENTER SUPPORT

Make system investments in order to support the expansion of complaint handling capacity, improve the ease of use of the consumer and company portals, continue developing a scalable, risk-based approach to addressing consumer complaints, and make complaint data available to stakeholders through portals and via expansions to the existing public Consumer Complaint Database.

CONSUMER RESPONSE OPERATIONAL AND PROGRAM SUPPORT

Assist ongoing internal work to execute and refine its operations strategy, focusing on operational support, performance management support, and performance improvement services.

CONSUMER RESPONSE SYSTEM—COMPLAINT ANALYTICS

Complaint analytics will enable the Bureau to classify and review complaints, scrub sensitive

information from complaints, weigh risks related to complaints for prioritization, detect emerging trends, analyze patterns, and conduct similarity analyses to glean more insights from complaints to support Bureau work.

OPTIMIZE CFPB COMMUNICATION AND CONSUMER ENGAGEMENT CHANNELS

Improve the user experience according to the consumer’s needs, whether related to submitting a complaint, accessing complaint data, or learning about managing important financial decisions.

Performance goals

The CFPB will assess the progress on achieving outcome 2.1 through the following three performance goals:

Performance goal 2.1.1: Decrease time between receiving and closing a complaint.

Facilitate efficient handling of a consumer complaint throughout the complaint process.

PERFORMANCE MEASURES⁸

Intake cycle time

TABLE 25: Ensure complaints are routed to companies for response in a timely manner

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Target	NA	3 days	3 days	2 days	2 days	2 days
Actual	7 days	1 day	1 day	1 day	NA	NA

Company cycle time

TABLE 26: Ensure companies provide timely responses to consumer complaints

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Target	NA	15 days				
Actual	14 days	12 days	12 days	11 days	NA	NA

⁸ In the 2014 Performance Plan and Report, the Investigations Cycle Time performance measure was phased out due to increased complaint volume, which necessitated an operational shift in Consumer Response. Beginning in FY 2015 the Bureau will prioritize and focus on the continued success of its efforts surrounding complaint intake, company response, and consumer review cycle times.

Consumer cycle time

TABLE 27: Ensure consumers have adequate time to review company responses

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Target	NA	30 days				
Actual	16 days	4 days	2 days	1 day	NA	NA

PROGRESS UPDATE AND FUTURE ACTION

Complaint volume increased about 10% from approximately 240,600 complaints in FY 2014 to approximately 265,500 complaints in FY 2015. Consumer Response continued to refine its complaint handling processes and systems in FY 2015, increasing efficiencies through process improvements and by adding automation where possible and improving its overall complaint handling operation.

Performance goal 2.1.2: Facilitate the timely response to consumer complaints by companies.

The CFPB facilitates timely response to consumer complaints by using a dedicated company portal to route complaints to companies for response. The company portal is the primary interface between the CFPB and companies. It is an online electronic delivery system that provides secure access and allows companies to view and respond to consumer complaints.

PERFORMANCE MEASURE

TABLE 28: The percentage of complaints routed through the dedicated company portal

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Target	NA	85%	87%	89%	91%	93%
Actual	83%	87%	91%	94%	NA	NA

PROGRESS UPDATE AND FUTURE ACTION

In FY 2015, the CFPB established company portal access and trained staff of approximately 950 companies to respond to complaints on the portal and made routing improvements to exceed the target. In FY 2016, the Bureau will continue its work to ensure companies can access and use the company portal to provide timely responses to consumer complaints.

Performance goal 2.1.3: Expand capacity to handle consumer complaints.

Consumer complaints inform the Bureau about business practices that may pose risks to consumers and help with the CFPB's work to supervise companies, enforce Federal consumer financial laws, and write better rules and regulations.

PERFORMANCE MEASURES

TABLE 29: Number of consumer complaints handled

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Target	NA	125,000	200,000	225,000	275,000*	300,000
Actual	74,000	144,000	240,600	265,500	NA	NA

* The FY 2016 target was increased by 15,000 compared to the FY 2014 annual performance plan and report based on FY 2015 actual results.

TABLE 30: Percentage of complaints received via web channel

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Target	NA	NA	NA	66%	68%	70%
Actual	NA	NA	NA	70%	NA	NA

PROGRESS UPDATE AND FUTURE ACTION

The Bureau expanded its public Consumer Complaint Database, which was initially launched in June 2012 and populated with credit card complaints, to include complaints about additional products. In FY 2013, the Bureau added complaint data about mortgages, bank accounts and services, private student loans, other consumer loan complaints, credit reporting, and money transfer complaints as well as fields for sub-issue and state. In November 2013, debt collection complaints were added to the database. Payday complaints were added to the database in July 2014, and in January 2015 the Bureau added prepaid cards, other consumer loans (pawn and title loans), and other financial services to the database. In June 2015, the Bureau began publishing consented-to consumer complaint narratives and optional public company responses for complaints submitted on or after March 19, 2015 with consumer opt-in consent.

Accepting complaints about a broad range of consumer financial products and services and the growing public awareness of the Bureau's tools and resources likely contributed to exceeding the total volume target again in FY 2015. The Bureau will continue to expand its complaint handling capacity to accept other products and services under its authority over time.

Outcome 2.2

Help consumers understand the costs, risks, and tradeoffs of financial decisions; build trusted relationships that are interactive and informative to help consumers take control of their financial choices to meet their own goals; and raise effectiveness of those who provide financial education services to increase financial literacy.

Outcome leader: Associate Director, Consumer Education and Engagement

Background

The CFPB works to provide consumers with the information, knowledge, skills and financial capability needed to make well-informed decisions that serve their own life goals. The Bureau also works to enhance the financial knowledge and capability of the country as a whole. In addition to improving overall financial capability, the CFPB focuses on addressing the unique financial challenges faced by four specific populations.

Students

The benefits of higher education are well documented. Four-year college graduates experience a number of economic benefits over high school graduates, including higher median earnings and lower unemployment rates. Evidence indicates that these disparities are growing.¹⁰ Demand for higher education and college financing are at all-time highs. Over the past decade, the size of the student loan market has been increasing steadily. At over \$1.2 trillion in loans outstanding, the market for student loans is now the second largest component of household debt after mortgages.¹¹ In 2015, the Bureau noted that this market continues to show elevated levels of borrower distress,

27.5
MILLION

Population enrolled
in colleges and
universities⁹

9 U.S. Department of Education, National Center for Education Statistics, 2014 Digest of Education Statistics: Total 12-month enrollment in degree-granting postsecondary institutions, by control and level of institution and state or jurisdiction: 2011-12 and 2012-13, available at https://nces.ed.gov/programs/digest/d14/tables/dt14_308.10.asp (Last viewed 11/04/2015)

10 College Board Advocacy and Policy Center, "Education Pays 2010 In Brief: The Benefits of Higher Education for Individuals and Society," 2010, <http://trends.collegeboard.org/sites/default/files/brief/education-pays-2010-in-brief.pdf> (Last viewed 2/14/2013)

11 The Department of Education and Consumer Financial Protection Bureau, "Private Student Loans Report," July 20, 2012, <http://www.consumerfinance.gov/reports/private-student-loans-report/> (last viewed 9/10/12)

observing that more than one in four student loan borrowers are past due or in default.¹²

Older Americans

Aging poses a number of unique financial challenges. Older Americans face complicated decisions about finances, retirement, and long-term planning. On average, Americans reaching age 65 today will live to about age 85.¹⁴ Consequently, consumers today will likely need sufficient income and savings to cover 20 years or more in retirement. In addition, retirement years may be more expensive than retirees expect as many will incur increased health and housing expenses in their later years,¹⁵ and many carry mortgages and other debts into retirement.¹⁶ Furthermore, with the decline in coverage from traditional pension plans that pay a regular monthly payment, Social Security is the only guaranteed monthly income for an estimated 69 percent of older consumers.¹⁷

57
MILLION

Population age 62 and older¹³

Servicemembers

The CFPB believes servicemembers should be able to accomplish their mission without worrying about illegal or harmful financial practices. Military life has extra challenges with powerful financial repercussions for uniformed military personnel, veterans, military retirees, and their families. The Office of Servicemember Affairs focuses on addressing these financial challenges through educational initiatives, complaint monitoring, and partnering with other Federal and state agencies on consumer protection measures for the military.

22
MILLION

Servicemember population (including veterans)¹⁸

12 Consumer Financial Protection Bureau, Student Loan Servicing (September 2015), available at http://files.consumerfinance.gov/f/201509_cfpb_student-loan-servicing-report.pdf.

13 U.S. Census Bureau, 2014 American Community Survey, Table DP05 ACS Demographic And Housing Estimates. Available at http://factfinder.ceusus.gov/bkmmk/table/1.0/eu/ACS/14_1YR/DP05

14 See, Social Security Administration, Calcnlators: Life Expectancy (2015), at <http://www.ssa.gov/planners/lifeexpectancy.html> (last visited October 1, 2015).

15 See e.g. Sudipto Banerjee, How Does Household Expenditure Change With Age for Older Americans?, EBRI Issue Brief, No. 9 (Sept. 2014), <http://www.ebri.org/pdf/notespdf/Notes.Sept14.EldExp-Only.pdf>.

16 See CFPB, Snapshot of older consumers and mortgage debt (May 2014), http://files.consnmerfinance.gov/f/201405_cfpb_suapshot_older-consumers-mortgage-debt.pdf

17 CFPB, *Issue Brief: Social Security claiming age and retirement security* (Nov. 2015), at 7, available at http://files.consumerfinance.gov/f/201511_cfpb_issue-brief-social-security-claiming-age-and-retirement-secnrity.pdf

18 National Center for Veterans Analysis and Statistics “Veteran Population Projects; FY 2000 to FY 2036;” October 2010, http://www.va.gov/vetdata/docs/QuickFacts/population_quickfacts.pdf (last viewed 8/30/2012)

Low-income and economically vulnerable

The CFPB focuses on identifying approaches that help this population achieve economic stability and works to ensure that the financial marketplace works for all consumers, including those who have been traditionally underserved.

60.5
MILLION

Unbanked or
underbanked adults¹⁹

46.7
MILLION

Live below the official
poverty line²⁰

Strategies and investments

The following strategies and investments have been put in place to help the CFPB achieve outcome 2.2.

Strategies

- Provide tools and information to the public to help individuals make decisions about money that will serve their own life goals.
- Analyze consumer financial experiences and complaints to help shape policy and practices to make the financial environment safer and more beneficial for consumers.
- Collaborate with third parties to encourage the development of effective financial skills and habits by adding financial capability training to other types of social service programs.
- Strengthen the impact and effectiveness of K-12 and adult financial education by fostering take-up of best practices, facilitating partnerships, and identifying gaps and seeking to fill them.

Investments

PERSONNEL

Maintain strong, expert staff to develop and implement financial education, consumer engagement, community partnerships, policy, and research activities.

CONSUMER SERVICES AWARENESS BUILDING

This investment allows the CFPB to increase consumer awareness of the CFPB's tools and resources. Through this investment, the CFPB is able to reach the public directly to highlight helpful services and information such as Ask CFPB, Consumer Response, Paying for College, and Owning a Home.

¹⁹ Federal Deposit Insurance Corporation, "2013 National Survey of Unbanked and Underbanked Households," 2014, <https://www.fdic.gov/householdsurvey/2013execsumm.pdf>

²⁰ US Census Bureau Income, Poverty and Health Insurance Coverage in the United States: 2014 <https://www.census.gov/content/dam/Census/library/publications/2015/demo/p60-252.pdf>

CONSUMER EDUCATION INITIATIVES

Continue to develop consumer education initiatives on specific topics with targeted information to communicate financial education information to a diverse range of audiences. The topics include education about mortgages, retirement, and other money issues. The approaches include delivery of financial education through libraries and other intermediaries.

UNDERSERVED AND SPECIAL POPULATIONS PROGRAMS AND OUTREACH

Support demonstration or pilot projects for improving financial decision-making for underserved and special populations, including youth, low-income Americans, older Americans, servicemembers and veterans, and other specific populations. Continue to develop and distribute financial education and empowerment information for various populations including servicemembers and veterans, students, older Americans, people who are low-income, or economically vulnerable including people with disabilities, and other specific consumer populations. The goal of distributing these materials is to provide information to special populations and the intermediaries that serve them to improve the financial security of consumers.

CONSUMER EXPERIENCE PROGRAM

Enable the CFPB to continue to research, design, develop, launch, and to continually optimize consumer-facing products available through consumerfinance.gov, and to execute strategies to increase awareness of and engagement with these products. The Consumer Experience Program provides useful tools with actionable advice to consumers navigating the most difficult and significant financial decisions they face in the marketplace, including paying for college and owning a home. The CFPB will optimize consumer experience through the use of various communication channels to support the goal of improving consumers' financial education and ability to manage important financial decisions to meet their own life goals.

YOUR MONEY, YOUR GOALS

The Bureau has launched the Your Money, Your Goals program to help consumers manage their finances by identifying financial goals, creating savings plans, and managing debt. We have developed toolkits to help staff in social services and legal aid organizations, community volunteers, and worker organizations to “have the money talk” in ways that work within their service delivery models. In FY 2014 and FY 2015, the Bureau developed partnerships with 10 national, state, tribal, and local organizations and trained over 6,000 frontline social services staff across their networks.

Additional investments supporting this outcome can be found under Outcome 3.2.

Performance goals

The CFPB will assess the progress on achieving outcome 2.2 through the following three performance goals:

Performance goal 2.2.1: Significantly increase targeted outreach activities and digital education materials in order to engage consumers at the right moment.

The CFPB works to arm consumers with the knowledge, tools, and capabilities they need in order to make better informed financial decisions that serve their own life goals by engaging them at the right moments of their financial lives, in moments when the consumer is most receptive to seeking out and acting on assistance. To that end, the CFPB offers and continues to develop a variety of tools, programs, and initiatives that provide targeted, meaningful, and accessible assistance and information to consumers around life moments that correspond to major financial choices and other money decisions with significant life consequences.

PERFORMANCE MEASURES

TABLE 31: Targeted populations or organizations directly serving targeted populations reached by digital content, decision tools, educational materials and resources.²¹

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Target	NA	808,114	5,000,000	6,500,000	7,500,000	8,500,000
Actual	404,057	1,903,417	5,600,000	6,804,977	NA	NA

TABLE 32: Percentage of new users to ConsumerFinance.gov

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Target	NA	NA	NA	65%	65%	65%
Actual	NA	61%	60%	67%	NA	NA

²¹ The actuals and targets represent unique web visitors only. As the CFPB expands data collection capabilities on outreach activities, additional content will be included in this measure.

TABLE 33: Fulfillment orders for print materials²²

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Target	NA	NA	NA	1,500,000	1,750,000	2,000,000
Actual	NA	NA	NA	3,184,250	NA	NA

PROGRESS UPDATE AND FUTURE ACTION

In FY 2015, the CFPB continued to serve consumers with just-in-time financial information through Ask CFPB, an online database of consumers' common questions around financial products and services. The CFPB launched a major release of *Owning a Home*, an online suite of information and tools designed to encourage and support mortgage shopping and to help consumers understand their choices and decision points as they select a better mortgage. The CFPB also made investments in building awareness of this and other Bureau resources that will maximize the awareness and value of the Bureau's various products for consumers.

In FY 2016, the CFPB will continue expanding and improving its existing suite of consumer experience products, e.g., by launching a *Planning for Retirement* tool, and updating its *Paying for College* and *Ask CFPB* tools. The Bureau's strategy to increase public awareness and use of its tools and resources will be supported by investments to maximize their reach and impact.

Performance goal 2.2.2: Improve the understanding of successful financial decision-making approaches by identifying key success factors in financial health.

The CFPB believes that financial education's primary goal is to help consumers take the steps necessary to make choices that will improve their financial well-being. However, very little empirical research has been conducted regarding what variables measure financial health in terms of real-world outcomes for consumers. By defining these variables through data-driven research, the Bureau will be able to define what knowledge and skills are associated with financial well-being. This research will inform the Bureau's ongoing efforts to identify, highlight, and spread effective approaches to financial education.

²² Print materials available through the CFPB GPO fulfillment page (<http://promotions.usa.gov/cfpbpubs.html>).

PERFORMANCE MEASURE

TABLE 34: Tools created to identify key success factors in financial education

	Target	Actual
FY 2012	NA	NA
FY 2013	Identify variables that are likely to be key drivers of financial health	Identified the variables that are likely to be key drivers of financial health
FY 2014	Develop and test metrics (questions) that accurately measure these variables	Developed and began testing metrics to measure financial well-being and associated variables
FY 2015	Develop and implement framework for integration into Consumer Education and Engagement Activities; Complete testing financial health metrics	Issued consumer-centric definition of financial well-being, finalized reliable and valid survey scale and scoring procedure for measurement of financial well-being for adults. Developed and integrated into Consumer Education and Engagement Activities a framework of concepts derived from insights gathered through financial well-being research activities
FY 2016	Use metrics to establish a baseline of U.S. consumer financial well-being and begin testing hypotheses of identified success factors in consumer financial decision-making	NA
FY 2017	Complete baseline measurement of U.S. consumer financial well-being and testing of hypotheses of identified success factors in consumer financial decision-making	NA

PROGRESS UPDATE AND FUTURE ACTION

The Bureau’s work toward the performance goal is on track, with expected deliverables and interim targets being met according to the anticipated project timeline.

In FY 2013, the Bureau conducted a broad array of research to identify what specific knowledge, behavior, and personal traits are likely to predict financial well-being for American consumers. This included a thorough formal review of the most relevant research literature; designing, completing, and analyzing extended one-on-one interviews with a socioeconomically and

geographically broad sample of working-age and older Americans and professional financial practitioners; and soliciting and collecting collaborative input and peer discussion from academic, policy, and practicing experts. Based on this, the CFPB developed a preliminary, first-of-its-kind, comprehensive definition of financial well-being that speaks to the goals and perspectives of consumers and has identified a set of specific variables that are likely to be key drivers of financial well-being.

In FY 2014, the CFPB developed and began testing metrics (measurement tools) that accurately measure consumer financial well-being and associated concepts. The testing of the measurement tools was completed in 2015. These measurement tools will allow the CFPB and others to more accurately assess consumer financial health, target educational efforts, test hypotheses about key drivers of financial health, and assess the effectiveness of different approaches to improving consumer financial well-being. Also in FY 2014, the CFPB began an effort to understand when and how children and youth develop the skills, attitudes, and other characteristics identified in 2013 likely to be key drivers of financial well-being. The early findings from this work have been shared with the Financial Literacy and Education Commission and have informed the CFPB activities to encourage and support parents and caregivers in talking to their children about money.

In FY 2015, the CFPB's Division of Consumer Education and Engagement continued to assess how to integrate this project's findings and new measurement tools into other consumer education and engagement initiatives. This includes the Division's strategic planning activities and the Bureau's research projects, direct-to-consumer resources, and recommendations for intermediaries to encourage the spread of effective approaches to the financial education field. This effort is detailed under "Underserved and Special Populations Research" in the Investments section of Outcome 3.2. The Bureau also finalized a valid and reliable survey scale to measure the financial well-being of adult consumers and completed a thorough planning process. The next phase of work will be to conduct a nationally-representative survey to measure the financial well-being of American consumers and quantitatively test hypotheses about the specific factors that support higher levels of financial well-being.

In FY 2016, the Bureau will use the finalized metrics to measure baseline consumer financial well-being and to begin testing hypotheses of success factors in consumer financial decision-making identified in FY 2013, using metrics created in FY 2014 and tested and finalized in FY 2015. The CFPB will promote the findings from this research in FY 2016 and use the findings over time to continue to identify and promote the most effective approaches that support better outcomes for consumers.

Performance goal 2.2.3: Promote fair lending compliance and education by leading and participating in fair lending outreach activities.

As one of its core functions, the Office of Fair Lending and Equal Opportunity is responsible

for “working with private industry, fair lending, civil rights, and consumer and community advocates on the promotion of fair lending compliance and education” (Dodd-Frank Act, Section 1013(c)(2)(C).) The CFPB conducts fair lending outreach activities through numerous channels, such as issuing compliance bulletins targeted to industry; delivering speeches and presentations on fair lending and access to credit matters to industry, consumer and community groups, and others; and participating in smaller meetings and discussions with external stakeholders.

PERFORMANCE MEASURE

TABLE 35: Number of outreach activities on fair lending and access to credit

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Target	NA	55	35	40	40	40
Actual	51	56	66	60	NA	NA

PROGRESS UPDATE AND FUTURE ACTION

In FY 2015, the Office of Fair Lending and Equal Opportunity executed against its mission to promote fair, equitable, and nondiscriminatory access to credit for individuals and communities by leading and participating in 60 fair lending outreach activities.

Through numerous speeches, panel remarks, presentations, webinars, and smaller discussions on fair lending matters, the Bureau reached out to various stakeholders and engaged with consumers nationwide through public field hearings, listening events, roundtables, and town halls, and through the Bureau’s website, consumerfinance.gov. These engagements allowed the Bureau both to explain existing and emerging fair lending issues and risks to external stakeholders and the public and to inform the Bureau’s fair lending oversight work.

In FY 2015, the CFPB issued two fair lending-related bulletins. On November 18, 2014, the CFPB issued a bulletin providing guidance to help lenders avoid prohibited discrimination against consumers receiving Social Security disability income (CFPB Bulletin 2014-03). 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. On May 11, 2015, the Bureau issued a bulletin providing guidance to help lenders avoid prohibited discrimination against applicants whose income includes vouchers from the Section 8 Housing Choice Voucher (HCV) Homeownership Program (CFPB Bulletin 2015-02). The bulletin reminds lenders that discriminating against a consumer because some or all of their income is from a public assistance program may violate federal fair lending protections.

GOAL 3

Inform the public, policy makers, and the CFPB's own policymaking with data-driven analysis of consumer finance markets and consumer behavior

TABLE 36: Budget for goal 3, by program (\$ in the millions)

Goal 3	FY 2015	FY 2016	FY 2017
Office of the Director	\$1.4	\$1.2	\$1.3
Operations	-	\$0.3	\$0.3
Consumer Education and Engagement	\$3.9	\$4.8	\$5.8
Research, Markets, and Regulation	\$22.0	\$29.9	\$28.9
Supervision, Enforcement, and Fair Lending	-	\$0.8	\$1.0
Legal	\$1.4	\$1.3	\$1.4
External Affairs	\$1.0	\$1.2	\$1.4
Other Programs	\$0.2	\$0.4	\$0.3
Centralized Services	\$16.5	\$16.4	\$17.0
Total	\$46.4	\$56.3	\$57.4

Introduction

Understanding how consumer financial markets work, the avenues for innovation in financial products and services, and the potential for risk to consumers is a core component of the CFPB's mission. The CFPB's aim is to ground all of its work — from writing rules and litigating enforcement actions to its outreach and financial literacy efforts — in the realities of the marketplace and the complexities of consumer behavior.

This requires use of data; strong partnerships within the CFPB and externally to ensure that the Bureau continues to monitor markets effectively; technology tools and employees with the skills and capabilities needed to analyze data and distill insights.

The CFPB's research will support building an understanding of the markets the Bureau regulates and the nature of consumer behavior in these markets. It will also support the consideration of the potential benefits and costs of the CFPB's work to consumers and institutions, including effects on access by consumers to consumer financial products or services.

In the data used for its analyses, the Bureau will work to ensure that strong protections are in place around personally identifiable information. Datasets will generally aggregate information such that no information is directly identifiable, and research/analysis products resulting from such data will use similarly de-identified information as appropriate. The Bureau treats the information collected from participating persons and institutions consistently with our confidentiality regulations, and all data and analyses are subject to legal and privacy review prior to their release.

The CFPB will reach its third goal by achieving the following two outcomes:

1. **Outcome 3.1:** Monitor markets and conduct research to surface financial trends and emergent risks relevant to consumers.
2. **Outcome 3.2:** Articulate a research-driven, evidence-based perspective on consumer financial markets, consumer behavior, and regulations to inform the public discourse, inform Bureau thinking on priority areas, identify areas where Bureau intervention may improve market outcomes, and support efforts to reduce outdated, unnecessary, or unduly burdensome regulations.

Outcome 3.1

Monitor markets and conduct research to surface financial trends and emergent risks relevant to consumers.

Outcome leader: Associate Director, Research, Markets and Regulations

Strategies and investments

The following strategies and investments have been put in place to help the CFPB achieve outcome 3.1.

Strategies

- Acquire, collect, and maintain the data necessary to properly monitor select markets for emerging risks and positive innovations.
- Coordinate with other federal agencies, including the Office of Financial Research, to ensure the most efficient use of data and avoid duplication.
- Build and maintain technological infrastructure required to support market intelligence through the integration of diverse internal and external data.

Investments

PERSONNEL

Hire additional experts in particular industries as well as additional economists and other researchers.

CREDIT CARD DATABASE

Maintain a credit card database, including both summary and de-identified loan-level data, covering over 80% of the credit card marketplace. This investment will allow the Bureau to conduct empirically sound research essential to informing data-driven decisions throughout Bureau activities.

OTHER MARKET DATA

Acquire and maintain various commercially available market datasets in order to support research and regulations activities.

NATIONAL MORTGAGE DATABASE (NMDB)

Develop and maintain database that will provide the Bureau with a sample of mortgages that are representative of up to 95% of the market.

HMDA DEVELOPMENT AND IMPLEMENTATION

Support a concept-of-operations study and development of future-state functional requirements in consideration of a potential redesign of the current HMDA framework.

HMDA DATA PROCESSING

Development for collecting and processing HMDA data. This process is currently managed by the Federal Reserve Board for the CFPB and certain other agencies, and costs are shared by members of the Federal Financial Institutions Examination Council and HUD. This investment supports data-driven research, regulations, and fair lending activities across the Bureau.

Performance goal

The CFPB will assess the progress on achieving outcome 3.1 through the following performance goal:

Performance goal 3.1.1: Monitor the credit card and mortgage markets through data.

The credit card and mortgage markets are both critical to consumers. Having quantitative data on both markets makes it easier for the Bureau to monitor trends and implications for both consumers and providers. These data also strengthen the evidentiary basis for Bureau policy-making.

PERFORMANCE MEASURES

TABLE 37: Percentage of the credit card market monitored through data

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Target	NA	80%	80%	80%	85%	83%
Actual	77%	82%*	80%**	82%	NA	NA

* The actual percentage of the credit card market monitored through data reported for FY 2013 has been adjusted from the FY 2014 annual performance plan and report to reflect a more accurate estimation of the overall consumer credit market in this year.

** The actual percentage of the credit card market monitored through data reported for FY 2014 has been adjusted from the FY 2014 annual performance plan and report to reflect a more accurate estimation of the overall consumer credit market in this year.

TABLE 38: Percentage of the mortgage origination and servicing markets monitored through data

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Target	NA	95%	95%	95%	95%	95%
Actual	95%	90%	90%	90%	NA	NA

PROGRESS UPDATE AND FUTURE ACTION

The reported actual FY 2015 level of performance for data coverage of the mortgage market is 90%, which is lower than the reported FY 2015 target coverage of 95%. The Bureau reports the 90% figure for FY 2015 based on the mortgage market coverage of the HMDA data. The CFPB does have supplementary data from the Nationwide Mortgage Licensing System and Registry and other proprietary mortgage data as well. However, without doing the necessary matches and analysis through the Bureau's planned NMDB, the Bureau chose to report the HMDA-based estimate alone. The Bureau plans to apply a standard method for assessing data coverage of the mortgage market.

The Bureau also uses other available resources for monitoring the mortgage markets, and supplements these sources with two commercial services for data regarding originations and servicing. One dataset provides servicing data on loans serviced by the largest servicers in the US (just over 53% of outstanding mortgages); another dataset provides information on loans extant in private label securities.

In FY 2013, the CFPB began a partnership with the Federal Housing Finance Agency (FHFA) to build the NMDB. This work is expected to continue in FY 2016. For this database, the FHFA has procured (from a credit reporting agency) credit information with respect to a random and representative sample of the mortgages currently held by consumers. The Bureau expects to begin receiving data from the NMDB in FY 2016. The NMDB will be the first dataset that will provide a truly representative sample of mortgages so as to allow analysis of mortgages over the life of the loans, including first and second liens and home equity loans.

In all of the data used for its analyses, the Bureau will work to ensure that strong personal privacy protections are in place. The Bureau will generally obtain datasets in a format such that no information is directly identifiable and research/analysis products resulting from such data will use similarly de-identified information. The Bureau treats the information collected from participating persons and institutions consistently with our confidentiality regulations and all data and analyses are subject to internal Bureau legal and privacy review.

Outcome 3.2

Articulate a research-driven, evidence-based perspective on consumer financial markets, consumer behavior, and regulations to inform the public discourse, inform Bureau thinking on priority areas, identify areas where Bureau intervention may improve market outcomes, and support efforts to reduce outdated, unnecessary, or unduly burdensome regulations.

Outcome leader: Associate Director, Research, Markets, and Regulations

Strategies and investments

The following strategies and investments have been put in place to help the CFPB achieve outcome 3.2.

Strategies

- Collect and analyze data in order to improve understanding, regulation, and functioning of consumer financial markets and behavior.
- Develop and maintain the tools and technology required to effectively, efficiently, and securely disseminate data and research for internal and external audiences.
- Institutionalize cross-Bureau collaboration to ensure the Bureau's work is informed by the CFPB's internal research and expertise.
- Help to make the market work better for special populations such as students, older Americans, servicemembers and veterans, and low-income and economically vulnerable consumers through selected policy work.

Investments

PERSONNEL

Expand research capacity in order to achieve Bureau-wide priorities, including the on-boarding of term personnel (via the Intergovernmental Personnel Act) from academic institutions and other governmental research offices.

PRIMARY DATA COLLECTION

Conduct primary data collections through field tests, controlled trials in laboratory settings, and

surveys to inform policy-making and build foundational knowledge about how consumers make financial decisions. Analyses from primary data are foundational for the Bureau's policy work and also contribute to evidence-based market research.

The following investments support Outcome 3.2 and Outcome 2.2:

UNDERSERVED AND SPECIAL POPULATIONS RESEARCH

Identify unique factors that influence financial capabilities for youth and issues that particularly affect low-income consumers, other underserved populations, and older Americans, as well as evidence-based practices for effective financial education and financial capability or empowerment. Use this knowledge within the Bureau, and where appropriate, spread it among relevant participants in the field.

FINANCIAL EDUCATION RESEARCH

Develop and test metrics that effectively measure relevant consumer financial knowledge, behavior, and well-being. The results of these studies will help the CFPB, other Financial Literacy and Education Commission agencies, and the broader financial education field to develop and support policies and programs that lead to better financial outcomes, skills, and habits for American consumers.

LOOKBACKS

Section 1022(d) of the Dodd-Frank Act requires the CFPB to assess each significant rule the Bureau adopts under Federal consumer financial law and publish a report of the assessment within five years of the effective date of such rule. The assessment is intended to address, among other factors, the rule's effectiveness in meeting the purposes and objectives of Title X of the Dodd-Frank Act, and the specific goals the Bureau states for the rule.

Performance goal

The CFPB will assess the progress on achieving outcome 3.2 through the following performance goal:

Performance goal 3.2.1: Increase the number of reports produced about specific consumer financial products, markets, or regulations and on consumer decision-making.

The Bureau conducts qualitative and quantitative research to deepen understanding of consumer decision-making; consumer financial products and markets; and the effects of consumer financial regulations and policies. Periodically, the Bureau publishes reports of its research, including

informational white papers, non-annual Reports to Congress, and “Data Point” reports.

Bureau and independent research are intended to provide the Bureau and other policy-makers with a stronger evidentiary foundation for policy-making. They are also intended to inform the public and enhance the public’s participation in policy-making.

PERFORMANCE MEASURE

TABLE 39: Bureau reports produced about specific consumer financial products, markets, or regulations and on consumer decision-making

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Target	4	5	5	5	6	6
Actual	2	4	9	6	NA	NA

PROGRESS UPDATE AND FUTURE ACTION

Preparing reports is central to the Bureau’s commitment to evidence-based policy-making. The Bureau’s Division of Research, Markets, and Regulations (RMR) issued six reports in FY 2015. These reports are intended to deepen the public’s understanding of these issues and provide the Bureau and other policy makers with a stronger factual foundation on which to make policy judgments.

RMR released the following notable public reports in FY 2015:

- Study of Prepaid Account Agreements (November 2014)
- Consumer Credit Reports: A Study of Medical and Non-Medical Collections (December 2014)
- College Credit Card Agreements Annual Report to Congress (December 2014)
- Consumers’ Mortgage Shopping Experience (January 2015)
- Arbitration Study Report to Congress (March 2015)
- Data Point: Credit Invisibles (May 2015)

In addition to these six reports released by RMR, the Bureau's Consumer Education and Engagement Division released the following notable public reports in FY 2015:

- Annual Report of the Student Loan Ombudsman (October 2015)
- Annual Financial Literacy Report to Congress (October 2015)
- Increasing Savings at Tax-time: Promising Practices for the Field (September 2015)
- Student loan servicing: Analysis of public input and recommendations for reform (September 2015)
- Overseas & Underserved: Student Loan Servicing and the Cost to our Men and Women in Uniform (July 2015)
- Midyear Update on Student Loan Complaints (June 2015)
- A closer look at reverse mortgage advertisements and consumer risks (June 2015)
- Complaints Received from Servicemembers, Veterans, and their Families, 2011-2014 (April 2015)
- Advancing K-12 Financial Education: A Guide for Policymakers (April 2015)
- Snapshot of reverse mortgage complaints December 2011—December 2014 (February 2015)
- Financial well-being: The goal of financial education (January 2015)
- College Credit Card Agreements: Annual Report to Congress (December 2014)
- Snapshot of Debt Collection Complaints Submitted by Older Consumers (November 2014)

The Bureau has information gathering and other data analysis underway that will yield public reports in FY 2016. The Bureau continues to regard knowledge creation and sharing through research reports as an important Bureau goal and is on schedule to meet the FY 2016 goal of publishing at least six reports.

GOAL 4

Advance the CFPB's performance by maximizing resource productivity and enhancing impact

TABLE 40: Budget for goal 4, by program (\$ in the millions)

Goal 4	FY 2015	FY 2016	FY 2017
Office of the Director	\$3.7	\$6.0	\$5.9
Operations	\$57.6	\$68.7	\$70.9
Legal	\$5.8	\$7.4	\$7.5
External Affairs	\$3.8	\$4.5	\$5.0
Other Programs	\$1.2	\$1.3	\$1.6
Centralized Services	\$46.1	\$50.7	\$55.5
Total	\$118.2	\$138.6	\$146.4

Introduction

In order to maximize the effectiveness of the consumer protections established by Federal consumer financial law, the CFPB must acquire, maintain, support, and direct its resources in a way that enables it to operate efficiently, effectively, and transparently. This means developing, maintaining, and continuously improving the policies and controls in place to ensure the CFPB has the resources it needs and puts those resources to the best use possible.

A key mission of the CFPB is to make financial products and services more transparent in the consumer marketplace. The CFPB will strive to achieve the same level of commitment to transparency in its own activities, while respecting consumer privacy and confidentiality. To accomplish this, the CFPB will develop and implement mechanisms and provide channels to maintain an open, collaborative dialogue with the public.

The CFPB will reach its fourth goal by achieving the following four outcomes:

1. **Outcome 4.1:** Attract, engage, and deploy a diverse workforce that meets dynamic challenges and provides effective oversight of the consumer financial marketplace.
2. **Outcome 4.2:** Enable the innovative use of technology for the benefit of efficient internal processes and effective public engagement.
3. **Outcome 4.3:** Enable the operation of a high-performing organization by ensuring effective and efficient management, protection of CFPB resources, rigorous internal controls, and full compliance with the law.
4. **Outcome 4.4:** Increase public confidence in consumer financial markets by maintaining the CFPB's transparency, accountability, and meaningful channels for feedback.

Outcome 4.1

Attract, engage, and deploy a diverse workforce that meets dynamic challenges and provides effective oversight of the consumer financial marketplace.

Outcome leader: Associate Director, Operations

Background

The CFPB continues to pursue a strategic imperative to recruit and hire highly qualified individuals, focusing on filling vacancies at its headquarters in Washington, DC, and in its examiner workforce distributed across the country. To do so, the CFPB continues to identify and adopt best practices from the private and public sectors to hire, train, and develop a diverse workforce with the knowledge, skills and abilities required to effectively achieve the Bureau's mission.

The Bureau is placing an increased emphasis on the development and retention of those highly qualified individuals now on staff. This expanded focus will allow improvement efforts targeting the employee experience, development, retention, and engagement.

Strategies and investments

The following strategies and investments have been put in place to help the CFPB achieve outcome 4.1.

Strategies

- Recruit and retain a high-quality, diverse staff through effective workforce planning and talent acquisition methods, strong engagement, and a comprehensive diversity and inclusion program.
- Offer effective workforce learning, development and performance management programs in support of a high-performing workforce.
- Continue to sustain and improve human capital infrastructure by creating and applying human capital policies, improving human capital information systems, effectively allocating and prioritizing resources, and using mutual accountabilities to achieve desired human capital outcomes.
- Focus on culture to build a work environment where the Bureau is more deliberate about how staff invests time and works together, engaging and enabling the workforce to continue doing their best work for sustainable, long-term impact.

Investments

PERSONNEL

Continue to build capacity across the Bureau by hiring high-performing, diverse employees.

HUMAN CAPITAL SHARED-SERVICES, INFRASTRUCTURE, AND OPERATIONS

Continue to provide a variety of services, including pay and leave administration support, employee benefits administration and support, and human capital helpdesk and reporting support for timekeeping, personnel documentation, and performance management systems.

LEARNING, LEADERSHIP, AND ORGANIZATION DEVELOPMENT FACILITATION AND DESIGN

Support the development of high-quality learning solutions including core competency training, new supervisor training, leadership training, diversity and inclusion training, and manager skill-building through coaching and organization development services. Support the improvement of organizational and group effectiveness through organizational interventions, workforce planning, and group or team action planning support.

OUTREACH, CANDIDATE RECRUITING, AND CANDIDATE SELECTION SUPPORT

Invest in candidate outreach, sourcing, recruiting, and selection support services to reach, attract, and hire high-performing, diverse staff, using both traditional and digital outreach strategies. Maintain strategic focus on developing diverse pipelines of talent and utilizing tailored candidate assessment methods to enhance quality of hire. Build and maintain strategic partnerships with colleges, universities, professional organizations, and affinity groups that serve diverse populations.

DIVERSITY, INCLUSION, AND EQUAL OPPORTUNITY INITIATIVES

Strengthen senior leadership engagement in personnel and organizational matters by establishing an internal executive governance group to oversee the development, implementation, and communication of critical workforce and culture-related initiatives across the Bureau. Through this group, raise awareness of systemic opportunities to enhance Bureau culture, foster greater cross-divisional collaboration, and set Bureau-wide metrics for employee engagement.

Performance goals

The CFPB will assess the progress on achieving outcome 4.1 through the following two performance goals:

Performance goal 4.1.1: Recruit and retain high-performing, diverse employees with the right skills and abilities to meet mission driven goals and objectives.

A wide array of skills and abilities that represent diversity in organizational makeup is required for success in achieving the Bureau’s mission. The CFPB assesses progress and performance on this goal by measuring employee perceptions of 1) the technical competence of the workforce and 2) diversity and inclusion. Strategies to improve in these areas target organizational effectiveness, workforce planning, and diversity and inclusion interventions at the office, division, and organizational levels.

PERFORMANCE MEASURES²³

TABLE 41: Annual Employee Survey (AES) rating on perceptions of technical competence of the CFPB staff (% favorable)²⁴

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Target	NA	68.5%	68.5%	63%	64%	68.5%
Actual	65%	66.7%	62.3%	67.4%	NA	NA

²³ In the FY 2014 annual performance plan and report, the performance measure for perceptions of workplace diversity and inclusiveness of the CFPB staff (% favorable), a two-item metric, was replaced by the “Inclusion Quotient.” OPM has defined the Inclusion Quotient as comprised of five habits (Fair, Open, Cooperative, Supportive and Empowering) that together help to enable a diverse, inclusive workplace. The CFPB now uses this metric in lieu of the more limited two-item metric.

²⁴ The technical competence composite is comprised of ratings on three items from the AES, including “the workforce has the job-relevant knowledge and skills necessary to accomplish organizational goals.”

TABLE 42: Inclusion Quotient: Annual Employee Survey rating on perception of inclusion and diversity (% favorable)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Targets	NA	NA	NA	63.5%	65%	67%
Actuals	NA	65.3%	61.6%	65.8%	NA	NA

PROGRESS UPDATE AND FUTURE ACTION

In FY 2015, the Office of Minority and Women Inclusion (OMWI) conducted activities to enhance diversity and inclusion at the Bureau including:

- Developing the Mentoring Bank Program pilot to facilitate professional development for staff;
- Continuing mandatory diversity and inclusion training for staff, managers, and senior leaders; and
- Providing technical assistance to leaders on setting diversity and inclusions goals in their divisional strategic plans.

These efforts helped support diversity and inclusion at the Bureau in FY 2015. The Inclusion Quotient, which rates employees’ perceptions of inclusion and diversity, increased by 4.2% from last year and exceeded the FY 2015 target by 2.3%. In FY 2016, OMWI will continue to build on these programs to support diversity and inclusion.

In FY 2015, the Bureau recruited and hired approximately 225 new employees. The Offices of Human Capital (OHC), OMWI, and Civil Rights (OCR) collaborated to develop targeted recruiting strategies and to enhance workplace diversity. Strategies applied in FY 2015 included:

- Partnering with affiliate organizations to reach qualified diverse professionals.
- Recruiting at 26 minority-focused career events.
- Using the Partnership for Public Service’s “Student Ambassador Program,” and programs such as The Washington Center to staff academic year internships to reinforce the Bureau’s diverse talent pipeline.

These efforts enabled the CFPB to build a stronger student hiring pipeline to employment with the Bureau.

The Bureau continued to apply enhanced candidate assessment tools to support hiring at all

levels of the organization. OHC, OMWI, and OCR provided structured interview training to hiring managers and those involved in hiring interviews across the Bureau to facilitate hiring decisions that are made on job-related factors. In FY 2015, 50 interviewers were trained in conducting structured interviews to add to the capacity of the 200 interviewers trained in 2014, and trainings will continue in an on-demand approach going forward.

In addition to maintaining a strong focus on recruiting and hiring high-performing diverse employees, the Bureau also placed a special emphasis in FY 2015 on expanding tools, resources, and opportunities to help existing staff accelerate their career development. Examples include: creating a Career Path Guide that profiles the roles available within the Bureau and the skills required to be successful in those roles; launching a Career Planning Framework that provides tools and resources for individual development planning; and a Centralized Detail Posting Process that advertises internal detail opportunities to Bureau employees.

Finally, the Bureau launched a new Leadership Competency Model that defines expectations and requirements for leaders at all levels of the organization. The competency model is currently utilized for selection and learning and development of Bureau leaders. A new competency model for non-supervisory staff will be launched in FY 2016.

Performance goal 4.1.2: Increase the level of employee engagement.

Engagement has been described as a state of passion and commitment to the organization’s goals on the part of each employee, which leads to their willingness to invest discretionary effort to ensure success. In the case of the CFPB, maintaining the initial motivation and excitement of the new workforce is critical to our future success. Individual employees’ perception of the level of employee engagement is one way to measure the Bureau’s success in engaging its employees.

PERFORMANCE MEASURE

TABLE 43: Annual Employee Survey engagement composite rating (% favorable)²⁵

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Target	NA	76.5%	76.5%	72%	73%	75%
Actual	NA	73%	70.5%	74.1%	NA	NA

²⁵ The employee engagement composite is comprised of ratings on nine items from the AES survey, such as “my work gives me a feeling of personal accomplishment” and “the work I do is important.”

PROGRESS UPDATE AND FUTURE ACTION

As the Bureau matures as an organization, senior leadership is choosing to focus on building a work environment where we are more deliberate about how we invest our time and work together in order to do our best work for sustainable, long-term impact. This group oversees the development, implementation, and communication of a number of culture initiatives and management excellence practices. The following initiatives are currently underway: norms implementation, measurement and evaluation of norms implementation, employee outreach and involvement, and integrated planning of people-related programs.

The Bureau puts a special emphasis on activities surrounding the Annual Employee Survey. This includes encouraging broad participation, providing robust analysis of results at the division level in a structured and consistent manner, further improving on successes started or achieved as a result of previous year action planning efforts, and working directly with leaders of all divisions to initiate action planning based on most recent findings. The CFPB will continue to work in a sustainable, focused fashion to develop and reinforce action and communication across the organization.

Outcome 4.2

Enable the innovative use of technology for the benefit of efficient internal processes and effective public engagement.

Outcome leader: Associate Director, Operations

Background

The CFPB is committed to staying on the leading edge of technology and leveraging its technological resources to provide significant business value with lower costs. From developing online products that help inform consumers to making critical data available internally and to the public, technology is and will continue to be core to the CFPB accomplishing its mission.

Strategies and investments

The following strategies and investments have been put in place to help the CFPB achieve outcome 4.2.

Strategies

- Establish a secure, responsive and cost-effective technology infrastructure to enable a 21st century agency.
- Continue to build, develop and improve next-generation online tools that help consumers get answers to questions, make financial decisions, and confront difficult financial circumstances.
- Maintain a robust platform for the public to visualize and make use of data maintained by the Bureau, such as consumer complaint data.
- Create a suite of enterprise-wide technology capabilities that maximizes the efficiencies of resources and minimizes costs.

Investments

PERSONNEL

Hire additional staff to enable the organization's continued support of Bureau activities including managing, operating, and safeguarding the IT systems that host and store the CFPB's data; designing and developing tools to facilitate data-driven analysis and consumer education;

and implementing a 21st century cloud-based infrastructure that serves as the foundation for innovative technology.

TECHNOLOGY INFRASTRUCTURE

Manage and continue to build out CFPB's technology infrastructure, ensuring that it is flexible, scalable, and capable of sustaining the Bureau's present needs and future growth.

TECHNOLOGY INFRASTRUCTURE–SHARED SERVICES

In FY 2015, the CFPB continued towards independence from DO Treasury services, with a majority of services transitioned in FY 2015. The FY 2016 and FY 2017 budgets reflect a modicum of investment in this area to ensure the transition to independence from DO Treasury services is completed as orderly and efficiently as possible.

CYBERSECURITY

Continue to enhance a robust cybersecurity program that secures and safeguards communications, data, and IT resources through a combination of comprehensive policies, continuous monitoring, and leading technologies.

IT PORTFOLIO MANAGEMENT

Enhance the successful deployment of projects through the continued use of disciplined methodologies including project management and agile development and facilitate the development of the long-term technology strategy that guides future mission capabilities.

DATA INFRASTRUCTURE AND ANALYSIS

Continue to build and develop a data-driven strategy that is deployed on a technology architecture with scalable capabilities that will allow the Bureau to use and manage data in order to conduct predictive analytics and aid in decision making.

DESIGN AND SOFTWARE DEVELOPMENT SUPPORT

Continue to strengthen the Bureau's capacity to design, develop, implement, and maintain new tools with enhanced capabilities, features, and functionalities for a variety of business applications that support the Bureau's mission.

E-DISCOVERY SERVICES IMPLEMENTATION

Create a shared service center to support the legal needs and obligations of the Bureau. This includes Congressional requests, Enforcement and Fair Lending investigations and actions,

FOIA requests, internal investigations and litigation, managing regulatory comments, Supervision requests for information, and market studies with unstructured documents. This investment also includes the necessary technology and resources needed to collect internal documents as well as store and process large amounts of documents to be reviewed in order to discover specific and responsive documents relevant to an external investigation, internal investigation, or third-party request.

CUSTOMER RELATIONSHIP MANAGEMENT SYSTEM

Develop customer relationship management tools that will enable the Bureau to better coordinate internal and external interactions and workflows. The CRM System will enable staff to share contacts and coordinate interactions to bolster communications with stakeholders. This investment will also support the management and measurement of engagement and outreach efforts.

EXTRANET

Develop infrastructure to streamline the data intake process with external entities. This investment will also support maintaining strong data security that will be able to scale with the Bureau's evolving data-intake needs, especially in collecting materials from supervised institutions, file sharing with partner agencies, managing public comments for proposed rulemaking, and developing consumer education and empowerment tools.

DOCUMENT MANAGEMENT SYSTEM

Develop a streamlined enterprise file system to better manage, synchronize, and share documents within the Bureau. This investment will support improved coordination between stakeholders, as well as systematic improvements in version control, document storage, collaboration, user permissions, reductions in human error, and document templates. Examples of expected improved processes include streamlining documentation requirements for the rule-writing process, tracking official documentation for enforcement matters, and centralizing and responding to oversight requests and engagements.

Performance goals

The CFPB will assess the progress on achieving outcome 4.2 through the following two performance goals:

Performance goal 4.2.1: Release new datasets to the public, where legally permissible and appropriate, to allow for innovative uses of the data by individuals, non-profit entities, and businesses for the benefit of consumers.

The public uses data released by the government to build tools and provide resources to consumers to help them make the best financial decisions. The CFPB wants to support a culture of information and transparency by releasing useful data to the public when doing so is legally permissible and appropriate.

PERFORMANCE MEASURE

TABLE 44: Provision of data to the public in legally permissible and appropriate instances²⁶

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Target	NA	5	7	7	9	9
Actual	3	4	7	8	NA	NA

PROGRESS UPDATE AND FUTURE ACTION

In FY 2013, the CFPB released four datasets including the Consumer Complaint Database, the Credit Card Agreement Database, the College Credit Card agreements, and the Survey of Credit Card Pricing Plans. Additionally, in September 2013, the CFPB provided access to the HMDA data via its website.

In FY 2014, the CFPB launched its public data platform for HMDA data and updated the information with 2013 mortgage originations. This information will be available for use by industry advocates and consumers to intuitively search and work with the data and conduct analysis. The CFPB also released eRegs, a searchable tool for federal financial regulations. eRegs currently covers two major regulations for the financial industry, Reg Z and Reg E, and the Bureau is looking at potential opportunities for expansion. Also in FY 2014, the CFPB built out its Paying for College web site, with cost information on over 2,000 educational institutions.

²⁶ Datasets are reported on a cumulative basis.

In FY 2015, the Bureau launched the Owning a Home tool. This tool includes Rate Checker—a data-driven tool that helps consumers benchmark against current mortgage rates and terms in the market. Also, in 2015, the Bureau expanded the Consumer Complaint Database. The latest release now includes consumer complaint narratives for which the consumer has consented to have his or her narrative published once it has been scrubbed of personal information. The release also includes the company’s public response.

Performance Goal 4.2.2: Improve the efficiency of internal processes and procedures.

Technology can help us improve the efficiency of the CFPB so that the Bureau serves more consumers in a better way.

PERFORMANCE MEASURE

TABLE 45: Efficiency of internal processes and procedures

	Target	Actual
FY 2012	NA	Launched AskCFPB; Launched an upgrade of the Intranet including an upgraded wiki, personnel directory, and internal news feed; Deployed a performance management system
FY 2013	Deploy a business intelligence tool; Deploy a business process automation platform and develop applications leveraging it	Development of Business Intelligence Tool; Debt Collection Product Launch; Paying for College; Infrastructure Independence Phase I
FY 2014	Continue to build out core infrastructure services	Established a change management process governed by a Change Control Board; Re-engineered AWS environment and continued to mature digital platforms and infrastructure; Made key steps in becoming independent from the Department of the Treasury
FY 2015	Operate and maintain core infrastructure services; Deploy mission capabilities to support Supervision and Enforcement activities	Achieved full DO independence and established CFPB-managed technology infrastructure

	Target	Actual
FY 2016	Stabilize and further build out core infrastructure services; streamline, monitor, and report on processes to deliver key technology services across the Bureau	NA
FY 2017	Continue to stabilize, build out, and maintain core infrastructure services; streamline, monitor, and report on processes to deliver key technology services across the Bureau. Begin rolling out next-generation devices for CFPB staff	NA

PROGRESS UPDATE AND FUTURE ACTION

In FY 2013, the Bureau developed a business intelligence tool that provides a user-friendly platform for exploring and analyzing data. This platform was implemented in the first quarter of FY 2014. During FY 2013, the Bureau initiated an effort to prioritize and manage the Bureau's information technology needs resulting in more streamlined and disciplined processes. The results of the prioritization efforts allowed for the successful deployment of over 50% of technology projects, including the Debt Collection and Paying for College product launches.

In FY 2014, the Bureau continued the work to build out the core infrastructure capabilities and create a long term technology strategy that guides future mission capabilities. The Bureau developed a five-year long-term plan to build out infrastructure capabilities and improve technology service levels across IT support services. The Bureau also migrated its cf.gov platform to a more secure, scalable environment and made significant progress re-engineering the AWS environment to prepare for future digital activities. The Bureau also made key steps in becoming independent from the Department of the Treasury by migrating email, Blackberry, service desk ticketing, and the active directory to CFPB-ownership and began migration to a CFPB-owned laptop image.

In FY 2015, the Bureau continued to monitor progress against its long-term plan and continued to focus on core infrastructure activities. The Bureau also completed DO independence and now manages its own technology infrastructure. The Bureau also deployed technologies associated with infrastructure independence, such as communications technologies.

In FY 2016, the Bureau will continue to execute against its long-term technology plan. It will focus on upgrading and improving the CFPB-managed technology infrastructure. It will also deploy enterprise tools to support Bureau-wide business needs.

Outcome 4.3

Enable the operation of a high-performing organization by ensuring effective and efficient management, protection of the CFPB resources, rigorous internal controls, and full compliance with the law.

Outcome leader: Associate Director, Operations

Background

The CFPB has the obligation to act as a good steward of public funds. The CFPB will monitor its operations and conduct periodic evaluations to ensure it maintains good financial practices and robust internal controls.

Strategies and investments

The following strategies and investments have been put in place to help the CFPB achieve outcome 4.3.

Strategies

- Use data to supervise and coordinate all financial operations of the Bureau consistent with the requirements of laws and regulations.
- Develop a team of high-performing professionals with expertise in budget, financial management, procurement, internal controls, and travel operations.
- Develop and maintain integrated accounting and financial management, and travel systems in order to support the effective execution of resources.

Investments

PERSONNEL

Maintain staff to ensure resources continue to be used efficiently and effectively, and transparency and accountability are upheld.

AUDITS OF THE BUREAU

Continue to work with the Office of Inspector General (OIG) of the Board of Governors of the Federal Reserve System and the Bureau of Consumer Financial Protection, the Government

Accountability Office (GAO), and an independent contractor for external auditing and oversight of the Bureau's operations and budget.

FINANCIAL MANAGEMENT SUPPORT SERVICES

Continue to provide financial management services in the areas of budget execution, purchasing, accounts payable, accounts receivable, and general ledger and fixed assets.

PROCUREMENT SERVICES & SUPPORT

Ensure proper adherence to all relevant federal acquisitions regulations and guidelines while continuing to develop a flexible, efficient, and responsive procurement environment.

INTERNAL CONTROLS

Continue to invest in resources that maintain effective internal controls, and follow appropriate models for internal controls, such as the Federal Managers' Financial Integrity Act of 1982 (FMFIA), and the objectives on financial reporting as established under Dodd-Frank and best practices derived from OMB Circular A-123.

Performance goals

The CFPB will assess the progress on achieving outcome 4.3 through the following three performance goals:

Performance goal 4.3.1: Obtain an unmodified "clean" audit opinion on the CFPB's financial statements.²⁷

An unmodified opinion from GAO of the CFPB's internal operations confirms that the Bureau maintains sound financial practices and robust internal controls.

²⁷ The American Institute of Certified Public Accountant's Auditing Standards Board updated sections of the Statements of Auditing Standards with respect to the definition of the types of audit reports issued. Based on these changes, reports on audited financial statements will use the term 'unmodified opinion' instead of 'unqualified opinion' beginning in fiscal year 2013.

PERFORMANCE MEASURE

TABLE 46: Unmodified “clean” audit opinion on financial statements

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Target	NA	Unmodified audit opinion				
Actual	Unqualified audit opinion	Unmodified audit opinion	Unmodified audit opinion	Unmodified audit opinion	NA	NA

PROGRESS UPDATE AND FUTURE ACTION

The CFPB received an unmodified opinion from the GAO on its FY 2015 financial statements. GAO also previously provided unmodified opinions on the Bureau’s FY 2014, 2013, 2012 and 2011 financial statements. In FY 2014, GAO identified one material weakness in CFPB’s internal control over financial reporting related to the accrual process and in FY 2015, CFPB remediated this finding. In FY 2015, GAO identified one significant deficiency regarding the recordation of property and equipment and cited no instances of non-compliance with laws and regulations. The CFPB will continue to take appropriate steps to implement a timely corrective action.

Performance goal 4.3.2: Award 90% of contracts competitively.

Competing procurement actions allow for competitive market pricing, stronger proposal submissions, and a distributed vendor base in support of the Bureau. Public value is also derived when money is spent effectively.

PERFORMANCE MEASURES

TABLE 47: Percentage of contracts competitively awarded overall

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Target	NA	90%	90%	90%	90%	90%
Actual	93%	83%	86%	94%	NA	NA

TABLE 48: Percentage of professional, administrative, and management services contracts competitively awarded

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Target	NA	NA	NA	90%	90%	90%
Actual	NA	NA	92%	83%	NA	NA

TABLE 49: Percentage of automatic data processing and telecommunication services contracts competitively awarded

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Target	NA	NA	NA	90%	90%	90%
Actual	NA	NA	76%	91%	NA	NA

PROGRESS UPDATE AND FUTURE ACTION

The CFPB is currently tracking competition and reporting data measurements within the agency on a quarterly basis.

At 90%, the CFPB’s competition goals for FY 2013 through FY 2017 are ambitious but realistic and designed to position the Bureau as a leader-by-example in stewarding public money. The CFPB does not aim for 100% competition, as the Bureau has a range of routine exempt needs including expert witness services, conferences, and subscriptions. In addition to the principle of competition, the Office of Procurement partners with the OMWI to develop tools and resources for increasing opportunities to minority-owned and women-owned businesses.

In FY 2015, out of approximately \$242 million that CFPB awarded in contracts, \$226 million, or 94%, were awarded on a competitive basis.

Of CFPB’s contracting dollars spent for FY 2015, CFPB’s Office of Procurement oversaw the expenditure of 25% of the contracting dollars, the General Services Administration (GSA) oversaw the expenditure of 44% of the contracting dollars, and the Bureau of the Fiscal Service (BFS), under CFPB’s direction, oversaw the expenditure of 31% of the contracting dollars. The Office of Procurement met the target of 90% competitive awards for the contracting funds it awarded. GSA, which is overseeing the construction of the renovated building at 1700 G Street, competitively awarded nearly all of its contracting dollars in FY 2015. BFS supports the Office of Procurement under a yearly inter-agency agreement as part of a shared-service package which also includes human resources, finance, and travel support services. Of the dollars awarded on

CFPB's behalf by BFS, 89% were awarded competitively.

The top two service categories for FY 2015, exclusive of construction, were Professional, Administrative, and Management support and Automatic Data Processing and Telecommunication support. Of the dollars awarded in FY 2015 for professional, administrative and management support service contracts, 83% were awarded on a competitive basis. 91% of the dollars awarded for automatic data processing and telecommunication support service contracts were competitive.

The CFPB will continue working strenuously inside the agency, as well as with the BFS partners, to bring the percentage of competitive awards in line with the Bureau's 90% goal for FY 2016 through FY 2017.

Performance goal 4.3.3: Distribute funds collected through enforcement actions to identified victims within 24 months.

This goal tracks the disbursement of Bureau-administered redress funds and CPF payments to eligible identified victims within 24 months of identifying victims. The Dodd-Frank Act authorizes the CFPB to enforce Federal consumer financial laws. Under this authority, the CFPB brings cases which may result in redress to harmed consumers. In some cases, the Bureau will be responsible for obtaining redress funds from the defendant and distributing those funds to the harmed consumers. In addition, the Dodd-Frank Act gives the Bureau the authority to obtain civil money penalties in enforcement actions and to deposit those penalties in the CPF. It may then use amounts in the CPF for payments to the victims of activities for which civil penalties have been imposed.

PERFORMANCE MEASURE

TABLE 50: Percentage of funds collected through the enforcement of Federal consumer financial laws that is distributed to identified victims within 24 months

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Target	NA	Baseline	100%	100%	100%	100%
Actual	NA*	Baseline under development	100%	100%	NA	NA

* The Bureau did not collect redress funds on behalf of victims in FY 2012.

PROGRESS UPDATE AND FUTURE ACTION

In FY 2014, the Bureau distributed CPF and Bureau-administered redress payments to all eligible identified victims within 24 months of identifying the victims. In FY 2014, the Bureau made payments totaling \$10.2 million to consumers in three cases involving CPF and Bureau-administered redress funds. In FY 2015, the Bureau made payments totaling \$22.4 million to consumers in three cases involving CPF and Bureau-administered redress funds.

Outcome 4.4

Increase public confidence in consumer financial markets by maintaining the CFPB's transparency, accountability, and meaningful channels for feedback

Outcome leader: Associate Director, External Affairs

Background

Since transparency is at the core of how the CFPB operates, the CFPB will provide clear information both on the use of resources and on its performance. To that end, the CFPB will communicate substantively and frequently across a wide and diverse range of external stakeholders, including industry and consumer groups. The CFPB aims to actively engage all stakeholders that could potentially be affected by the Bureau's work, with the understanding that there is much insight to be gained from varied stakeholders representing distinct points of view.

Strategies and investments

The following strategies and investments have been put in place to help the CFPB achieve outcome 4.4.

Strategies

- Gather input from stakeholders on the CFPB's policies and operations to ensure the Bureau is effectively communicating its activities, meeting transparency goals, and actively soliciting feedback.
- Enhance program efficiency through regular analysis of operations data.
- Maintain and enhance a highly effective and usable online presence that supports multiple digital services.

Investments

EXTERNAL STAKEHOLDER ENGAGEMENT

Continue to increase capacity to allow the Bureau to solicit a broad range of perspectives from a wide variety of stakeholders, to further amplify the Bureau's work externally including through live-streaming events and providing video links to past events on the Bureau's website, and to coordinate, support, and inform the work of the Bureau.

Performance goal

The CFPB will assess the progress on achieving outcome 4.4 through the following performance goal:

Performance goal 4.4.1: Engage the public by hosting public field hearings, town hall meetings, Consumer Advisory Board meetings, and other events on consumer finance issues.

The CFPB aims to engage with the public on consumer finance issues (a) to ensure that consumers and interested parties have visibility into the Bureau's work and have meaningful opportunities for public input and (b) to ensure that the Bureau's work is informed by regular input from varied perspectives representing distinct points of view.

PERFORMANCE MEASURE

TABLE 51: Number of public field hearings, town hall meetings, Consumer Advisory Board meetings, and other public events hosted annually

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Target	NA	8	9	13	13	13
Actual	8	11	13	15	NA	NA

PROGRESS UPDATE AND FUTURE ACTION

The Bureau hosted 15 public events in FY 2015, focused on key issues affecting consumer financial markets such as student loans, debt collection, mortgages, arbitration, and payday lending. These included two meetings of its Consumer Advisory Board (CAB), three meetings of its Community Bank Advisory Council, and two meetings of its Credit Union Advisory Council:

1. Washington DC Credit Union Advisory Council meeting in October 2014
2. Washington DC public forum on checking accounts in October 2014

3. Washington DC Community Bank Advisory Council meeting in October 2014
4. Long Beach, California public event on debt collection in October 2014 with FTC
5. Wilmington, Delaware field hearing on prepaid cards in November 2014
6. Oklahoma City field hearing on medical debt in December 2014
7. Washington DC Consumer Advisory Board meeting in February 2015
8. Newark, New Jersey field hearing on arbitration in March 2015
9. Washington DC Credit Union Advisory Council meeting in March 2015
10. Richmond, Virginia field hearing on payday lending in March 2015
11. Washington DC Community Bank Advisory Council meeting in April 2015
12. Milwaukee, Wisconsin field hearing on student loans in May 2015
13. Omaha, Nebraska Consumer Advisory Board meeting in June 2015
14. Washington DC public event on mortgages (Know Before You Owe) in August 2015
15. Washington DC Community Bank Advisory Council meeting in September 2015

The Bureau also participated in dozens of public events hosted by others in FY 2015, including testifying before Congress on four occasions to discuss policy, operations, and budget matters. As of the end of FY 2015, the Bureau had testified before Congress 56 times since the Bureau's inception.

In FY 2016 and beyond, the Bureau will continue to host events on issues having an impact on financial consumers. The Bureau will also continue to testify on important issues at the request of Congress.

Appendix

Appendix A: Program evaluation, data validation, and management challenges

Program Evaluations and Research

The CFPB has launched program evaluation efforts across its four Strategic Goals to ensure continuous identification of opportunities for enhancement and increased effectiveness of its supervision and enforcement programs, research and regulations efforts, consumer education and engagement initiatives, as well as internal operations in the areas of procurement, talent management, technology and innovation, and others. The Bureau utilizes internal and external resources and a variety of processes to conduct regular evaluations and introduce course corrections as necessary.

The following highlights key evaluation efforts undertaken by the CFPB across the four Strategic Goals in FY 2015, identifies areas for planned assessments and research in FY 2016-2017, and summarizes review, audit and program performance management processes implemented by the Bureau for cross-goal assessments.

Goal 1

In support of Outcome 1.1, the Bureau's Research, Markets, and Regulations Division (RMR) executed actions that served as evaluative efforts to improve Bureau rulewriting deliverables, associated analyses, and procedures. These included:

- Continued disclosure testing for major rulemakings, which informed the draft and final regulations; and
- Reviewing and renewing the Bureau's Paperwork Reduction Act (PRA) burden estimates for inherited regulations, identifying areas for improvements.

In support of Outcomes 1.2 and 1.3, during FY 2015, the Bureau's Supervision, Enforcement, and Fair Lending Division (SEFL) executed a comprehensive program evaluation effort involving a third-party consultant to study the current planning measures, techniques, and administrative duties leading up to the commencement of enforcement work. The project also included analysis and evaluation of how final work products are created, edited, and cleared within Enforcement as well as by other stakeholders across the Bureau. The primary goal of this study was to find and eventually implement potential efficiencies in Enforcement's administrative, planning, and review processes.

This project built on the successes of an FY 2014 evaluation and performance improvement effort surrounding the Bureau's exam report writing and review process. SEFL continues to monitor, review, and improve policies and procedures around this process on an ongoing basis.

Goal 2

In FY 2015, the Bureau's Consumer Education and Engagement Division (CEE) began assessing its consumer outreach initiatives in both its Consumer Engagement Office and the Office for Older Americans to advance Outcome 2.2. In both efforts, the Offices use website analytics and academic research to evaluate the impact of initiatives on consumers. In particular:

- Consumer Engagement began to measure the impact that its Paying for College web tool has on viewers. This effort involves tracking consumer use of the tool through website analytics and determining the impact that various levels of engagement have on consumers. The result of the evaluation is an assumed base savings to consumers driven by website engagement and student loan and banking metrics. Based on analysis of web traffic and potential cost savings from avoiding costly default, the team found that the tool had its highest impact in Repay Student Debt. The team also used the analysis to explore potential updates for the Student Loans and Student Banking guides, as well as ways to improve the process in the future, particularly around benchmarking performance for updates or creation of new tools.

- The Office for Older Americans uses a similar approach to assess the impact that its Money Smart for Older Adults guide—in both paper and digital formats—has on its users. Incorporated in this analysis is the Office’s outreach through training sessions and any subsequent paper orders of the materials. The result is an assumed base savings to older adults driven by engagement both digitally and in paper form with the product and metrics associated with preventing scams and fraud targeting older adults. The team has been able to target low-cost and high-impact strategies for promoting the materials that it can leverage in the future. For example, specific events highlighting the guides in FY 2014 led to improvements in the estimated return on investment from 2:1 to 10:1.

In FY 2016 and onward, CEE plans to employ similar methodologies to help track the outcomes of additional initiatives, including a consumer education campaign facilitating parents’ discussions with children about money, the Ask CFPB database of frequently asked consumer financial questions, and the Your Money Your Goals program.

Goal 3

RMR undertook several efforts in FY 2015 to assess the effectiveness of its programs and facilitate achievement of Outcomes 3.1 and 3.2. RMR’s program evaluation efforts contributed to the improvement of internal processes, as well as influenced the impact of external, mission-driven programs. These efforts included:

- Continuing the development of the National Mortgage Database and the Consumer Credit Panel that will allow the Bureau to monitor markets and conduct research to surface financial trends and emergent risks relevant to consumers.
- Completing procurements to establish capabilities for conducting formal surveys and controlled trials in economic laboratory settings and conducting initial experiments that will allow the Bureau to improve its knowledge on consumer finance decision-making.

RMR will continue to maintain its data and research capabilities in support of the Bureau’s research mission.

Goal 4

To support achievement of Outcome 4.1, in FY 2015, the CFPB’s Operations Division engaged an independent third-party consulting firm to conduct a rigorous evaluation of the Bureau’s FY 2012 and FY 2013 performance management programs.

The project focused on examining potential root causes for distributional differences in FY 2012 and FY 2013 in employee performance ratings. The evaluation considered multiple perspectives

and inputs including but not limited to: statistical diversity reports, testimony, listening session reports, focus groups, and performance management policies.

Based on the evaluation, findings, and recommendations from the engagement and from a joint labor-management working group, the CFPB made several program enhancements on performance standards, communication and training, system simplification, and program compliance and evaluation.

The Bureau will continue to make additional improvements to its performance management program in FY 2016.

Cross-goal audits and performance management reviews

Government Accountability Office (GAO): The GAO conducts studies or investigations related to the CFPB's programs every year. In addition, GAO performs an annual audit of the CFPB's financial statements and internal controls, as required by the Dodd-Frank Act.

Office of the Inspector General of the Board of Governors of the Federal Reserve System and the Consumer Financial Protection Bureau (OIG): The OIG is an independent oversight authority within the Board of Governors of the Federal Reserve System that conducts audits, inspections, evaluation, and other reviews of programs and operations of the CFPB and investigations into allegations of potential misconduct by staff or contractors. The mission of the OIG is to detect fraud, waste and abuse, and to promote integrity, economy, efficiency and effectiveness in the CFPB's programs and operations. The OIG's audit reports are available on the OIG's website.

Independent Performance Audit: In accordance with the Dodd-Frank Act, the CFPB orders an annual independent audit of the operations and budget of the Bureau. The purpose of this audit is to provide objective analyses to improve program performance and operations, reduce costs, facilitate decision-making, and contribute to public accountability. The audits for prior years are available on the Bureau's website.

Quarterly Performance Reviews: On a quarterly basis, the CFPB executives, including all Goal Leaders, review progress toward achieving the Bureau's strategic goals and outcomes, in part using the performance goals and measures outlined in this plan. At these points, course corrections are made as needed.

Data Validation

Following the Bureau's Data Accuracy and Reliability policy, the CFPB takes steps continuously to ensure that performance information is complete, accurate, and reliable. The following captures key efforts by Strategic Goal and specifically focuses on data sources, summarizes levels of accuracy and data verification approaches, and identifies data limitations along with compensatory counteractions.

Strategic Goal 1

OUTCOME 1.1

- **Data sources:** To advance Outcome 1.1, the Bureau utilized a range of data sources, including the Federal Register, regulations.gov, and the CFPB website (consumerfinance.gov/notice-and-comment). Rulemakings are considered finalized when a final rule is issued by the Bureau and posted to the Bureau's website (see Procedure Related to Rulemaking, Docket No. CFPB-2012-0051).
- **Level of accuracy and data verification:** The data sources listed above were reviewed to determine all proposed rulemakings covered by the performance metrics. This includes all consumer protection related rulemakings conducted solely by the CFPB in which the final public comment period closed between January 1, 2014 and December 31, 2014 (and thus could have been finalized or otherwise resolved within a 9 month period occurring in FY 2015 (from October 1, 2014 through September 30, 2015)) and all significant consumer protection-related, notice-and-comment rulemakings informed by public outreach processes.
- **Advantages, limitations, and mitigating actions:** No limitations and reasonable level of accuracy - the Federal Register and Regulations.gov provide an accurate and extensive record of all rulemakings promulgated by the Bureau.

OUTCOMES 1.2 AND 1.3

- **Data sources:** The CFPB captures and stores data about its supervision and enforcement activities in several systems of record, including LawBase and the Supervision and Examination System (SES). Metrics and measures for the performance goals in support of Strategic Goal 1 are updated based on data housed in these systems on a quarterly basis, followed by focused management reviews to assess progress toward achieving the Bureau's Strategic Goals and Outcomes.
- **Level of accuracy and data verification:** CFPB provides training to users on proper use of the data systems described above to ensure data verification and validation.

Effective early FY 2015, the SES Data Access Policy ensures user permissions remain in alignment with the SES Data Entry Policy. In addition, SES user permissions were thoroughly reviewed and updated. The SES Data Entry Policy was updated near the end of FY 2015. Revisions included additional SES fields to ensure data used to track supervisory activities are entered into SES on a timely basis. For example, the headquarters Office of Supervision Examinations conducts analysis and notifies appropriate parties if there are any data validation issues, as outlined for performance goals 1.2.4/1.3.4. Additionally, senior management conducts quarterly data quality and validation reviews to further assess and re-affirm data accuracy.

- **Advantages, limitations, and mitigating actions:** Although the data is frequently reviewed for accuracy, as discussed above, the CFPB continues to improve its ability to track its supervision and enforcement activities. For example, SES was recently enhanced to allow for accurate tracking of supervisory and applicable enforcement actions. These modifications have significantly enhanced the CFPB's ability to measure its supervision and applicable enforcement activities. Continued improvements to SES and LawBase, as needed, will assist in capturing key supervisory and enforcement data.

Strategic Goal 2

OUTCOME 2.1

- **Data sources:** The Bureau's Office of Consumer Response tracks progress against Outcome 2.1 using data from its case management system.
- **Level of accuracy and data verification:** The management of the Bureau's Consumer Response function conducts regular data reviews and cross-checks accuracy for all key performance measures, including Intake Cycle Time, Company Cycle Time, and Consumer Cycle Time. The team also tracks the proportion of complaints routed through the dedicated company portal and the number of consumer complaints handled by Consumer Response.
- **Advantages, limitations, and mitigating actions:** No data limitations are known to affect this indicator.

OUTCOME 2.2

- **Data sources:** To identify key success factors in financial health, the CFPB has embarked on a rigorous, multi-year effort to determine the nature of consumer financial well-being, and to learn what factors support it. The first stage of research laid the theoretical groundwork for later quantitative research:

- Reviewed more than 150 articles from a dozen fields;²⁸
- Conducted one-on-one interviews with adult consumers and financial practitioners—professionals who provide financial advice, education, services or products to consumers;
- Transcribed and analyzed 1,600 pages of interview transcripts, from which responses were sorted, coded, and then cataloged using qualitative data analysis software. This first phase culminated in the public release of a definition of financial well-being grounded in the experiences of consumers.

In FY 2014, the research focused on developing a new, psychometrically sound, reliable and valid survey scale to measure financial well-being. The development of such a scale was completed in FY 2015 and is anticipated to be released to the public for use by financial education researchers and practitioners in FY 2016.

User activity on consumerfinance.gov is tracked by the Digital Analytics team using Google Analytics. For more detail see Outcome 4.2.

- **Level of accuracy and data verification:** The first element of the Bureau’s strategy to obtain quality data and analysis was to procure third-party vendors with specialized expertise in all elements of the desired research activities. In addition, a team of subject matter experts from Consumer Education and Engagement, the Data Analytics Team, and the CFPB’s Office of Research review, provide feedback, and ensure the quality of research processes and deliverables.
- **Advantages, limitations, and mitigating actions:** The Bureau’s efforts build on rigorous research and quality data. In the next phase, survey scales and hypotheses will be validated through consumer testing at scale. Throughout FY 2015, the CFPB tested and finalized metrics of financial well-being identified in FY 2014 and prepared for large scale quantitative testing of the hypotheses for success. This quantitative testing effort started at the end of FY 2015 and is expected to conclude in FY 2017.

Strategic Goal 3

OUTCOME 3.1

- **Data sources:** The CFPB Credit Card Database is sourced from Office of the Comptroller of the Currency (OCC) and the CFPB’s supervisory data collection. The Bureau currently uses several resources for monitoring the mortgage markets including primarily, data gathered under HMDA and commercially available data regarding originations and servicing. The Bureau is preparing to use the National Mortgage Database (NMDB) as a

²⁸ These include Consumer Finance, Economics, Behavioral Economics, Psychology (cognitive and developmental), Health, Education, Philosophy, Conservation, Environmental Science, Sociology, and Marketing.

new source for monitoring the mortgage market.

- **Level of accuracy and data verification:** For credit card data, the data verification and validation process occurs in two main phases. In the first instance, the external contractor responsible for collecting and processing the supervisory data on behalf of the CFPB puts the data through a systematic validation process to ensure that the data is coded correctly and uniformly across issuers. In the second main phase of data verification, the CFPB staff reviews the data productions by examining emerging trends and analyzes the data for unusual patterns. For data related to mortgages, the data sources described above are widely used by government and private-sector analysts in understanding the mortgage market. The HMDA data are statutorily required and are carefully collected and verified by the agencies collecting the data.
- **Advantages, limitations, and mitigating actions:** During the development of the NMDB, the Bureau currently relies upon the combination of public and proprietary datasets described above to analyze the market. Of these data, the HMDA data provides the highest level of coverage at a commonly referenced level of 90% of the market. We supplement these data with the commercial and regulatory datasets described above which individually have more restricted coverage but include additional variables and are reported more frequently and with shorter delays. Once developed, the NMDB will have a greater set of reported variables than the currently available data.

OUTCOME 3.2

- **Data sources:** Data source used was the CFPB website for reports dated between October 1, 2014 and September 30, 2015. Reports are considered finalized when the Bureau issues and posts the final report to the Bureau's website.
- **Level of accuracy and data verification:** The data source listed above was reviewed to account for all major research reports published by the Division of Research, Markets, and Regulations in FY 2015.
- **Advantages, limitations, and mitigating actions:** The number of reports published does not necessarily equate to influence in the field. The Bureau may explore and track metrics which may better reflect the influence of our research. Such metrics may include, but are not limited to: the number of comments on blog posts announcing the report, popular press citations of Bureau reports, or academic citations of Bureau reports.

Strategic Goal 4

OUTCOME 4.1

- **Data sources:** Annual Employee Survey (AES) results are captured through an online survey administered under an Interagency Agreement (IAA) for reimbursable government services offered by the Office of Personnel Management's (OPM) Human Resources Solutions group. The IAA provides warranties that services provided for AES meet professional and legal standards. OPM's USASurvey branded online survey administration tool is used to gather data. This tool is subject to the variety of information security guidelines for government information technology projects and systems. To ensure that all intended employees are invited to complete the annual employee survey, email addresses for the employee population are provided to OPM as the basis for survey invitation.
- **Level of accuracy and data verification:** The following steps are taken to verify data summaries for item and index level results.
 - OPM provides independent verification and reporting of Bureau-wide AES results prior to releasing data to the Bureau.
 - The CFPB's Office of Human Capital (OHC) conducts analysis and generates summary reports.
 - Any and all discrepancies between posted and calculated results are subject to 100% verification in collaboration with OPM vendor.
 - At a broader level of verification, comparison data from OPM for government-wide results is monitored and verified through data cross checking.
 - In the final steps of survey processing, CFPB posts results to external website and sends internet link and posted results to OPM to meet regulatory guidance.
- **Advantages, limitations, and mitigating actions:** The Bureau continues to monitor and evaluate the reliability and validity of these metrics as additional baseline data become available. Adjustment to outcomes, components, or targets may be necessary as measures are better understood.

OUTCOME 4.2

- **Data sources:** All data reported from the Digital Analytics team comes from Google Analytics. Data is collected on an as-needed basis through an API that connects directly with Google Servers and stores the data in an Excel template.
- **Level of accuracy and data verification:** Data is pulled by a Google Analytics Certified analyst who performs thorough quality control checks to ensure all data reported is accurate. The data is then sent to a second Google Analytics Certified analyst who does

an additional Quality Control check to re-verify that all data reported is accurate. The data is checked against the user interface on Google Analytics.

- **Advantages, limitations, and mitigating actions:** No data limitations are known to affect this indicator.

OUTCOME 4.3

- **Data sources:** For the audit opinion performance goal, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 require that GAO conducts an audit of the Bureau's annual financial statements. The data for this measure comes from the audit report issued by GAO after the close of the fiscal year, which is provided to the CFPB directly and published on GAO's website. For the performance goal related to distribution of funds, the data is provided on an ongoing basis by the payments administrator assigned to each case.
- **Level of accuracy and data verification:** For the audit opinion performance goal, the data comes from and is verified against the audit report issued by GAO annually. GAO performs its review in accordance with Generally Accepted Government Auditing Standards. For the distribution of funds performance goal, the CFPB reviews the data continuously and reviews up front the timelines by which the victim lists are approved and the date distributions commence.
- **Advantages, limitations, and mitigating actions:** No data limitations are known to affect this indicator.

OUTCOME 4.4

- **Data sources:** The CFPB's External Affairs Division tracks progress toward the outcome through the division's Quarterly Performance Reviews.
- **Level of accuracy and data verification:** The CFPB's External Affairs Division verifies and validates data quarterly by reviewing the CFPB's blog, newsroom, and other materials (which are publicly available on the Bureau's website) that announce, report on, and otherwise provide information about public events hosted by the CFPB.
- **Advantages, limitations and mitigating actions:** No data limitations are known to affect this indicator.

Management challenges

As identified by CFPB's OIG, the CFPB faces challenges in the areas of information security, workforce management, controls over management operations, and physical infrastructure.²⁹ As part of its ongoing, continuous improvement efforts, the CFPB is addressing these challenges.

1. Ensuring an Effective Information Security Program

The CFPB's OIG has identified information security as a major management challenge for the CFPB due to the advanced, persistent threat to government information technology (IT) infrastructure.

IMPROVING THE INFORMATION SECURITY PROGRAM

The CFPB continues to mature and improve its information security program to align with new guidance provided by the National Institute of Standards and Technology. Improvements include enhancements to automation, centralization, and implementation, including in the area of continuous monitoring, to ensure that the requirements of the Federal Information Security Management Act of 2002, as amended by the Federal Information Security Modernization Act of 2014 (FISMA), are met. While improvements have been made, additional work is needed in four high-priority security risk areas: continuous monitoring, configuration management, security training, and incident response and reporting.

ENSURING THE SECURITY OF CONTRACTOR-OPERATED INFORMATION SYSTEMS

The CFPB also faces challenges in ensuring that contractors implement information security controls that meet agency requirements. The risks associated with contractor-provided services can be heightened in cloud computing-based environments because the agency may have limited insight or knowledge of the security processes of contractors.

TRANSITIONING INFORMATION SECURITY AND IT RESOURCES FROM TREASURY TO THE CFPB'S INFRASTRUCTURE

Although the CFPB has made significant progress, the Bureau still faces challenges in transitioning information security and IT resources from Treasury and building its IT infrastructure.

PROTECTING PERSONALLY IDENTIFIABLE INFORMATION

While protecting consumers, ensuring regulatory compliance, and monitoring the consumer financial marketplace for risks to consumers, the CFPB collects, processes, stores, and shares

²⁹ Office of Inspector General: Board of Governors of the Federal Reserve System, Consumer Financial Protection Bureau, 2015 List of Major Management Challenges for the CFPB, <http://oig.federalreserve.gov/reports/cfpb-management-challenges-sep2015.pdf>

privacy-related information associated with consumer financial products and services. The CFPB may share PII to fulfill its enforcement responsibilities or statutory or regulatory requirements. CFPB has signed memorandums of understanding with federal, state, and local government entities regarding the potential sharing of data and the treatment of shared data.

GAO conducted an audit of the CFPB in September 2014 and found that the CFPB lacks written procedures and comprehensive documentation for a number of processes and has not yet fully implemented a number of privacy control steps and information security practices.

AGENCY ACTIONS

The CFPB has taken steps to develop, document, and implement an information security program. The Bureau has also made progress in centralizing its information security program by building out its Cybersecurity Program Management Office, which engages with oversight teams to implement the cybersecurity program at the CFPB.

The CFPB has also taken steps to promote collaboration among security, IT, and procurement staff to ensure that security requirements for third-party contractors are identified and accounted for during solicitations.

The CFPB developed a phased approach to transitioning IT services from Treasury and developing its IT infrastructure. The CFPB has already transitioned e-mail, file shares, mobile devices, Active Directory, remote access, the wide area network, SharePoint, and laptop images to CFPB-managed infrastructure.

The CFPB hired a Chief Data Officer, who leads a set of teams that work closely with the Chief Information Security Officer to ensure that data are protected. One primary focus of the Chief Data Officer is to provide centralized data governance and management of CFPB data sets. In this role, the Chief Data Officer is also charged with implementing the CFPB's Information Governance Policy and addressing many of GAO's findings. Further, the CFPB has a Chief Privacy Officer, who is responsible for the agency's privacy compliance and operational activities.

2. Building and Sustaining a High-Performing and Diverse Workforce

A key outcome for the CFPB's strategic goal of advancing the agency's performance by maximizing its resource productivity and enhancing its impact is attracting, engaging, and deploying a high-performing and diverse workforce. The CFPB faces challenges in meeting this goal, however, due to competition from other employers for the highly qualified staff that the CFPB needs to fulfill its mission. Further, as the Bureau seeks to build and sustain a high-performing and diverse workforce, it will need to strengthen workforce planning and develop an improved performance management system.

RECRUITING AND RETAINING A HIGHLY SKILLED, DIVERSE WORKFORCE

In order to remain competitive, the CFPB must successfully address evolving expectations regarding diversity, workplace flexibility, career progression, communication, and continuous learning. Another important consideration for the CFPB in recruiting and retaining staff is engaging in succession planning.

The CFPB supports the development of a diverse, highly qualified employee base and recognizes that there is an opportunity to increase minority representation, specifically in certain mission-critical positions. Although the CFPB has taken steps to enhance its diversity and inclusion practices, there are opportunities that exist for the CFPB to enhance diversity and inclusion efforts, such as implementing a diversity and inclusion strategic plan as well as a formal succession planning process.

DEVELOPING AND IMPLEMENTING A NEW PERFORMANCE MANAGEMENT SYSTEM

The CFPB faces challenges in developing and implementing a new performance management system. The OIG's prior audit work noted that there were statistically significant differences in CFPB employees' performance ratings for FY 2012 and FY 2013 based on gender, race/ethnicity, and age. The CFPB has taken several actions to address these differences in its performance ratings. Specifically, the CFPB commissioned an independent third-party review to analyze the potential root causes of the rating disparities and to examine the sufficiency of the CFPB's efforts to understand and address these disparities. Also, the CFPB transitioned to a two-level performance management system for FY 2014 and FY 2015, and it has been working with the National Treasury Employees Union to develop a new performance management system for FY 2016 and beyond.

AGENCY ACTIONS

The CFPB has made a number of improvements to its human capital processes. For example, the CFPB developed more robust competency models for all CFPB positions. This effort resulted in the development of competency models that help to support a variety of human resource practices and functions, such as the succession planning process and performance management system. In addition, the CFPB has begun the Workforce of the Future initiative, which is intended to ensure that the CFPB has a skilled and productive workforce to fulfill its mission for the long term. This initiative includes an articulation of how the CFPB's practices should evolve to create the workforce experience that enables people to do their best work for sustainable, long-term impact. The CFPB also placed the Office of Minority and Women Inclusion and the Office of Civil Rights under a newly formed Office of Equal Opportunity and Fairness within the Office of the Director.

The CFPB has taken several steps to recruit and retain a highly qualified, diverse workforce. For

example, the CFPB recruited applicants from a broad range of geographical areas, continued to review data to identify underrepresentation, and targeted its recruiting to ensure that the agency reaches a diverse pool of talent. To ensure workforce retention, the CFPB has taken a number of steps, including using career ladders, providing opportunities for cross-functional work within and outside the agency, providing training opportunities, and fostering a mission-focused work environment. The CFPB has also conducted listening sessions with its employees to identify and respond to perceptions of fairness, equality, diversity, and inclusion.

The CFPB has made progress in developing a new performance management system. In addition to creating new standard operating procedures for performance management program evaluation, compliance, training attendance, and training evaluation, it established a joint labor-management working group with the National Treasury Employees Union to further improve the performance management program.

3. Strengthening Controls Over Management Operations

The CFPB continues to implement management processes and controls as it seeks to provide effective oversight of the consumer financial marketplace. Recognizing the importance of internal controls, the CFPB established a team in the Office of the Chief Financial Officer to review, monitor, and improve internal control. CFPB's OIG noted that the CFPB needs to strengthen its controls over contract management and can improve its information system security controls and management controls related to the Consumer Complaint Database.

STRENGTHENING OPERATIONAL CONTROLS

The OIG's recent work identified several areas to strengthen operational controls: reviewing and revising policies and procedures governing travel and improving contract management controls and oversight.

STRENGTHENING CONTROLS FOR THE CONSUMER COMPLAINT DATABASE

In June 2015, the CFPB enhanced the Consumer Complaint Database to include consumer complaint narratives. CFPB's OIG audit and evaluation work identified opportunities to improve information system security controls and management controls related to the Consumer Complaint Database.

AGENCY ACTIONS

The CFPB has made progress in implementing internal controls for its key management operations. For example, in response to the control deficiencies that were identified in the CFPB's contracting activities, the agency has started implementing corrective actions. Further, the CFPB identified several areas on which to focus, including the development, review, and revision

of policies and procedures for procurement. In addition, the CFPB has taken steps to improve the reliability and timeliness of the data in the Consumer Complaint Database and the related secure information systems.

4. Maintaining Physical Infrastructure

The CFPB is currently renovating its headquarters building, managing swing space until the renovation is complete, and planning to establish office space in its Southeast region.

HEADQUARTERS RENOVATION

The headquarters building that the CFPB is leasing has not undergone significant renovation since it was constructed in 1976. The CFPB headquarters renovation is a multi-year project that poses several challenges for the CFPB, including managing and mitigating schedule and cost risks. The CFPB has partnered with GSA to assist with the renovation project. As the renovations move forward, the CFPB will need to ensure that management control activities associated with the renovation project are operating effectively.

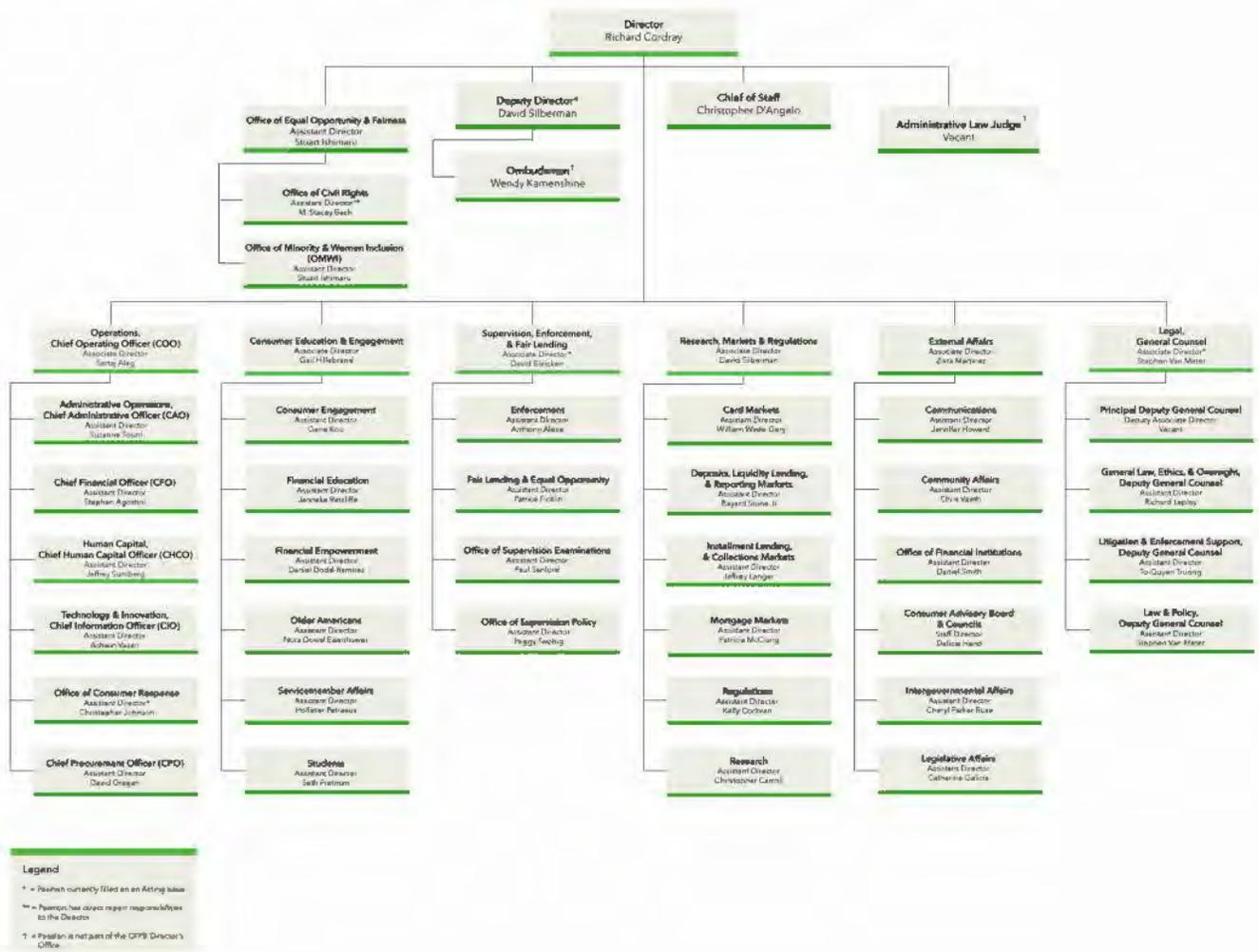
SPACE PLANNING

CFPB employees are currently occupying office space in two locations while the headquarters renovation is ongoing. Once the renovation is complete, the headquarters building will only accommodate a portion of the displaced employees; thus, additional space will still be required. The CFPB will need to determine an optimal location for those employees not returning to the headquarters building while managing and mitigating schedule and cost risks. The CFPB should continue to ensure that its space needs are managed appropriately as it seeks to obtain office space for its Southeast region.

AGENCY ACTIONS

The CFPB established a memorandum of understanding with GSA to provide assistance with its renovation needs. The construction management contract includes specific controls aimed at managing costs throughout the design and construction phases of the renovation project so that the renovation budget is not exceeded. In addition, the construction contract type and delivery method is expected to help ensure that the budget is not exceeded and to give the CFPB additional control over the design and corresponding costs. The CFPB plans to coordinate with GSA regarding its space needs for personnel at the headquarters location and in the Southeast region

Appendix B: Organizational chart



Last updated: January 11, 2016

Contact us



Online

consumerfinance.gov



By phone

Toll free: (855) 411-CFPB (2372)

TTY/TDD : (855) 729-CFPB (2372)



By fax

(855) 237-2392



By mail

Consumer Financial Protection Bureau

1700 G Street, NW

Washington, D.C. 20552



Consumer Financial
Protection Bureau



April 17, 2017

The Honorable Chris Coons
United States Senate
127A Russell Senate Office Building
Washington, D.C. 20510

Dear Senator Coons:

Thank you for your letter of recommendation on behalf of (b)(6) an applicant to become a member of the Consumer Financial Protection Bureau's (Bureau) Consumer Advisory Board. The Bureau has received (b)(6) application. Bureau staff is in the process of reviewing applications.

The Bureau's selection process for new advisory group members includes a thorough review of the applications of all candidates to evaluate their experience, background, and expertise. A strong interest is placed in ensuring that the diversity of our country is represented on our advisory groups and that the experience and expertise of potential candidates is commensurate with the needs of the Bureau.

Thank you for recommending your constituent to be a member of the Consumer Advisory Board. Please rest assured that we will give his application full consideration. Should you have any additional questions about this process, please do not hesitate to contact me, or have your staff contact Matt Pippin in the Bureau's Office of Legislative Affairs. Mr. Pippin can be reached at 202-435-7552.

Sincerely,

A handwritten signature in black ink, appearing to read 'Catherine Galicia'.

Catherine Galicia
Assistant Director for Legislative Affairs



Consumer Financial
Protection Bureau

April 17, 2017

The Honorable Michael Crapo
Chairman
Committee on Banking, Housing,
and Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Sherrod Brown
Ranking Member
Committee on Banking, Housing,
and Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Crapo and Ranking Member Brown:

Pursuant to Section 748 of Division E of Public Law 114-113, attached please find the Consumer Financial Protection Bureau's letter to the Board of Governors of the Federal Reserve System requesting a transfer of funds in accordance with Section 1017 of Public Law 111-203.

Should you have any questions about this notification, please feel free to contact me at (202) 435-9711.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Galicia'.

Catherine Galicia
Assistant Director for Legislative Affairs



Consumer Financial
Protection Bureau

April 17, 2017

The Honorable Rodney Frelinghuysen
Chairman
Committee on Appropriations
United States House of Representatives
H-305, The Capitol
Washington, DC 20515

The Honorable Nita Lowey
Ranking Member
Committee on Appropriations
United States House of Representatives
1016 Longworth House Office Building
Washington, DC 20515

Dear Chairman Frelinghuysen and Ranking Member Lowey:

Pursuant to Section 748 of Division E of Public Law 114-113, attached please find the Consumer Financial Protection Bureau's letter to the Board of Governors of the Federal Reserve System requesting a transfer of funds in accordance with Section 1017 of Public Law 111-203.

Should you have any questions about this notification, please feel free to contact me at (202) 435-9711.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Galicia', written in a cursive style.

Catherine Galicia
Assistant Director for Legislative Affairs



Consumer Financial
Protection Bureau

April 17, 2017

The Honorable Jeb Hensarling
Chairman
Committee on Financial Services
United States House of Representatives
2129 Rayburn House Office Building
Washington, DC 20515

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
United States House of Representatives
4340 Thomas P. O'Neill, Jr. House Office Building
Washington, DC 20515

Dear Chairman Hensarling and Ranking Member Waters:

Pursuant to Section 748 of Division E of Public Law 114-113, attached please find the Consumer Financial Protection Bureau's letter to the Board of Governors of the Federal Reserve System requesting a transfer of funds in accordance with Section 1017 of Public Law 111-203.

Should you have any questions about this notification, please feel free to contact me at (202) 435-9711.

Sincerely,

A handwritten signature in black ink that reads 'C. Galicia'.

Catherine Galicia
Assistant Director for Legislative Affairs

CORY GARDNER
COLORADO

SUITE SR-354
SENATE RUSSELL OFFICE BUILDING
WASHINGTON, DC 20510
(202) 224-5941

United States Senate

COMMITTEES:
BUDGET
COMMERCE, SCIENCE,
AND TRANSPORTATION
ENERGY AND
NATURAL RESOURCES
FOREIGN RELATIONS

April 20, 2017

The Honorable Richard Cordray
Director
Consumer Financial Protection Bureau
1625 Eye Street NW
Washington, DC 20006

Dear Director Cordray:

I write to ask the Consumer Financial Protection Bureau (CFPB) to review existing rules and regulations within the CFPB to determine the impact they are having on the ability of rural financial institutions to lend to the agriculture sector, particularly in times of low commodity prices.

According to the Federal Reserve Bank of Dallas, small and medium size community banks account for 75% of agricultural loans as of 2015, yet they have seen their market share overall sharply decrease from 64% of all banking assets in 1992 to just 19% of all assets in 2015. Moreover, the Federal Reserve reports that we are seeing a prolonged period of banks exiting the market with no new entrants in rural areas. Finally, the report notes the significant uptick of regulatory filings and additional regulatory compliance requirements. To sum up, we are seeing fewer small and medium community banks with less market share and greater regulatory compliance requirements trying to serve the vast majority of rural and agricultural financing needs.

I am concerned existing rules and regulations are having the unintended consequence of inhibiting rural access to capital, and the continued downturn of commodity prices could make this worse. With much of the agriculture industry in Colorado and throughout the nation facing a downturn, it is important that farmers and ranchers have access to financing to maintain operations through this difficult time. In Colorado alone, net farm incomes have dropped from over \$1.8 billion in 2011 to a projected \$392 million for 2017, according to the Colorado Business Economic Outlook.

As a lifelong resident of rural America, I have learned that our agricultural markets have peaks and valleys like any sector of the economy. It is critical that farmers and ranchers have the necessary financial tools and resources to weather an economic valley to get through this difficult time.

I believe this is an opportunity for the CFPB to review their regulations and impacts they are having on rural America and I stand ready to work with you in the United States Senate to craft legislation that reflects the capital needs of rural and agricultural stakeholders.

Thank you for your consideration and I look forward to your response.

Sincerely,



Cory Gardner
United States Senator



Consumer Financial Protection Bureau

April 21, 2017

The Honorable Jim Costa
U.S. House of Representatives
2081 Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Costa:

Thank you for your letter of recommendation on behalf of (b)(6) an applicant to become a member of the Consumer Financial Protection Bureau's (Bureau) Consumer Advisory Board. The Bureau has received (b)(6) application. Bureau staff is in the process of reviewing applications.

The Bureau's selection process for new advisory group members includes a thorough review of the applications of all candidates to evaluate their experience, background, and expertise. A strong interest is placed in ensuring that the diversity of our country is represented on our advisory groups and that the experience and expertise of potential candidates is commensurate with the needs of the Bureau.

Thank you for recommending (b)(6) to be a member of the Consumer Advisory Board. Please rest assured that we will give his application full consideration. Should you have any additional questions about this process, please do not hesitate to contact me, or have your staff contact Patrick O'Brien in the Bureau's Office of Legislative Affairs. Mr. O'Brien can be reached at 202-435-7180.

Sincerely,

Catherine Galicia
Assistant Director for Legislative Affairs



Consumer Financial
Protection Bureau

April 21, 2017

The Honorable Ed Perlmutter
U.S. House of Representatives
1410 Longworth House Office Building
Washington, D.C. 20515

Dear Congressman Perlmutter:

Thank you for your letter of recommendation on behalf of (b)(6) an applicant to become a member of the Consumer Financial Protection Bureau's (Bureau) Consumer Advisory Board. The Bureau has received (b)(6) application. Bureau staff is in the process of reviewing applications.

The Bureau's selection process for new advisory group members includes a thorough review of the applications of all candidates to evaluate their experience, background, and expertise. A strong interest is placed in ensuring that the diversity of our country is represented on our advisory groups and that the experience and expertise of potential candidates is commensurate with the needs of the Bureau.

Thank you for recommending (b)(6) to be a member of the Consumer Advisory Board. Please rest assured that we will give his application full consideration. Should you have any additional questions about this process, please do not hesitate to contact me, or have your staff contact Patrick O'Brien in the Bureau's Office of Legislative Affairs. Mr. O'Brien can be reached at 202-435-7180.

Sincerely,

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Catherine Galicia
Assistant Director for Legislative Affairs



April 21, 2017

The Honorable Ed Perlmutter
U.S. House of Representatives
1410 Longworth House Office Building
Washington, D.C. 20515

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Thank you for recommending (b)(6) to be a member of the Consumer Advisory Board. Please rest assured that we will give his application full consideration. Should you have any additional questions about this process, please do not hesitate to contact me, or have your staff contact Patrick O'Brien in the Bureau's Office of Legislative Affairs. Mr. O'Brien can be reached at 202-435-7180.

Sincerely,

Catherine Galicia
Assistant Director for Legislative Affairs

Congress of the United States
Washington, DC 20515

April 28, 2017

Consumer Financial Protection Bureau
Attention: PRA Office
1275 First Street, N.E.
Washington, D.C. 20002

Re: Agency Information Collection Request, "Student Loan Servicing Market Monitoring," Docket No. CFPB-2017-0002

We appreciate the opportunity to comment on the Consumer Financial Protection Bureau's (CFPB) information collection regarding student loan servicing market monitoring. We strongly support this initiative to monitor servicing practices and create a more transparent student loan market by directly collecting quarterly data from lenders and student loan servicers.

Student loan servicing is an industry in great need of additional oversight. Since the CFPB opened its doors in 2011, it has received more than 32,000 complaints from borrowers about student loan servicing.¹ These complaints have been echoed by investigations, lawsuits, findings, and penalties against servicers by the U.S. Departments of Education, Justice, and Treasury; the CFPB, Federal Deposit Insurance Corporation, and the Government Accountability Office. Unfortunately, not all servicers have put the interests of their borrowers and customers first. A 2015 report from the CFPB outlined "widespread servicing failures" reported by both federal and private student loan borrowers.² One student loan servicer even recently claimed in response to a CFPB lawsuit for alleged violations of consumer financial laws that "there is no expectation the servicer will act in the interest of the consumer."³ According to the Bureau's most recent complaint analysis, this same student loan servicer was also the most complained about financial services company in the country from January 2017 to March 2017.⁴ Partly as a result of poor servicing, one out of four student loan borrowers are struggling to stay current on their loans or are already one of the 8.4 million borrowers in default.

Despite the troubled history of student loan servicing and the size and importance of this market, there are completely inadequate levels of data available to regulators, policymakers, and researchers to inform policies that could drive down delinquency and default. There is a significant and compelling government need to collect this data. According to the 2016 Annual Report of the Financial Stability Oversight Council, since the 2008 financial crisis, delinquency rates have dropped on most consumer debts but not on student loan debt, which now totals approximately \$1.4 trillion.⁵ For many Americans, a student loan is the first loan they will acquire in their life, and their ability to repay it will affect future access to other forms of credit and their ability to participate in the economy.⁶ For these reasons and many others, we

¹ CFPB Website, accessed 4/27/2017: <https://www.consumerfinance.gov/data-research/consumer-complaints/>

² CFPB (2015). "CFPB Concerned about Widespread Servicing Failures Reported by Student Loan Borrowers [Press Release]. Retrieved from <https://www.consumerfinance.gov/about-us/newsroom/cfpb-concerned-about-widespread-servicing-failures-reported-by-student-loan-borrowers>

³ Consumer Financial Protection Bureau v. Navient Corporation, et al. Retrieved from <https://consumermediallc.files.wordpress.com/2017/04/gov-uscourts-paand-110329-29-0.pdf>

⁴ CFPB Monthly Complaint Report, April 2017. Retrieved from http://files.consumerfinance.gov/f/documents/201704_cfpb_Monthly-Complaint-Report.pdf

⁵ Financial Stability Oversight Council 2016 Annual Report, pg. 38.

<https://www.treasury.gov/initiatives/fsoc/studies-reports/Documents/FSOC%202016%20Annual%20Report.pdf>

⁶ Ibid., 39.

believe it is imperative that the CFPB move forward with its proposal to collect and publish detailed data on private and federal student loan markets.

Additional Data is Necessary to Ensure Best Outcomes for Borrowers

Borrower outcomes are often highly dependent on servicer performance. As we learned in the subprime mortgage crisis of 2008, fractured and incomplete data can prevent regulators from identifying and acting on critical servicing shortfalls. Following massive servicer failures during the foreclosure crisis and the robo-signing scandal, federal agencies undertook a number of efforts to better monitor mortgage servicing, including by creating the National Mortgage Database and the CFPB to consolidate federal consumer protection functions and market monitoring under a single agency.

Just as enhanced data collection has guided reform of the mortgage servicing market, CFPB's proposal to collect more granular information about student lending at the servicer level will enable regulators to accurately assess servicer performance and address deficiencies, and will help the federal government design repayment plan options that help borrowers to avoid default.

Increasing transparency in FFELP and Private Student Loan Markets

While the U.S. Department of Education publishes some limited aggregated and survey data about loans it services, the CFPB's proposal would provide previously-unavailable transparency to the more than \$200 billion in Federal Family Education Loan Program (FFELP) loans it does not service. The CFPB's data collection effort would also help us to identify the size and performance of loans in the private student loan market. The private student loan market is especially opaque, as banks often do not distinguish private student loans from other consumer credit products. Moreover, educational institutions that make private loans from their own funds make little public information available, and credit reporting agencies do not differentiate between federal and private student loans in consumer credit reports.⁷ For these reasons, federal data on student loans does not even provide us with a dependable measure of total private student loans outstanding.

Collecting data on Defaults, Delinquency, and Forbearance

The CFPB's proposal to collect detailed data on loan status, especially on loan delinquency, will provide important insights into efficacy of programs that target distressed borrowers as well as servicers' capacity to successfully address delinquencies before they become defaults. Forbearance statistics will provide data on how these programs are being used and what impact they have on long-term borrower balances and outcomes.

Tracking Consumer Outreach

Effective communication with borrowers is crucial to helping them understand their options and responsibilities. More analysis of borrower outreach data will provide important information about servicers' capacity to address individual borrowers' concerns and appropriately inform borrowers about the repayment plans that are available to help them avoid delinquency and default.

Modifications and Alternative Repayment Plans

Requiring servicers to provide data on applications for Income-Driven Repayment (IDR) plans will enable the U.S. Department of Education to evaluate outreach efforts and to identify barriers to enrollment in programs designed to keep debt loads manageable. Analysis of these data will also help the

⁷ See CFPB 2012 Report on Private Student Loans:

http://files.consumerfinance.gov/f/201207_cfpb_Reports_Private-Student-Loans.pdf and Federal Reserve Board of Governors August 2015 FEDS Notes *How Much Student Debt is Out There?*:

<https://www.federalreserve.gov/econresdata/notes/feds-notes/2015/how-much-student-debt-is-out-there-20150807.html>

U.S. Department of Education assess the performance of federal loan servicers and ensure that servicers are dedicating appropriate resources to the processing of IDR applications and re-certifications. Data reporting on proprietary loan modifications will help regulators to assess whether alternative repayment terms are aligned with the goals of reducing defaults and minimizing borrower debt burden.

Servicemember Protections

Collecting information on military forbearances, military status of borrowers, and the benefits owed under the Servicemember Civil Relief Act (SCRA) will help regulators determine compliance with servicers' heightened responsibility to adequately protect members of our military and their families, and will help provide important metrics to the CFPB's Office of Servicemember Affairs regarding payment and delinquency patters for members of the armed services.

CFPB is Uniquely Positioned to Collect Marketwide Data

The Dodd-Frank Wall Street Reform and Consumer Protection Act gave the CFPB broad responsibilities to supervise and enforce compliance with federal consumer protection laws and collect, research, monitor and publish information about consumer financial markets.⁸ Unlike many other federal financial regulators, the CFPB's mandate provides consistency across institution types and markets, making it the ideal agency for collecting student loan information from both bank and nonbank servicers and for tracking data on both federal and private student loans. The CFPB's singular focus on consumer protection, its independence, and its deep experience with mortgage servicing make it the ideal federal regulator to collect additional data on student loan servicing. In order to fulfill this responsibility, the CFPB must access and collect more information on the federal student loan program and federal loan servicing from more federal sources, including the U.S. Department of Education's Office of Federal Student Aid.

The CFPB has also distinguished itself as a consistent advocate for student borrowers and a clearinghouse for information on student loan markets via its Student Loan Ombudsman.⁹ The CFPB, through initiatives like its Supervisory Highlights Reports and the Consumer Complaint Database, has demonstrated proficiency in collection and analysis of detailed consumer information while protecting individual privacy and minimizing compliance burden, and a willingness to share that information with policymakers, researchers, and industry stakeholders.

For servicer-level information to be useful for both public and private purposes, we believe it needs to be collected by an accountable public entity like the CFPB with a demonstrable history of making data useable and accessible.

As members of Senate Committees that instruct national policy on financial markets and education policy, we strongly support the CFPB's proposal to collect additional information on student lending markets directly from student loan servicers, and we believe that this initiative strongly aligns with the CFPB's statutorily authorized mission and authority. We look forward to using this data to implement policy that best serves the goal of offering affordable access to college for all Americans.

Sincerely,

⁸ Public Law 111-203, Sections 1021(c)(3) and (4)

⁹ For example: 2016 Annual Report of the CFPB Student Loan Ombudsman, available at: <https://www.consumerfinance.gov/data-research/research-reports/2016-annual-report-cfpb-student-loan-ombudsman/>

Sherrod Brown

SHERROD BROWN
Ranking Member, Senate Committee on
Banking, Housing and Urban Affairs

Patty Murray

PATTY MURRAY
Ranking Member, Senate Committee on
Health, Education, Labor, & Pensions

Elizabeth Warren

ELIZABETH WARREN
United States Senator

Catherine Cortez Masto

CATHERINE CORTEZ MASTO
United States Senator

WASHINGTON

1414 Longworth Building
Washington, DC 20515-2107
(202) 225-5111
Fax: (202) 225-9322

Committee on Financial Services
Ranking Democratic Member
Subcommittee on Housing
& Insurance

Committee on Transportation &
Infrastructure

Committee on Ethics



Congress of the United States
House of Representatives

Michael E. Capuano

7th District, Massachusetts

May 1, 2017

MASSACHUSETTS

110 First Street
Cambridge, MA 02141-2109
(617) 621-6208
Fax (617) 621-8628

Roxbury Community College
Campus Library
Room 211

Stetson Hall
Room 124
Randolph

Dear Director Cordray:

I very much appreciate you issuing a Request for Information regarding Consumer Access to Financial Records, to better understand the consumer benefits and risks associated with market developments that rely on access to consumer financial and account-related information. As a strong proponent of data privacy and transparency in financial services, I sincerely hope that your review will start from the premise that a customer's data, first and foremost, belongs to the customer.

Efficiency and convenience are valuable commodities in today's fast paced economy. Not a day goes by when a consumer is not presented with the opportunity to conduct all their financial business on line – everything from online bill pay and the elimination of paper statements to one stop shopping services that allow customers to access all of their financial, insurance, even email accounts, through one company's online portal. There is no question that these options can benefit the consumer in ways as simple as being merely timesaving devices all the way to providing creative financial management tools that can empower consumers to understand their finances, improve their credit, and ultimately save money.

However, the information that a consumer shares, regardless of whether that be with a consumer facing financial institution or a third party aggregator that has access to another institution's client data, should not be viewed as a commodity to be bought and sold without consumer's knowledge or consent. Consumers should be aware of what data they are allowing institutions to access; who the ultimate beneficiaries of their information may be; for what purposes their data may be used or sold; what rights they may or may not have to control the future access and use of their financial, and increasingly non-financial data; and what cyber security frameworks govern the protection of their data.

Consumer data is a valuable commodity, and the benefits of efficiency and empowerment, important as they are, can be easily negated if consumers are deprived of full access to and control over what are ultimately *their* records. The pervasive use of mandatory pre-dispute arbitration clauses in all manner of financial and non-financial services agreements today illustrates the importance of transparency in this field and in establishing clearly upfront that consumers who choose to use aggregation services retain their rights and receive robust protections from unauthorized use.

Thank you for your consideration of this letter.

Sincerely,

A handwritten signature in blue ink that reads "Michael E. Capuano".

Michael E. Capuano

MEMBER OF CONGRESS

Please visit our website to sign up for our newsletter
www.house.gov/capuano

Congress of the United States
Washington, DC 20515

May 2, 2017

The Honorable Richard Cordray
Director
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

Dear Director Cordray:

Section 1033 of the Dodd-Frank Wall Street Reform and Consumer Protection Act ensures that consumers have the right to access their own financial data. This access empowers consumers with important tools to take charge of their financial lives, fostering responsible spending habits and thoughtful financial planning. We are pleased by the development of more safe and secure means for consumers to access their personal financial information and hope the Consumer Financial Protection Bureau (Bureau) will encourage these developments.

Currently, there are a range of tools for consumers to better manage their finances through budgeting apps that enable consumers to view account information on a consolidated basis across accounts and financial institutions. These tools help consumers budget expenses, avoid late fees, find better rates, and increase savings.

We believe that preserving consumer access to data through these tools helps promote the Bureau's statutory purpose of "ensuring that all consumers have access to markets for consumer financial products and services and that markets for consumer financial products and services are fair, transparent, and competitive,"¹ and the objective to ensure that markets "operate transparently and efficiently to facilitate access and innovation."²

While access to data is critical for financial empowerment, we also want to ensure that these third party services are safe and transparent to consumers.

Under current practices, consumers often provide a third party with their usernames and passwords to access financial accounts. There are other more secure technologies to identify and authorize access to consumer data and to share data with third parties. One such method is through the use of an application programming interface (API). We are encouraged by recent reports that major technology companies and financial institutions are moving toward this more

¹ 12 U.S.C. § 5511(a).

² *Id.* § 5511(b)(5).

secure method of sharing information,³ and hope that any action the Bureau takes in response to the November 2016 RFI facilitates the market movement in that direction.

We also believe the Bureau should take this opportunity to empower consumers by ensuring more transparency around what happens to consumers' data once it is shared with third parties. Media reports indicate that some companies may resell anonymized consumer data to third parties, such as hedge funds and that in some cases consumers can be re-identified through the use of other publicly available data sets.⁴ This is troubling on its own, but even more so when you consider many consumers are unaware that their sensitive financial information is being used in this way. The Bureau should encourage more transparency around how consumer data is used by third parties and give consumers the power to limit the use of their data.

As you work to ensure consumers can access their financial data, we urge you to give appropriate attention to finding the right balance between promoting access and ensuring security and to use this opportunity to provide consumers with much-needed transparency and control over their financial information.

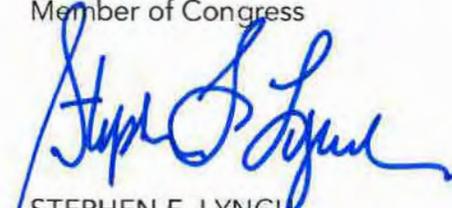
Sincerely,



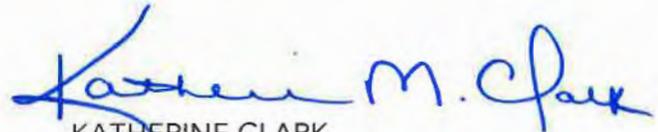
SETH MOULTON
Member of Congress



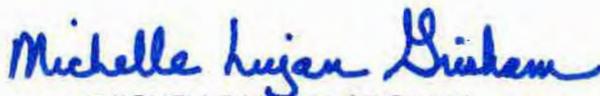
ANN McLANE KUSTER
Member of Congress



STEPHEN F. LYNCH
Member of Congress



KATHERINE CLARK
Member of Congress



MICHELLE LUJAN GRISHAM
Member of Congress



DAVID N. CICILLINE
Member of Congress

³ "JP Morgan, Intuit Give Mint, TurboTax Customers Wider Access to Bank Data," Wall Street Journal, January 25, 2017: <https://www.wsj.com/articles/j-p-morgan-intuit-give-mint-turbotax-customers-wider-access-to-bank-data-1485340204>.

⁴ "Provider of Personal Finance Tools Tracks Bank Cards, Sells Data to Investors," Wall Street Journal, Aug. 6, 2015: <https://www.wsj.com/articles/provider-of-personal-finance-tools-tracks-bank-cards-sells-data-to-investors-1438914620>



RICHARD E. NEAL
Member of Congress



CAROL SHEA-PORTER
Member of Congress

United States Senate

WASHINGTON, DC 20510-2309

May 5, 2017

The Honorable Richard Cordray
Director
Consumer Financial Protection Bureau
1625 Eye St. NW
Washington, DC 20006

The Honorable Maureen Ohlhausen
Acting Chairman
600 Pennsylvania Ave. NW
Washington, DC 20580

Dear Director Cordray and Chairman Ohlhausen:

I write to you about new email and wire transfer scams targeting homebuyers in the process of closing on a new home. I believe it is critical to make sure consumers are aware of new, emerging scams that could cost a family their life savings or their home, and I urge you to take action to bring attention to this emerging issue. Last year, the Federal Trade Commission issued a scam alert about this type of scheme, and I hope you will undertake continued consumer education efforts on this type of fraud.

As you know, recently foreign fraudsters have begun targeting homebuyers preparing to close on a home with emails purporting to be from a homebuyer's realtor. These emails instruct the homebuyer to wire funds to an account that is controlled by the fraudster. For example, in Minnesota, a family planning to buy a home was recently swindled out of more than \$200,000 after an email scam like this tricked the family into wiring the funds to a scammer just days before they were scheduled to close on a new home. Now, they face the loss of a lifetime of savings and lose the opportunity to buy the home they were seeking.

While it is important for law enforcement agencies to crack down on these types of scams, agencies like yours also play an important role in deterring crimes like this by educating consumers on new and emerging scams. Therefore, I urge you to continue to take action to bring attention to this important matter. Thank you for your consideration.

Sincerely,



Al Franken
U.S. Senator



Consumer Financial
Protection Bureau

May 18, 2017

The Honorable Sherrod Brown
Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, DC 20510

Dear Ranking Member Brown:

Enclosed is the Semiannual Report to Congress of the Office of Inspector General for the Board of Governors of the Federal Reserve and the Consumer Financial Protection Bureau, as required under Section 5 of the Inspector General Act. This report covers the six-month period from October 1, 2016 – March 31, 2017.

Should you have any questions concerning this report, please feel free to contact me at (202) 435-9711.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Galicia', is written over a light blue horizontal line.

Catherine Galicia
Assistant Director for Legislative Affairs

SEMIANNUAL REPORT TO CONGRESS October 1, 2016–March 31, 2017



OFFICE OF INSPECTOR GENERAL

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
CONSUMER FINANCIAL PROTECTION BUREAU

SEMIANNUAL
REPORT TO CONGRESS
October 1, 2016–March 31, 2017



OFFICE OF INSPECTOR GENERAL
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
CONSUMER FINANCIAL PROTECTION BUREAU

Message From the Inspector General



Mark Bialek
Inspector General

For this semiannual period, given new statutory requirements under the Inspector General Empowerment Act of 2016, we are widening the window into our work by summarizing more investigative results and reports with unimplemented recommendations (appendix B and appendix C, respectively). This increased transparency aligns with our dedication to being *the* trusted oversight agency of the Board of Governors of the Federal Reserve System (Board) and the Consumer Financial Protection Bureau (CFPB). To be trusted means, in part, showing a clear connection between our work and our mission, vision, and values.

This reporting period, we reviewed financial controls related to the Board's financial statements and the CFPB's purchase and travel card programs, as well as information security controls at the Board and the CFPB. We also recommended actions both agencies could take to improve their processes and culture. How can the Board encourage its staff to share divergent views so it can make more-informed decisions related to financial institution supervision in light of multiple perspectives? How can the CFPB mitigate the risk of conflicts of interest with its vendors, or enhance its administration of advisory committees? What can the Board do to maximize the effectiveness of its monitoring of emerging risks at large financial institutions? These questions cut to the heart of the effectiveness of our agencies' operations, and our answers, with actionable recommendations for improvement, shed light on how operations can improve, for the agencies themselves, and for the public, Congress, and other stakeholders.

This report also describes closed investigations we previously did not make public that involved allegations of misconduct by senior government employees. In addition, our investigators continue to get results for our agencies: Over the past 6 months, we have received 331 Hotline complaints; opened 17 investigations; and seen our work result in 6 persons referred to the U.S. Department of Justice for criminal prosecution; 5 indictments; \$8,009,552 in criminal

finances, restitution, and special assessments; and \$638,000,000 in civil judgments.

We also unveiled our new strategic plan and are committed to looking inward and being transparent about our major goals:

1. **Make a Difference:** Deliver results that promote agency excellence.
2. **Cultivate Great Teams:** Promote a diverse, skilled, and engaged workforce and foster an inclusive, collaborative environment.
3. **Build Bridges:** Optimize external stakeholder engagement.
4. **Work Better:** Advance organizational effectiveness and model a culture of continuous improvement.

We believe that our strategic plan encourages our agencies and other stakeholders to hold us accountable as an organization, and it gives us a benchmark by which to hold ourselves accountable as well.

Finally, I thank the OIG staff, who deserve congratulations for the great work they do every day and whose dedication to promoting economy, efficiency, and effectiveness and to rooting out fraud, waste, and abuse is second to none.

Sincerely,



Mark Bialek
Inspector General
April 28, 2017

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Highlights

The Office of Inspector General (OIG) continued to promote the integrity, economy, efficiency, and effectiveness of the programs and operations of the Board of Governors of the Federal Reserve System (Board) and the Consumer Financial Protection Bureau (CFPB). The following are highlights of our work during this semiannual reporting period.

Audits, Evaluations, and Inspections

14
reports issued

6 Board
8 CFPB

60
recommendations closed

31 Board
29 CFPB

Willingness to Share Divergent Views About Large Financial Institution Supervision Activities. Employees' willingness to share views varies by Federal Reserve Bank and among supervision teams at the same Reserve Bank. Leadership and management approaches play a major role in influencing employees' comfort level in sharing views.

The CFPB's Contract Award Controls and Processes. The CFPB generally complies with contract award laws, regulations, and agency policies and procedures, but some reviews and approvals were overlooked or not documented as required, and other controls and processes can be improved.

The CFPB's Controls for Identifying and Avoiding Conflicts of Interest Related to Vendor Activities. The CFPB can strengthen its controls for identifying and avoiding potential conflicts of interest associated with using vendors to support fair lending compliance and enforcement analysis. The agency should also evaluate whether to perform more fair lending enforcement analysis internally.

The Board's Use of Continuous Monitoring as a Supervisory Tool. Although the Board and the Reserve Banks have multiple documents that address the expectations for certain aspects of continuous monitoring, the Board has not issued guidance that harmonizes these expectations across its supervisory portfolios and the Reserve Banks.

The Board's Information Security Program. The Board has taken several steps to mature its information security program to ensure that it is consistent with Federal Information Security Modernization Act of 2014 (FISMA) requirements. However, the Board's information security program needs several improvements in the areas of risk management, identity and access management, security and privacy training, and incident response.

The CFPB's Information Security Program. The CFPB has taken several steps to mature its information security program to ensure that it is consistent with FISMA requirements. However, the CFPB's information security program needs several improvements in the areas of risk management, identity and access management, and contingency planning.

Investigations

17
cases opened

21
cases closed

6
matters for prosecutorial consideration

5
indictments

\$8,009,552
in criminal fines, restitution, and special assessments

\$638,000,000
in civil judgments

Multiple Former Pierce Commercial Bank Officials Indicted for Conspiracy and Bank Fraud. Four former Pierce Commercial Bank officials were indicted in the Western District of Washington in Tacoma for conspiracy to make false statements on loan applications and to commit bank fraud. Along with three other branch employees, the individuals knowingly made false statements overvaluing property on home loan applications. The fraudulent scheme contributed to the failure of the bank, which caused the Deposit Insurance Fund (DIF) about \$24.8 million in losses.

Former Employee at the Federal Reserve Board Pleads Guilty to Unlawful Conversion of Government Property. A Communications Analyst pleaded guilty to unlawful conversion of government property, was sentenced to 12 months' probation, and was fined \$5,000 for installing unauthorized software on a Board server to connect to a Bitcoin network in order to earn bitcoins.

Introduction

Congress established the OIG as the independent oversight authority for the Board and the CFPB. In fulfilling this responsibility, the OIG conducts audits, evaluations, investigations, and other reviews related to Board and CFPB programs and operations. By law, OIGs are not authorized to perform agency program functions.

In accordance with the Inspector General Act of 1978, as amended, our office has the following responsibilities:

- to conduct and supervise independent and objective audits, evaluations, investigations, and other reviews related to Board and CFPB programs and operations in order to promote economy, efficiency, and effectiveness within the Board and the CFPB
- to help prevent and detect fraud, waste, abuse, and mismanagement in Board and CFPB programs and operations
- to review existing and proposed legislation and regulations in order to make recommendations regarding possible improvements to Board and CFPB programs and operations
- to keep the Board of Governors, the Director of the CFPB, and Congress fully and currently informed

Congress has also mandated additional responsibilities that influence the OIG's priorities, including the following:

- Section 38(k) of the Federal Deposit Insurance Act, as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act; 12 U.S.C. § 1831o(k)), requires that the OIG review Board-supervised financial institutions that failed when the failure resulted in a material loss to the DIF and that we report on the failure within 6 months. Section 38(k) also requires that the OIG conduct an in-depth review of any nonmaterial losses to the DIF that exhibit unusual circumstances.
- The Federal Reserve Act, as amended by the USA PATRIOT Act of 2001 (12 U.S.C. § 248(q)), grants the Board certain

federal law enforcement authorities. Our office performs the external oversight function for the Board's law enforcement program.

- The Federal Information Security Modernization Act of 2014 (FISMA; 44 U.S.C. § 3555) established a legislative mandate for ensuring the effectiveness of information security controls over resources that support federal operations and assets. In accordance with FISMA requirements, we perform annual independent reviews of the Board's and the CFPB's information security programs and practices, including the effectiveness of security controls and techniques for selected information systems.
- The Improper Payments Information Act of 2002, as amended (IPIA; 31 U.S.C. § 3321 note), requires agency heads to periodically review and identify programs and activities that may be susceptible to significant improper payments. The CFPB has determined that its Consumer Financial Civil Penalty Fund is subject to IPIA. The Improper Payments Elimination and Recovery Act of 2010 requires our office to determine each fiscal year whether the agency is in compliance with IPIA.
- Section 211(f) of the Dodd-Frank Act (12 U.S.C. § 5391(f)) requires that the OIG review and report on the Board's supervision of any covered financial company that is placed into receivership. The OIG is to evaluate the effectiveness of the Board's supervision, identify any acts or omissions by the Board that contributed to or could have prevented the company's receivership status, and recommend appropriate administrative or legislative action.
- Section 989E of the Dodd-Frank Act (5 U.S.C. app. 3 § 11 note) established the Council of Inspectors General on Financial Oversight (CIGFO), which is required to meet at least quarterly to share information and discuss the ongoing work of each Inspector General (IG), with a focus on concerns that may apply to the broader financial sector and ways to

improve financial oversight.¹ Additionally, CIGFO is required to report annually about the IGs' concerns and recommendations, as well as issues that may apply to the broader financial sector. CIGFO also can convene a working group of its members to evaluate the effectiveness and internal operations of the Financial Stability Oversight Council, which was created by the Dodd-Frank Act and is charged with identifying threats to the nation's financial stability, promoting market discipline, and responding to emerging risks to the stability of the nation's financial system.

- The Government Charge Card Abuse Prevention Act of 2012 (5 U.S.C. § 5701 note and 41 U.S.C. § 1909(d)) requires our office to conduct periodic risk assessments and audits of the CFPB's purchase card, convenience check, and travel card programs to identify and analyze risks of illegal, improper, or erroneous purchases and payments.
- Section 11B of the Federal Reserve Act (12 U.S.C. § 248(b)) mandates annual independent audits of the financial statements of each Federal Reserve Bank and of the Board. The Board performs the accounting function for the Federal Financial Institutions Examination Council (FFIEC), and we oversee the annual financial statement audits of the Board and of the FFIEC.² Under the Dodd-Frank Act, the U.S. Government Accountability Office performs the financial statement audit of the CFPB.
- The Digital Accountability and Transparency Act of 2014 (DATA Act; 31 U.S.C. § 6101 note) requires agencies to report

1. CIGFO comprises the IGs of the Board and the CFPB, the Commodity Futures Trading Commission, the U.S. Department of Housing and Urban Development, the U.S. Department of the Treasury, the Federal Deposit Insurance Corporation, the Federal Housing Finance Agency, the National Credit Union Administration, the U.S. Securities and Exchange Commission, and the Office of the Special Inspector General for the Troubled Asset Relief Program.
2. The FFIEC is a formal interagency body empowered (1) to prescribe uniform principles, standards, and report forms for the federal examination of financial institutions by the Board, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the CFPB and (2) to make recommendations to promote uniformity in the supervision of financial institutions.

financial and payment data in accordance with data standards established by the U.S. Department of the Treasury (Treasury) and the Office of Management and Budget. The CFPB has determined that its Consumer Financial Civil Penalty Fund is subject to the DATA Act and that only one specific DATA Act requirement, section 3(b), applies to the Bureau Fund. The DATA Act requires our office to review a statistically valid sample of the data submitted by the agency and report on its completeness, timeliness, quality, and accuracy and the agency's implementation and use of the data standards.

Audits, Evaluations, and Inspections

Audits assess aspects of the economy, efficiency, and effectiveness of Board and CFPB programs and operations. For example, the OIG oversees audits of the Board's financial statements and conducts audits of (1) the efficiency and effectiveness of the Board's and the CFPB's processes and internal controls over their programs and operations; (2) the adequacy of controls and security measures governing these agencies' financial and management information systems and their safeguarding of assets and sensitive information; and (3) compliance with applicable laws and regulations related to the agencies' financial, administrative, and program operations. OIG audits are performed in accordance with the *Government Auditing Standards* established by the Comptroller General of the United States.

Inspections and evaluations include program evaluations and legislatively mandated reviews of failed financial institutions supervised by the Board. Inspections are often narrowly focused on particular issues or topics and provide time-critical analyses. Evaluations are generally focused on the effectiveness of specific programs or functions. OIG inspections and evaluations are performed according to the *Quality Standards for Inspection and Evaluation* issued by the Council of the Inspectors General on Integrity and Efficiency (CIGIE).

The information below summarizes OIG audit and evaluation work completed during the reporting period.

Board of Governors of the Federal Reserve System

Opportunities Exist to Increase Employees' Willingness to Share Their Views About Large Financial Institution Supervision Activities

2016-SR-B-014

November 14, 2016

We initiated this evaluation in response to a written request from the Director of the Board's Division of Banking Supervision and Regulation and the Board's General Counsel. Our objectives were (1) to assess the methods for Federal Reserve System decisionmakers to obtain material information necessary to ensure that decisions and conclusions resulting from supervisory activities at Large Institution Supervision Coordinating Committee (LISCC) firms and large banking organizations (LBOs) are appropriate, supported by the record, and consistent with applicable policies and (2) to determine whether there are adequate channels for System decisionmakers to be aware of supervision employees' divergent views about material issues regarding LISCC firms and LBOs.

We found that employees' willingness to share views varies by Reserve Bank and among supervision teams at the same Reserve Bank. We also found that leadership and management approaches play a major role in influencing employees' comfort level in sharing views. We identified five root causes for employees' reticence to share their views; addressing these root causes will likely improve the flow of information to decisionmakers. In addition, we describe several leadership behaviors and processes currently employed by the leadership at certain Reserve Banks that appear particularly effective in helping to convince Reserve Bank supervision employees that it is both safe and worthwhile to share their views.

Our report contains recommendations designed to increase employees' willingness to share their views and improve the flow of information to decisionmakers regarding the supervision of large financial institutions. The Board concurred with our recommendations.

The Board Can Improve Documentation of Office of Foreign Assets Control Examinations

2017-SR-B-003

March 15, 2017

We evaluated the Board's supervision activities for foreign banking organizations following high-profile enforcement actions related to Office of Foreign Assets Control (OFAC) violations. From 2010 to 2014, OFAC issued seven civil money penalties totaling almost \$1.7 billion and the Board issued four civil money penalties totaling \$788 million related to U.S. sanctions programs. Our objective was to assess the Board's approach to evaluating foreign banking organizations' OFAC compliance programs.

The OFAC examinations we reviewed did not always include documentation to adequately explain the rationale for the examination approach or the basis for conclusions. Although the *Examination Manual for U.S. Branches and Agencies of Foreign Banking Organizations* includes guidance on what to include in examination workpapers and the *Bank Secrecy Act/Anti-Money Laundering Examination Manual* includes OFAC examination procedures, there are no guidance or minimum expectations specific to how OFAC examinations should be documented. We also found data reliability concerns in the National Examination Database regarding whether OFAC compliance had been reviewed. These data reliability concerns may have occurred because there is no established definition of what it means to review OFAC compliance and because Reserve Banks do not have consistent data entry procedures. In addition, the National Examination Database does not capture data that would indicate the extent of coverage of OFAC examinations.

Our report contains recommendations designed to strengthen the Board's supervision of OFAC compliance. The Board concurred with our recommendations.

The Board Can Improve the Effectiveness of Continuous Monitoring as a Supervisory Tool

2017-SR-B-005

March 29, 2017

We assessed the effectiveness of continuous monitoring as a supervisory activity for large, complex financial institutions, including LISC firms and LBOs.

Although the Board and the Reserve Banks have multiple documents that address the expectations for certain aspects of continuous monitoring, the Board has not issued guidance that harmonizes these expectations across its supervisory portfolios and the Reserve Banks. Such guidance could outline the preferred analytical approach and documentation practices for this activity across the LISCC and LBO supervisory portfolios and minimize the variability that we noted for continuous monitoring activities across the Reserve Banks we visited. Although we noted certain best practices for executing continuous monitoring during our evaluation, those practices have not been broadly implemented across the Federal Reserve System. As a result, supervisory guidance issued by the Board could help to foster more consistent execution of this supervisory activity throughout the Federal Reserve System and maximize its effectiveness.

Our report contains recommendations to improve the effectiveness of continuous monitoring. The Board concurred with our recommendations.

2016 Audit of the Board's Information Security Program

2016-IT-B-013

November 10, 2016

FISMA requires IGs to conduct an annual, independent evaluation of their respective agencies' information security programs and practices. In support of FISMA independent evaluation requirements, the U.S. Department of Homeland Security (DHS) issued guidance to IGs on FISMA reporting for 2016. The guidance directs IGs to evaluate the performance of agencies' information security programs across eight areas. The guidance also references a five-level maturity model for IGs to use in assessing agencies' information security continuous monitoring and incident response programs. In accordance with these requirements, we reviewed the Board's information security program. Specifically, we evaluated the effectiveness of the Board's (1) security controls and techniques and (2) information security policies, procedures, and practices.

We found that the Board has taken several steps to mature its information security program to ensure that the program is consistent with FISMA requirements. For instance, we found that the Board has implemented an enterprisewide information security continuous monitoring lessons-learned process as well as

strengthened its system-level vulnerability management practices. However, we identified several improvements needed in the Board's information security program in the areas of risk management, identity and access management, security and privacy training, and incident response. Specifically, we found that the Board can strengthen its risk management program by ensuring that Board divisions are consistently implementing the organization's risk management processes related to security controls assessment, security planning, and authorization. In addition, we continued to find instances of Board sensitive information that was not appropriately restricted within the organization's enterprisewide collaboration tool. We also noted that the Board had not evaluated the effectiveness of its security and privacy awareness training program in 2016. Finally, we found that the Board can strengthen its incident response capabilities by transitioning to a Trusted Internet Connections network provider and utilizing services offered through DHS's EINSTEIN program for intrusion detection and prevention.

Our report includes recommendations to strengthen the Board's information security program in the areas of risk management, identity and access management, security and privacy training, and incident response. The Board concurred with our recommendations.

Board of Governors of the Federal Reserve System Financial Statements as of and for the Years Ended December 31, 2016 and 2015, and Independent Auditors' Reports

2017-FMIC-B-002

March 7, 2017

We contracted with an independent public accounting firm to audit the financial statements of the Board and to audit the Board's internal control over financial reporting. The contract requires the audits of the financial statements to be performed in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits in the *Government Auditing Standards* issued by the Comptroller General of the United States, and the auditing standards of the Public Company Accounting Oversight Board. The contract also requires the audit of internal control over financial reporting to be performed in accordance with the attestation standards established by the

American Institute of Certified Public Accountants and with the auditing standards of the Public Company Accounting Oversight Board. We reviewed and monitored the work of the independent public accounting firm to ensure compliance with applicable standards and the contract.

In the auditors' opinion, the financial statements presented fairly, in all material respects, the financial position of the Board as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Also, in the auditors' opinion, the Board maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the criteria established in *Internal Control—Integrated Framework* (2013) by the Committee of Sponsoring Organizations of the Treadway Commission. The auditors' report on compliance and other matters disclosed no instances of noncompliance or other matters.

Federal Financial Institutions Examination Council Financial Statements as of and for the Years Ended December 31, 2016 and 2015, and Independent Auditors' Reports

2017-FMIC-B-001

March 1, 2017

The Board performs the accounting function for the FFIEC, and we contract with an independent public accounting firm to annually audit the financial statements of the FFIEC. The contract requires the audits to be performed in accordance with auditing standards generally accepted in the United States of America and in accordance with the auditing standards applicable to financial audits in the *Government Auditing Standards* issued by the Comptroller General of the United States. We reviewed and monitored the work of the independent public accounting firm to ensure compliance with applicable standards and the contract.

In the auditors' opinion, the financial statements presented fairly, in all material respects, the financial position of the FFIEC as of December 31, 2016 and 2015, and the results of operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. The auditors' report on internal control over financial reporting

and on compliance and other matters disclosed no instances of noncompliance or other matters.

Consumer Financial Protection Bureau

The CFPB Can Strengthen Contract Award Controls and Administrative Processes

2017-FMIC-C-007

March 30, 2017

We assessed the CFPB's compliance with the *Federal Acquisition Regulation* and CFPB policy related to the contract solicitation, selection, and award processes, as well as the effectiveness of the CFPB's associated internal controls. This audit was a follow-on to our 2015 audit of the CFPB's contract management processes.³

We found the CFPB to be generally compliant with applicable laws, regulations, and CFPB policies and procedures related to contract preaward and award process controls. We noted, however, that on some occasions, reviews and approvals were overlooked or not documented as required by the *Federal Acquisition Regulation* or CFPB policy. The Procurement Office can improve its contract file documentation by consistently including evidence that acquisition planning documents have been reviewed and approved and that conflict of interest documents for evaluation team members were signed. The CFPB can also improve the documentation used to support price reasonableness determinations for sole-source contracts and improve Routing and Review Slip documentation. We also found that there were opportunities to expand the use of digital signatures in the acquisition process. Lastly, the Procurement Office can capture and monitor acquisition lead-time data as a performance measure and better inform program offices by enhancing communications and training.

Our report contains recommendations designed to strengthen the CFPB's internal control environment during acquisition planning, improve contract file documentation, and better use performance goals and communicate with program offices during the acquisition process. The CFPB concurred with our recommendations.

3. Office of Inspector General, *The CFPB Can Enhance Its Contract Management Processes and Related Controls*, OIG Report 2015-FMIC-C-014, September 2, 2015.

The CFPB Can Strengthen Its Controls for Identifying and Avoiding Conflicts of Interest Related to Vendor Activities

2017-SR-C-004

March 15, 2017

We assessed whether the CFPB effectively mitigates the risk of potential conflicts of interest associated with using vendors to support fair lending compliance and enforcement analysis. We focused on a contract for fair lending enforcement analysis and expert witness services. Our scope did not include identifying potential or actual conflicts of interest related to the CFPB's fair lending supervision contracts, and our findings are not reflective of all CFPB contracting practices.

We found that the CFPB can strengthen its controls for identifying and avoiding potential conflicts of interest by (1) ensuring that vendors comply with existing documentation requirements; (2) clarifying roles and responsibilities; and (3) better facilitating vendor disclosure of potential conflicts, or affirmation that no conflicts exist, at the issuance of each task order. In addition, although the CFPB currently performs some fair lending enforcement analysis internally, we found that the CFPB should evaluate the potential costs and benefits of performing more fair lending enforcement analysis internally.

Our report contains recommendations designed to strengthen the CFPB's identification and avoidance of potential conflicts of interest and to reduce the agency's exposure to operational and reputational risk. The CFPB concurred with our recommendations.

2016 Audit of the CFPB's Information Security Program

2016-IT-C-012

November 10, 2016

FISMA requires IGs to conduct an annual, independent evaluation of their respective agencies' information security programs and practices. In support of FISMA independent evaluation requirements, DHS issued guidance to IGs on FISMA reporting for 2016. The guidance directs IGs to evaluate the performance of agencies' information security programs across eight areas. The guidance also references a five-level maturity model for IGs to use in assessing agencies' information security continuous monitoring and incident response programs. Consistent with

these requirements, we reviewed the CFPB's information security program. Our audit objectives were to evaluate the effectiveness of the CFPB's (1) security controls and techniques and (2) information security policies, procedures, and practices.

We found that the CFPB has taken several steps to mature its information security program to ensure that it is consistent with FISMA requirements. For instance, we found that both the CFPB's information security continuous monitoring and incident response programs were operating at an overall maturity of level 3 (*consistently implemented*), primarily due to enhancements in the agency's automation capabilities. However, we identified several improvements needed in the CFPB's information security program in the areas of risk management, identity and access management, and contingency planning. Specifically, we noted that the CFPB can strengthen its risk management program by formalizing its insider threat activities and evaluating options to develop an agencywide insider threat program that leverages planned activities around data loss prevention. Related to the management of insider threat risks, signed rules of behavior documents were not in place for several privileged users who were not consistently resubmitting user access forms to validate the need for their elevated access privileges. We also noted that the CFPB has not completed an agencywide business impact analysis to guide its contingency planning activities, nor has it fully updated its continuity of operations plan to reflect the transition of its information technology infrastructure from Treasury.

Our report includes recommendations to strengthen the CFPB's information security program in the areas of insider threat activities, privileged users, and contingency planning activities. The CFPB concurred with our recommendations.

The CFPB's Advisory Committees Help Inform Agency Activities, but Advisory Committees' Administration Should Be Enhanced

2016-MO-C-016

November 30, 2016

We conducted an audit of the CFPB's activities related to its four advisory committees, which provide expert advice on specific issues related to the CFPB's mission. Our objectives were (1) to assess the CFPB's compliance with applicable laws and regulations

as they relate to advisory committees, (2) to assess the CFPB's administration of the advisory committees, and (3) to evaluate the CFPB's advisory committees' effectiveness in informing the CFPB's activities.

Overall, we found that the CFPB advisory committees were generally effective and were operating in compliance with applicable laws and regulations for the period we reviewed. We also found that the CFPB should improve its administration of advisory committee activities. Specifically, the Office of Advisory Board and Councils and the Office of Research can improve their administrative processes by formally tracking the clearance process of documents before dissemination to advisory committee members, determining an optimal method to identify conflict of interests for certain members, retaining application materials, posting summaries of advisory committee meetings to the CFPB's Advisory groups webpage, and centrally retaining advisory committee expenditure information. In addition, we found that assessing advisory committee effectiveness can assist the CFPB in determining whether the committees provide the agency with information and perspectives that help inform agency activities.

Our report contains recommendations designed to improve the CFPB's administrative processes and to establish the formal monitoring of the effectiveness of advisory committee activities. The CFPB concurred with our recommendations.

Evaluation of the CFPB's Implementation of the Digital Accountability and Transparency Act of 2014

2016-FMIC-C-015

November 30, 2016

The DATA Act aims to help policymakers and taxpayers track federal spending by requiring agencies to make accessible consistent data on expenditures and contract information. The CFPB determined that the act applies in full to its Consumer Financial Civil Penalty Fund and in part to its Bureau Fund. Our audit objective was to gain an understanding of the processes, systems, and controls that the CFPB has implemented, or plans to implement, to report financial and spending data as required by the DATA Act.

The DATA Act requires IGs to issue a report to Congress assessing a statistical sample of spending data submitted by the agency and its implementation of the data standards. However, CIGIE identified a timing anomaly for this requirement. The DATA Act states that the first IG report is due to Congress in November 2016; however, the act did not require federal agencies to report spending data until May 2017. As a result, CIGIE encouraged IGs to undertake DATA Act readiness reviews of their respective agencies well in advance of the November 2017 report. Our report is in response to CIGIE's suggestion.

Overall, we identified activities that will help the CFPB successfully implement the DATA Act requirements. We believe that the CFPB's success in implementing the DATA Act requirements will depend in part on (1) the effective execution of its implementation efforts; (2) the finalized designation of a senior accountable official; and (3) the clear documentation of the roles and responsibilities of the Bureau of the Fiscal Service, Administrative Resource Center. Our report contains no recommendations.

The CFPB's Civil Penalty Fund Is in Compliance With the Improper Payments Information Act of 2002, as Amended

2017-FMIC-C-006

March 29, 2017

We assessed whether the CFPB is in compliance with IPIA, which requires agency heads to periodically review and identify all programs and activities that may be susceptible to significant improper payments. The CFPB determined that its Consumer Financial Civil Penalty Fund is subject to IPIA. The Consumer Financial Civil Penalty Fund contains money that the CFPB collects from judicial and administrative actions against people or companies that violate federal consumer financial law. Funds may be used to pay victims or for consumer education, financial literacy programs, and program administration costs. For fiscal year 2016, total disbursements from the Consumer Financial Civil Penalty Fund were approximately \$54 million.

We determined that the CFPB complied with the two applicable requirements of IPIA for fiscal year 2016 as they relate to the Consumer Financial Civil Penalty Fund. We made no recommendations in our report.

Fiscal Year 2016 Risk Assessment of the CFPB's Purchase Card Program

February 1, 2017

As required by the Government Charge Card Abuse Prevention Act of 2012, we conducted a risk assessment of the CFPB's purchase card program to determine the frequency and scope of future audits. The results of the risk assessment show that the risk of illegal, improper, or erroneous use in the CFPB's purchase card program is *low*. As a result, we will not include an audit of the CFPB's purchase card program in the OIG's 2017 annual audit plan.

Fiscal Year 2016 Risk Assessment of the CFPB's Travel Card Program

February 1, 2017

As required by the Government Charge Card Abuse Prevention Act of 2012, we conducted a risk assessment of the CFPB's travel card program to determine the frequency and scope of future audits. The results of the risk assessment show that the risk of illegal, improper, or erroneous use in the CFPB's travel card program is *medium*.

Although a risk level of *medium* means that the risk is likely to occur, such risk would be expected to have a limited impact on current operations and long-term objectives. In addition, we completed an audit of the travel card program in June 2016. As a result, we will not include an audit of the travel card program in the OIG's 2017 annual audit plan.

Failed State Member Bank Reviews

Material Loss Reviews

Section 38(k) of the Federal Deposit Insurance Act, as amended, requires that the IG of the appropriate federal banking agency complete a review of the agency's supervision of a failed institution and issue a report within 6 months of notification from the Federal Deposit Insurance Corporation (FDIC) OIG that the projected loss to the DIF is material. Under section 38(k), a material loss to the DIF is defined as an estimated loss in excess of \$50 million.

The material loss review provisions of section 38(k) require that the IG do the following:

- review the institution's supervision, including the agency's implementation of prompt corrective action
- ascertain why the institution's problems resulted in a material loss to the DIF
- make recommendations for preventing any such loss in the future

No state member bank failures occurred during the reporting period that required us to initiate a material loss review.

Nonmaterial Loss Reviews

The Federal Deposit Insurance Act, as amended, requires the IG of the appropriate federal banking agency to semiannually report certain information on financial institutions that incurred nonmaterial losses to the DIF and that failed during the respective 6-month period.

When bank failures result in nonmaterial losses to the DIF, the IG is required to determine (1) the grounds identified by the federal

banking agency or the state bank supervisor for appointing the FDIC as receiver and (2) whether the losses to the DIF present unusual circumstances that would warrant in-depth reviews. Generally, the in-depth review process is the same as that for material loss reviews, but in-depth reviews are not subject to the 6-month reporting deadline.

The IG must semiannually report the completion dates for each such review. If an in-depth review is not warranted, the IG is required to explain this determination. In general, we consider a loss to the DIF to present unusual circumstances if the conditions associated with the bank's deterioration, ultimate closure, and supervision were not addressed in any of our prior bank failure reports, or if there was potential fraud.

We completed our initial review of the Allied Bank failure and identified a series of unusual circumstances that warrant an in-depth review (table 1). We initiated our in-depth review in February 2017 and will summarize the results of that review in an upcoming semiannual report to Congress.

Table 1: Nonmaterial State Member Bank Failure During the Reporting Period^a

State member bank	Location	Asset size (millions)	DIF projected loss (millions)	Closure date	OIG summary of state's grounds for receivership	OIG determination
Allied Bank	Mulberry, Arkansas	\$66.3	\$6.9	09/23/2016	Unsafe and unsound condition	Circumstances warrant an in-depth review, which commenced on 02/09/2017

a. Allied Bank failed on September 23, 2016, a week before the close of the prior semiannual reporting period. Given the timing of the failure, we had not been advised of the estimated loss to the DIF associated with the failure before the close of the prior semiannual reporting period. We made our determination to conduct an in-depth review of this failure during this reporting period.

Investigations

The OIG's Office of Investigations conducts investigations of criminal, civil, and administrative wrongdoing by Board and CFPB employees, as well as investigations of alleged misconduct or criminal activity that affects the Board's or the CFPB's ability to effectively supervise and regulate the financial community. The OIG operates under statutory law enforcement authority granted by the U.S. Attorney General, which vests our Special Agents with the authority to carry firearms, to seek and execute search and arrest warrants, and to make arrests without a warrant in certain circumstances. OIG investigations are conducted in compliance with CIGIE's *Quality Standards for Investigations* and the *Attorney General Guidelines for Offices of Inspector General with Statutory Law Enforcement Authority*.

During this period, the Office of Investigations met with other financial OIGs to discuss matters of mutual interest, joint investigative operations, joint training opportunities, and hotline operations. The office also met with officials at both the Board and the CFPB to discuss investigative operations and the investigative process.

Board of Governors of the Federal Reserve System

The Board is responsible for consolidated supervision of bank holding companies, including financial holding companies formed under the Gramm-Leach-Bliley Act. The Board also supervises state-chartered banks that are members of the Federal Reserve System. Under delegated authority from the Board, the Reserve Banks supervise bank holding companies and state member banks, and the Board's Division of Supervision and Regulation oversees the Reserve Banks' supervisory activities.

Our office's investigations concerning bank holding companies and state member banks typically involve allegations that holding company directors or officers falsified financial records, lied to or misled examiners, or obstructed examinations in a manner that

may have hindered the Board's ability to carry out its supervisory operations. Such activity may result in criminal violations, including false statements or obstruction of bank examinations. The following are examples from this reporting period of investigations into matters affecting the Board's ability to carry out its supervisory responsibilities.

Former Federal Reserve Board Employee Sentenced for Installing Unauthorized Software on a Board Server

A former Board employee was sentenced to 12 months' probation and fined \$5,000 for installing unauthorized software on a Board server. The defendant pleaded guilty to one misdemeanor count of unlawful conversion of government property.

The defendant, a Communications Analyst, inappropriately used his access to a Board server to install unauthorized software to earn bitcoins. Bitcoins are earned as compensation when users allow their systems' computing power to be part of the structure that processes, verifies, and records bitcoin transactions. Due to the anonymity of the Bitcoin network, the Board-CFPB OIG was unable to conclusively determine the amount of bitcoins earned through the Board's server. The defendant also modified security safeguards to remotely access the server. When confronted by OIG agents, the defendant initially denied any knowledge of the wrongdoing but later remotely deleted the Bitcoin software in an effort to conceal his actions. Forensic analysis conducted by Board-CFPB OIG agents and the Federal Reserve System's National Incident Response Team confirmed the defendant's involvement, which resulted in his termination from the Board and ultimately led to his voluntary admission of guilt. The defendant's actions did not result in a loss of Board information, and the Board implemented security enhancements as a result of this incident.

The case was investigated by the Board-CFPB OIG and prosecuted by the U.S. Department of Justice's (DOJ) Computer Crime and Intellectual Property Section.

Former NOVA Bank Officers Sentenced for Conspiracy, False Statements, and Troubled Asset Relief Program Fraud

The former President of NOVA Bank was sentenced to 14 months in prison and was ordered to pay a \$50,000 fine, and the former NOVA Bank Board Chairman was sentenced to 11 months in prison and was ordered to pay a \$100,000 fine. Both individuals were involved in a fraud conspiracy to obtain \$13.5 million in public Troubled Asset Relief Program funds for NOVA Bank. NOVA Bank's holding company, NOVA Financial Holdings, Inc., of Berwyn, Pennsylvania, is supervised and regulated by the Board.

This case was the result of a joint investigation by the Board-CFPB OIG, the FDIC OIG, the Federal Bureau of Investigation (FBI), the Special Inspector General for the Troubled Asset Relief Program (SIGTARP), Internal Revenue Service (IRS)–Criminal Investigation, and the U.S. Attorney's Office for the Eastern District of Pennsylvania.

Former Bank Senior Executive Vice President Sentenced for Failing to Report a Crime

A former One Bank & Trust Senior Executive Vice President was sentenced to 2 years of probation and 100 hours of community service for failing to report a crime. The defendant was also a Director at One Financial Corporation, which is the Board-supervised bank holding company for One Bank & Trust. The former bank executive pleaded guilty to misprision of a felony.

The defendant recommended approval of a \$1.5 million line of credit for someone the defendant knew and arranged for the line of credit to be approved without going through the formal approval process. When the line of credit defaulted, the defendant and other former One Bank & Trust executives made false bank entries to hide the default from federal bank regulators. This default was then left off One Bank & Trust's Call Reports to prevent any additional regulatory scrutiny while the bank was soliciting over \$10 million in Troubled Asset Relief Program funds. The borrower who defaulted was sentenced to a year and a day in federal prison after pleading guilty to money laundering.

This case was the result of a joint investigation by the Board-CFPB OIG, the FDIC OIG, IRS–Criminal Investigation, the FBI, SIGTARP, and the U.S. Attorney’s Office for the Eastern District of Arkansas.

Former President and Chief Executive Officer of Farmers Exchange Bank Charged in Second Superseding Indictment

A former President and Chief Executive Officer of Farmers Exchange Bank was charged in a second superseding indictment with one or more counts of bank fraud; theft, embezzlement, or misapplication by a bank employee; false bank entries, reports, and transactions; false statements; wire fraud; and money laundering. This second superseding indictment amended some of the charges previously filed against the defendant and added additional charges, resulting in a 45-count indictment.

The defendant made false entries in the bank’s books, reports, and statements with the intent to injure and defraud the bank and to deceive the agents and examiners appointed to examine the affairs of the bank, including the Board and the FDIC. Additionally, the indictment alleged that the defendant devised a scheme to defraud other FEB Bancshares, Inc., shareholders to obtain money by false and fraudulent pretenses and caused about \$4.9 million to be transferred in interstate commerce through the Fedwire Transfer System in Dallas, Texas.

This is a joint investigation by the FDIC OIG, the Board-CFPB OIG, and the FBI, with prosecutorial support from the U.S. Attorney’s Office for the Eastern District of Wisconsin.

Former Executive at Union Bank and Trust Company Pleaded Guilty to Theft of Bank Property

A former Assistant Vice President at Union Bank and Trust Company pleaded guilty to one count of theft of bank property. For about 12 years—from around 2000 to 2012—the defendant knowingly took about \$200,000 from Union Bank and Trust in Evansville, Wisconsin, and used her position to cover up the theft. The Board-CFPB OIG investigated this matter to determine

whether any misrepresentations were made in an effort to obstruct the Board's supervision program.

This is a joint investigation by the Board-CFPB OIG and the FDIC OIG, with prosecutorial support from the U.S. Attorney's Office for the Western District of Wisconsin.

Multiple Former Pierce Commercial Bank Officials Indicted for Conspiracy and Bank Fraud

Multiple former Pierce Commercial Bank officials were indicted in the Western District of Washington in Tacoma for conspiracy to make false statements on loan applications and to commit bank fraud. Prior to the indictment, one individual—a Vice President and Loan Officer—entered into a plea agreement with the U.S. Attorney's Office in Tacoma. Two other subjects—a second Vice President and Loan Officer and another Loan Officer—pleaded guilty in federal court to bank fraud.

From around July 2004 to July 2008, the coconspirators and others working at Pierce Commercial Bank solicited individuals, whether or not they were qualified, to apply for Pierce Commercial Bank home loans. The coconspirators then had uniform residential loan applications prepared based upon fraudulent representations with and without the borrowers' knowledge. The fraudulent scheme resulted in over 5,000 mortgage loans, representing over \$1 billion in loan proceeds. Until it failed, Pierce Commercial Bank was regulated by the Board. The scheme contributed to the failure of the bank. Hundreds of the borrowers involved in the scheme defaulted on their loans, causing over \$9.5 million in losses to Pierce Commercial Bank, secondary investors, the U.S. Department of Housing and Urban Development (HUD), and the U.S. Federal Housing Administration and \$24.8 million in losses to the DIF.

This case is being prosecuted by the U.S. Attorney's Office for the Western District of Washington, with the investigative assistance of the FBI, the HUD OIG, the Federal Housing Finance Agency (FHFA) OIG, the Board-CFPB OIG, the FDIC OIG, SIGTARP, and IRS-Criminal Investigation.

Consumer Financial Protection Bureau

Title X of the Dodd-Frank Act created the CFPB to implement and enforce federal consumer financial law. The CFPB's five statutory objectives are (1) to provide consumers with critical information about financial transactions, (2) to protect consumers from unfair practices, (3) to identify and address outdated and unduly burdensome regulations, (4) to foster transparency and efficiency in consumer financial product and service markets and to facilitate access and innovation, and (5) to enforce federal consumer financial law without regard to the status of the person to promote fair competition.

The CFPB supervises large banks, thrifts, and credit unions with total assets of more than \$10 billion and certain nonbank entities, regardless of size, including mortgage brokers, loan modification providers, payday lenders, consumer reporting agencies, debt collectors, and private education lenders. Additionally, with certain exceptions, the CFPB's enforcement jurisdiction generally extends to individuals or entities that are or have engaged in conduct that violates federal consumer financial law.

Our office's investigations concerning the CFPB's responsibilities typically involve allegations that company directors or officers provided falsified business data and financial records to the CFPB, lied to or misled examiners, or obstructed examinations in a manner that may have affected the CFPB's ability to carry out its supervisory responsibilities. Such activity may result in criminal violations, such as false statements or obstruction of examinations. The following is an example from this reporting period of an investigation into matters affecting the CFPB's ability to carry out its supervisory responsibilities.

Former Principal of Loan Modification Company Pleaded Guilty

An information and plea agreement were filed on one of the former principals of a loan modification company in the U.S. District of Utah for the individual's involvement in a fraudulent telemarketing sales and loan modification conspiracy. This information and plea agreement follow a 40-count federal indictment in the U.S. District of Utah in Salt Lake City charging six individuals with conspiracy,

mail fraud, wire fraud, telemarketing fraud, conspiracy to commit money laundering, and money laundering in an alleged scheme to market and sell home loan modification services under the guise of a law firm.

Around September 2011, the principal and others made false and misleading statements to potential customers in order to convince them to pay for loan modification services. Potential clients were led to believe they were contracting with a true law firm, that an attorney would be working with them individually, and that the attorney would negotiate a loan modification with their lender. Instead, clients were contacted by the defendant and minimum wage employees who were not supervised by lawyers and did not have the legal background or knowledge in working loan modifications.

This case was investigated by the Board-CCFPB OIG, the FBI, IRS-Criminal Investigation, SIGTARP, and the FHFA OIG, with prosecutorial support from the U.S. Attorney's Office for the District of Utah.

Hotline

The OIG Hotline helps people report fraud, waste, abuse, or mismanagement related to the programs or operations of the Board and the CFPB. Hotline staff can be reached by phone, email, web form, fax, or mail. The OIG reviews all incoming Hotline communications, researches and analyzes the issues raised, and determines how best to address the complaints. During this reporting period, the Hotline received 331 complaints.

The OIG Hotline continued to receive complaints from individuals seeking information about or wanting to file noncriminal consumer complaints regarding consumer financial products and services. In these matters, Hotline staff members typically refer complainants to the consumer group of the appropriate federal regulator for the institution involved, such as the Office of the Comptroller of the Currency's (OCC) Customer Assistance Group or the CFPB Consumer Response team.

The OIG Hotline continued to receive a significant number of complaints involving suspicious solicitations invoking the name of the Federal Reserve or the Chair of the Board of Governors. Hotline staff members continue to advise all individuals that these phishing emails are solicitations that attempt to obtain the personal or financial information of the recipient and that neither the Board nor the Reserve Banks endorse or have any involvement in them. As appropriate, the OIG may investigate these complaints.

Legislative and Regulatory Review, Congressional and Media Activities, and CIGIE Participation

21

legislative items reviewed

4

regulatory items reviewed

16

responses to congressional members and staff

7

responses to media inquiries

Legislative and Regulatory Review

The Legal Services program serves as the independent legal counsel to the IG and OIG staff. Legal Services provides comprehensive legal advice, research, counseling, analysis, and representation in support of OIG audits, investigations, inspections, and evaluations as well as other professional, management, and administrative functions. Legal Services also keeps the IG and OIG staff aware of recent legal developments that may affect the OIG, the Board, and the CFPB.

In accordance with section 4(a)(2) of the Inspector General Act of 1978, as amended, Legal Services independently reviews newly enacted and proposed legislation and regulations to determine their potential effect on the economy and efficiency of the Board's and the CFPB's programs and operations. During this reporting period, Legal Services reviewed 21 legislative items and 4 regulatory items.

Congressional and Media Activities

The OIG communicates and coordinates with various congressional committees on issues of mutual interest. During this reporting period, we provided 16 responses to congressional members and staff concerning the Board and the CFPB. Additionally, we responded to 7 media inquiries.

CIGIE Participation

The IG is a member of CIGIE, which provides a forum for IGs from various government agencies to discuss governmentwide issues and shared concerns. Collectively, CIGIE's members work to improve government programs and operations. The IG also serves as a member of CIGIE's Legislation Committee and Investigations Committee. The Legislation Committee is the central point of information for legislative initiatives and congressional activities that may affect the community, such as proposed cybersecurity legislation that was reviewed during the reporting period. The Investigations Committee advises the IG community on issues involving criminal investigations, criminal investigations personnel, and criminal investigative guidelines.

The Assistant Inspector General for Information Technology, as the Chair of the Information Technology Committee of the Federal Audit Executive Council, works with information technology audit staff throughout the IG community and reports to the CIGIE Information Technology Committee on common information technology audit issues. The Associate Inspector General for Legal Services and the Legal Services staff attorneys are members of the Council of Counsels to the Inspector General.

Peer Reviews

Government auditing and investigative standards require that our audit and investigative units be reviewed by a peer OIG organization every 3 years. Section 989C of the Dodd-Frank Act amended the Inspector General Act of 1978 to require that OIGs provide in their semiannual reports to Congress information about (1) peer reviews of their respective organizations and (2) their peer reviews of other OIGs. The following information addresses these Dodd-Frank Act requirements.

- In September 2014, the Tennessee Valley Authority OIG completed the latest peer review of our audit organization. We received a peer review rating of *pass*. There were no report recommendations, and we had no pending recommendations from previous peer reviews of our audit organization.
- In April 2016, the Special Inspector General for Afghanistan Reconstruction completed the latest peer review of our Office of Investigations and rated us as compliant. There were no report recommendations, and we had no pending recommendations from previous peer reviews of our investigations organization.

See our website for peer review reports of our organization.

Appendix A: Statistical Tables

Table A-1: Audit, Inspection, and Evaluation Reports Issued to the Board During the Reporting Period

Report title	Type of report
2016 Audit of the Board's Information Security Program	Audit
Opportunities Exist to Increase Employees' Willingness to Share Their Views About Large Financial Institution Supervision Activities	Evaluation
Federal Financial Institutions Examination Council Financial Statements as of and for the Years Ended December 31, 2016 and 2015, and Independent Auditors' Reports	Audit
Board of Governors of the Federal Reserve System Financial Statements as of and for the Years Ended December 31, 2016 and 2015, and Independent Auditors' Reports	Audit
The Board Can Improve Documentation of Office of Foreign Assets Control Examinations	Evaluation
The Board Can Improve the Effectiveness of Continuous Monitoring as a Supervisory Tool	Evaluation

Total number of audit reports: 3

Total number of evaluation reports: 3

Table A-2: OIG Reports to the Board With Recommendations That Were Open During the Reporting Period^a

Report title	Issue date	Recommendations			Status of recommendations		
		Number	Mgmt. agrees	Mgmt. disagrees	Last follow-up date	Closed	Open
Response to a Congressional Request Regarding the Economic Analysis Associated with Specified Rulemakings	06/11	2	2	–	03/17	–	2
Evaluation of Prompt Regulatory Action Implementation	09/11	1 ^b	1	–	03/17	–	1
Security Control Review of the National Remote Access Services System (nonpublic report)	03/12	8	8	–	09/16	7	1
Security Control Review of the Board's Public Website (nonpublic report)	04/12	12	12	–	05/16	9	3
Security Control Review of the Aon Hewitt Employee Benefits System (nonpublic report)	09/12	8	8	–	01/17	8	–
Board Should Enhance Compliance with Small Entity Compliance Guide Requirements Contained in the Small Business Regulatory Enforcement Fairness Act of 1996	07/13	2	2	–	03/17	–	2
Security Control Review of a Third-party Commercial Data Exchange Service Used by the Board's Division of Banking Supervision and Regulation (nonpublic report)	08/13	11	11	–	02/17	11	–
The Board Can Benefit from Implementing an Agency-Wide Process for Maintaining and Monitoring Administrative Internal Control	09/13	1	1	–	02/17	–	1
Opportunities Exist to Achieve Operational Efficiencies in the Board's Management of Information Technology Services	02/14	2	2	–	03/17	2	–

See notes at end of table.

Table A-2: OIG Reports to the Board With Recommendations That Were Open During the Reporting Period^a (continued)

Report title	Issue date	Recommendations			Status of recommendations		
		Number	Mgmt. agrees	Mgmt. disagrees	Last follow-up date	Closed	Open
Opportunities Exist for the Board to Improve Recordkeeping, Cost Estimation, and Cost Management Processes for the Martin Building Construction and Renovation Project	03/14	6	6	-	03/17	6	-
Enforcement Actions and Professional Liability Claims Against Institution-Affiliated Parties and Individuals Associated with Failed Institutions	07/14	3 ^b	3	-	03/17	1	2
Opportunities Exist to Enhance the Board's Oversight of Future Complex Enforcement Actions	09/14	5	5	-	02/17	3	2
The Board Should Enhance Its Supervisory Processes as a Result of Lessons Learned From the Federal Reserve's Supervision of JPMorgan Chase & Company's Chief Investment Office	10/14	10	10	-	03/17	10	-
The Board Can Better Coordinate Its Contingency Planning and Continuity of Operations Program	10/14	4	4	-	03/17	4	-
Opportunities Exist to Improve the Operational Efficiency and Effectiveness of the Board's Information Security Life Cycle	12/14	3	3	-	03/17	2	1
Review of the Failure of Waccamaw Bank	03/15	5	5	-	02/17	3	2

See notes at end of table.

Table A-2: OIG Reports to the Board With Recommendations That Were Open During the Reporting Period^a (continued)

Report title	Issue date	Recommendations			Status of recommendations		
		Number	Mgmt. agrees	Mgmt. disagrees	Last follow-up date	Closed	Open
The Board Can Enhance Its Diversity and Inclusion Efforts	03/15	11	11	–	03/17	11	–
Security Control Review of the Board's Consolidated Supervision Comparative Analysis, Planning and Execution System (nonpublic report)	09/15	3	3	–	–	–	3
The Board Identified Areas of Improvement for Its Supervisory Stress Testing Model Validation Activities, and Opportunities Exist for Further Enhancement	10/15	8	8	–	03/17	8	–
2015 Audit of the Board's Information Security Program	11/15	4	4	–	11/16	3	1
Security Control Review of the Board's Statistics and Reserves System (nonpublic report)	12/15	6	6	–	–	–	6
Review of the Failure of NBRS Financial	03/16	1	1	–	03/17	1	–
The Board Should Strengthen Controls to Safeguard Embargoed Sensitive Economic Information Provided to News Organizations	04/16	9	9	–	–	–	9
Security Control Review of the Board's Active Directory Implementation (nonpublic report)	05/16	10	10	–	–	–	10
2016 Audit of the Board's Information Security Program	11/16	9	9	–	–	–	9

See notes at end of table.

Table A-2: OIG Reports to the Board With Recommendations That Were Open During the Reporting Period^a (continued)

Report title	Issue date	Recommendations			Status of recommendations		
		Number	Mgmt. agrees	Mgmt. disagrees	Last follow-up date	Closed	Open
Opportunities Exist to Increase Employees' Willingness to Share Their Views About Large Financial Institution Supervision Activities	11/16	11	11	-	-	-	11
The Board Can Improve Documentation of Office of Foreign Assets Control Examinations	03/17	2	2	-	-	-	2
The Board Can Improve the Effectiveness of Continuous Monitoring as a Supervisory Tool	03/17	2	2	-	-	-	2

- a. A recommendation is closed if (1) the corrective action has been taken; (2) the recommendation is no longer applicable; or (3) the appropriate oversight committee or administrator has determined, after reviewing the position of the OIG and division management, that no further action by the agency is warranted. A recommendation is open if (1) division management agrees with the recommendation and is in the process of taking corrective action or (2) division management disagrees with the recommendation and we have referred or are referring it to the appropriate oversight committee or administrator for a final decision.
- b. These recommendations were directed jointly to the OCC, the FDIC, and the Board.

Table A-3: Audit, Inspection, and Evaluation Reports Issued to the CFPB During the Reporting Period

Report title	Type of report
2016 Audit of the CFPB's Information Security Program	Audit
The CFPB's Advisory Committees Help Inform Agency Activities, but Advisory Committees' Administration Should Be Enhanced	Audit
Evaluation of the CFPB's Implementation of the Digital Accountability and Transparency Act of 2014	Evaluation
Fiscal Year 2016 Risk Assessment of the CFPB's Purchase Card Program	Risk assessment
Fiscal Year 2016 Risk Assessment of the CFPB's Travel Card Program	Risk assessment
The CFPB Can Strengthen Its Controls for Identifying and Avoiding Conflicts of Interest Related to Vendor Activities	Evaluation
The CFPB's Civil Penalty Fund Is in Compliance With the Improper Payments Information Act of 2002, as Amended	Audit
The CFPB Can Strengthen Contract Award Controls and Administrative Processes	Audit

Total number of audit reports: 4
 Total number of evaluation reports: 2
 Total number of risk assessments: 2

Table A-4: OIG Reports to the CFPB With Recommendations That Were Open During the Reporting Period^a

Report title	Issue date	Recommendations			Status of recommendations		
		Number	Mgmt. agrees	Mgmt. disagrees	Last follow-up date	Closed	Open
Evaluation of the Consumer Financial Protection Bureau's Consumer Response Unit	09/12	5	5	-	02/17	3	2
The CFPB Should Strengthen Internal Controls for Its Government Travel Card Program to Ensure Program Integrity	09/13	14	14	-	03/17	11	3
2013 Audit of the CFPB's Information Security Program	12/13	4	4	-	11/16	4	-
The CFPB Has Established Effective GPRA Processes, but Opportunities Exist for Further Enhancement	06/14	3	3	-	03/17	2	1
Security Control Review of the CFPB's Cloud Computing-Based General Support System (nonpublic report)	07/14	4	4	-	09/16	1	3

See notes at end of table.

Table A-4: OIG Reports to the CFPB With Recommendations That Were Open During the Reporting Period^a (continued)

Report title	Issue date	Recommendations			Status of recommendations		
		Number	Mgmt. agrees	Mgmt. disagrees	Last follow-up date	Closed	Open
The CFPB Complies With Section 1100G of the Dodd-Frank Act, but Opportunities Exist for the CFPB to Enhance Its Process	09/14	3	3	–	03/17	3	–
Audit of the CFPB's Acquisition and Contract Management of Select Cloud Computing Services	09/14	4	4	–	09/16	3	1
2014 Audit of the CFPB's Information Security Program	11/14	3	3	–	11/16	2	1
The CFPB Can Enhance Its Diversity and Inclusion Efforts	03/15	17	17	–	03/17	14	3
Security Control Review of the CFPB's Tableau System (nonpublic report)	03/15	3	3	–	10/16	3	–
Security Control Review of the CFPB's Data Team Complaint Database (nonpublic report)	07/15	7	7	–	03/17	7	–
CFPB Headquarters Construction Costs Appear Reasonable and Controls Are Designed Appropriately	07/15	1	1	–	02/17	1	–
The CFPB Can Enhance Its Contract Management Processes and Related Controls	09/15	10	10	–	02/17	9	1
Opportunities Exist to Enhance Management Controls Over the CFPB's Consumer Complaint Database	09/15	8	8	–	03/17	7	1
2015 Audit of the CFPB's Information Security Program	11/15	2	2	–	11/16	2	–
Collecting Additional Information Can Help the CFPB Manage Its Future Space-Planning Activities	02/16	1	1	–	02/17	–	1
The CFPB Should Continue to Enhance Controls for Its Government Travel Card Program	06/16	9	9	–	03/17	1	8

See notes at end of table.

Table A-4: OIG Reports to the CFPB With Recommendations That Were Open During the Reporting Period^a (continued)

Report title	Issue date	Recommendations			Status of recommendations		
		Number	Mgmt. agrees	Mgmt. disagrees	Last follow-up date	Closed	Open
2016 Audit of the CFPB's Information Security Program	11/16	3	3	-	-	-	3
The CFPB's Advisory Committees Help Inform Agency Activities, but Advisory Committees' Administration Should Be Enhanced	11/16	7	7	-	03/17	2	5
The CFPB Can Strengthen Its Controls for Identifying and Avoiding Conflicts of Interest Related to Vendor Activities	03/17	5	5	-	-	3	2
The CFPB Can Strengthen Contract Award Controls and Administrative Processes	03/17	6	6	-	-	-	6

a. A recommendation is closed if (1) the corrective action has been taken; (2) the recommendation is no longer applicable; or (3) the appropriate oversight committee or administrator has determined, after reviewing the position of the OIG and division management, that no further action by the agency is warranted. A recommendation is open if (1) division management agrees with the recommendation and is in the process of taking corrective action or (2) division management disagrees with the recommendation and we have referred or are referring it to the appropriate oversight committee or administrator for a final decision.

Table A-5: Audit, Inspection, and Evaluation Reports Issued to the Board and the CFPB With Questioned Costs, Unsupported Costs, or Recommendations That Funds Be Put to Better Use During the Reporting Period^a

Reports	Number	Dollar value
With questioned costs, unsupported costs, or recommendations that funds be put to better use, regardless of whether a management decision had been made	0	\$0

a. Because the Board and the CFPB are primarily regulatory and policymaking agencies, our recommendations typically focus on program effectiveness and efficiency, as well as strengthening internal controls. As such, the monetary benefit associated with their implementation typically is not readily quantifiable. In the event that an audit, inspection, or evaluation report contains quantifiable information regarding questioned costs, unsupported costs, or recommendations that funds be put to better use, this table will be expanded.

Table A-6: Summary Statistics on Investigations During the Reporting Period^a

Investigative actions	Number or dollar value ^b
Investigative caseload	
Investigations open at end of previous reporting period	68
Investigations opened during the reporting period	17
Investigations closed during the reporting period	21
Investigations open at end of the period	64
Investigative results for the reporting period	
Persons referred to DOJ prosecutors	6
Persons referred to state/local prosecutors	0
Matters referred for prosecution	6
Joint investigations	37
Reports of investigations issued	3
Oral and/or written reprimands	0
Terminations of employment	0
Arrests	7
Suspensions	0
Debarments	0
Prohibitions from banking industry	1
Indictments	5
Criminal informations	9
Criminal complaints	0
Convictions	9
Civil actions	2
Administrative monetary recoveries and reimbursements	\$0
Civil judgments	\$638,000,000
Criminal fines, restitution, and special assessments	\$8,009,552

- a. Some of the investigative numbers may include data also captured by other OIGs.
- b. Metrics: These statistics were compiled from the OIG's investigative case management and tracking system.

Table A-7: Summary Statistics on Hotline Activities During the Reporting Period

Hotline complaints	Number
Complaints pending from previous reporting period	16
Complaints received during reporting period	331
Total complaints for reporting period	347
Complaints resolved during reporting period	327
Complaints pending	20

Appendix B: Inspector General Empowerment Act of 2016 Requirements

The Inspector General Empowerment Act of 2016 amends section 5 of the Inspector General Act of 1978 by adding reporting requirements that must be included in OIG semiannual reports to Congress. These additional reporting requirements include summaries of certain audits, inspections, and evaluations; investigative statistics; summaries of investigations of senior government employees; whistleblower retaliation statistics; summaries of interference with OIG independence; and summaries of closed audits, evaluations, inspections, and investigations that were not publicly disclosed. Our response to these new requirements is below.

1. Summaries of each audit, inspection, and evaluation report issued to the Board or the CFPB for which no agency comment was returned within 60 days of receiving the report.

There were no audit, inspection, or evaluation reports issued to the Board or the CFPB for which no agency comment was returned within 60 days of receiving the report.

2. Summaries of each audit, inspection, and evaluation report issued to the Board or the CFPB for which there are outstanding unimplemented recommendations, including the aggregate potential cost savings of those recommendations.

See appendix C.

3. Statistical tables showing for the reporting period:
 - a. the number of issued investigative reports
 - b. the number of persons referred to DOJ for criminal prosecution
 - c. the number of persons referred to state and local authorities for criminal prosecution
 - d. the number of indictments and criminal informations that resulted from any prior referral to prosecuting authorities

Describe the metrics used to develop the data for these new statistical tables.

See table A-6.

4. A report on each investigation conducted by the OIG that involves a senior government employee in which allegations of misconduct were substantiated, which includes
 - a. a detailed description of the facts and circumstances of the investigation as well as the status and disposition of the matter
 - b. whether the matter was referred to DOJ and the date of the referral
 - c. whether DOJ declined the referral and the date of such declination

We initiated an investigation concerning allegations that a Board employee engaged in inappropriate conduct while on government time and during government travel. The investigation substantiated the allegations and determined that the employee also inappropriately used his Board-issued information technology equipment for personal benefit. This matter was presented to DOJ on January 27, 2017, and it declined prosecution. The employee subsequently resigned. This investigation was closed. (case I20160037)

We initiated an investigation concerning allegations that a CFPB employee viewed pornographic material on his CFPB-issued laptop computer. The investigation substantiated the allegations. We did not refer the matter to DOJ because no evidence relating to the serial exploitation of minors was found. A report of investigation was provided to the CFPB for action deemed appropriate. CFPB management initiated administrative action and proposed removal. (case I20160034)

5. A detailed description of any instance of whistleblower retaliation, including information about the official found to have engaged in retaliation and what, if any, consequences the agency imposed to hold that official accountable.

We have no such instances to report.

6. A detailed description of any attempt by the Board or the CFPB to interfere with the independence of the OIG, including
 - a. through budget constraints designed to limit OIG capabilities
 - b. incidents when the agency has resisted or objected to OIG oversight activities or restricted or significantly delayed OIG access to information, including the justification of the establishment for such action

We have no such attempts to report.

7. Detailed descriptions of
 - a. inspections, evaluations, and audits conducted by the OIG that were closed and not disclosed to the public
 - b. investigations conducted by the OIG involving a senior government employee that were closed and not disclosed to the public

We had no inspections, evaluations, or audits that were closed and not disclosed to the public.

We initiated an investigation concerning allegations that a Board employee used his position to help another Board employee pursue a research project involving an untested operational risk capital model without proper review. The allegations were unsubstantiated. The investigation was closed. (case I20150048)

We initiated an investigation concerning allegations that a Board employee assigned internationally was not communicating with Board supervisors and was possibly absent without leave. The allegations were unsubstantiated. The investigation was closed. (case I20150059)

We initiated an investigation concerning allegations that a former Board employee improperly disclosed to an executive at a payment system advocacy group details of an impending regulatory change. The investigation found evidence that the former employee disclosed information concerning the change; however, it was determined that the disclosure did not constitute a disclosure of Board confidential information. The investigation was closed. (case I20160032)

Appendix C: Summaries of Reports With Outstanding Unimplemented Recommendations

The Inspector General Empowerment Act of 2016 requires that we provide summaries of each audit, inspection, and evaluation report issued to the Board or the CFPB for which there are outstanding unimplemented recommendations, including the aggregate potential cost savings of those recommendations.

Board of Governors of the Federal Reserve System

Table C-1: Reports to the Board With Unimplemented Recommendations, by Calendar Year^a

Year	Number of reports with unimplemented recommendations	Number of unimplemented recommendations
2011	2	3
2012	2	4
2013	2	3
2014	3	5
2015	4	12
2016	4	39
2017 ^b	2	4

a. Because the Board is primarily a regulatory and policymaking agency, our recommendations typically focus on program effectiveness and efficiency, as well as strengthening internal controls. As such, the monetary benefit associated with their implementation typically is not readily quantifiable.

b. Through March 31, 2017.

Response to a Congressional Request Regarding the Economic Analysis Associated with Specified Rulemakings

June 13, 2011

Total number of recommendations: 2

Recommendations open: 2

In May 2011, we received a letter from the minority members of the Senate Committee on Banking, Housing, and Urban Affairs requesting that we review the economic analysis that the Board performed supporting five Dodd-Frank Act rulemakings. To respond to the members' request, we (1) interviewed more than 30 Board employees who worked on the respective rulemaking teams; (2) reviewed supporting documentation from each of the five rulemaking teams; and (3) developed and circulated a questionnaire to determine the qualifications of Board staff who performed economic analysis.

We determined that a number of key statutes provide the Board with rulemaking authority, but they generally do not require economic analysis as part of the Board's rulemaking activities. The Dodd-Frank Act did not mandate that an economic or cost-benefit analysis support the five rulemakings, but the Dodd-Frank Act required each of the respective rulemakings to address certain substantive considerations. In addition, the Paperwork Reduction Act and the Regulatory Flexibility Act required the Board to conduct narrowly tailored evaluations of each rulemaking's paperwork burden and effect on small entities, respectively.

We found that the Board routinely reviews economic data to monitor changing economic conditions and conducts the quantitative economic analysis necessary to satisfy statutory requirements and, on a discretionary basis, to support the rulemaking. Further, we determined that the Board generally sought public input for its rulemaking activities and typically reevaluates the effectiveness of its existing regulations every 5 years. We concluded that the Board generally followed a similar approach for the five rulemakings we reviewed and that the rulemakings we reviewed complied with the Paperwork Reduction Act, the Regulatory Flexibility Act, and the applicable Dodd-Frank Act requirements described in our report.

Our analysis yielded the following findings that resulted in recommendations. First, the Board's policy statement on rulemaking procedures had not been recently updated and, although rulemaking staff were cognizant of the Board's rulemaking practices, none of the staff members cited the policy statement. Second, our review of the *Federal Register* indicated that the notices associated with the respective rulemakings typically provided insight into the general approaches and data used in the economic analysis; however, in some cases, the Board's internal documentation did not clearly outline the work steps underlying the economic analysis.

We recommended that the Board (1) update the Rulemaking Procedures Policy Statement and broadly disseminate it to all employees involved in rulemaking activities and (2) consider establishing documentation standards for rulemaking economic analysis to help ensure reproducibility on an internal basis. In a response to our draft report, the Board stated that the two recommendations would be adopted.

Evaluation of Prompt Regulatory Action Implementation

FRB OIG 2011-05

September 30, 2011

Total number of recommendations: 1¹

Recommendations open: 1

The OIGs of the Board, the FDIC, and Treasury conducted a review of the prompt regulatory action (PRA) provisions of the Federal Deposit Insurance Act. The PRA provisions of the act (section 38, Prompt Corrective Action [PCA], and section 39, Standards for Safety and Soundness) mandated that regulators establish a two-part regulatory framework for improving safeguards for the DIF. These provisions were intended to increase the likelihood that regulators would respond promptly and forcefully to minimize losses to the DIF when federally insured banks fail. Our work focused on the following objectives:

- determining the purpose of and circumstances that led to the PRA provisions (Federal Deposit Insurance Act sections 38 and 39) and lessons learned from the savings and loan crisis in the 1980s

1. This recommendation was directed jointly to the OCC, the FDIC, and the Board.

- evaluating to what extent PCA and the safety and soundness standards were a factor in bank failures and problem institutions during the current crisis
- assessing whether these provisions prompted federal regulators to act more quickly and more forcefully to limit losses to the DIF, in light of findings and lessons learned from the savings and loan crisis and regulators' use of PRA provisions in the current crisis
- determining whether there are other noncapital measures that provide a leading indication of risks to the DIF that should be considered as part of the PRA provisions

We found that PRA provisions were appropriately implemented and helped strengthen oversight to a degree. More specifically, we found the following:

- Regulators implemented PCA appropriately.
- Inherent limitations with PCA's capital-based framework and the sudden and severe economic decline affected PCA's effectiveness.
- Regulators identified deficiencies prior to undercapitalization.
- Regulators used other enforcement actions to address safety and soundness concerns before undercapitalization, but after financial decline occurred.
- Regulators made limited use of section 39 to address deficiencies identified.
- Critically undercapitalized institutions were closed promptly, but overall losses were significant.

To improve the effectiveness of the PRA framework and to meet the section 38 and 39 goals of identifying problems early and minimizing losses to the DIF, we recommended that the FDIC, Board, and OCC agency heads review the matters for consideration presented in this report and work through the Financial Stability Oversight Council to determine whether the PRA legislation or implementing regulations should be modified. The matters for consideration were (1) to develop specific criteria and corresponding enforcement actions for noncapital factors, (2) to increase the

minimum PCA capital levels, and (3) to continue to refine the deposit insurance system for banks with assets under \$10 billion to assess greater premiums commensurate with risk taking.

Each of the agency responses to our draft report and the identified planned actions addressed the intent of the recommendation. The Board's written response concurs with the general findings in the report, defers the third subrecommendation to the FDIC, and notes that the Board has taken steps for partial closure on this recommendation.

Security Control Review of the National Remote Access Services System

March 30, 2012

Total number of recommendations: 8

Recommendations open: 1

We completed a security control review of the Federal Reserve System's National Remote Access Services (NRAS) system. The Board and the 12 Federal Reserve Banks use NRAS to remotely access Board and Federal Reserve Bank information systems. Our objectives were to evaluate the effectiveness of selected security controls and techniques to ensure that the Board maintains a remote access program that is generally compliant with FISMA requirements.

Overall, our review found that NRAS is technically and operationally sound and that the Board has developed an adequate process to administer the token keys for Board personnel. However, we identified opportunities to strengthen information security controls to help ensure that NRAS meets FISMA requirements.

In comments on a draft of our report, the Director of the Board's Division of Information Technology generally agreed with our recommendations and outlined corrective actions.

Security Control Review of the Board's Public Website April 20, 2012

Total number of recommendations: 12
Recommendations open: 3

Consistent with the requirements of FISMA, we conducted a security control review of the Board's public website (PubWeb), which is listed as a major application on the Board's FISMA application inventory for the Office of Board Members. As part of the Board's Publications Program, PubWeb provides a large and diverse audience, including the public, with information about the mission and work of the Board and the functions of the Federal Reserve System.

Our audit objective was to evaluate the adequacy of selected security controls for protecting the PubWeb application from unauthorized access, modification, destruction, or disclosure. To accomplish this objective, we used a control assessment review program based on the security controls defined in National Institute of Standards and Technology Special Publication 800-53, Revision 3, *Recommended Security Controls for Federal Information Systems and Organizations*. This document provides a baseline for managerial, operational, and technical security controls for organizations to use in protecting their information systems.

Our review of the PubWeb application showed that, in general, controls are adequately designed and implemented. However, we identified opportunities to strengthen information security controls to help ensure that PubWeb meets FISMA requirements. The Director of the Board's Division of Information Technology and the Assistant to the Board, Office of Board Members, stated that they generally agree with the recommendations discussed in the report, and in many cases, corrective action has already been completed or is well underway. We will follow up on the implementation of these recommendations as part of our future FISMA-related audit activities.

Board Should Enhance Compliance with Small Entity Compliance Guide Requirements Contained in the Small Business Regulatory Enforcement Fairness Act of 1996

2013-AE-B-008

July 1, 2013

Total number of recommendations: 2

Recommendations open: 2

In this evaluation, we assessed the Board's compliance with certain requirements of the Small Business Regulatory Enforcement Fairness Act of 1996, as amended (SBREFA). We initiated this evaluation to determine the validity of a complaint received by the OIG Hotline concerning the Board's compliance with SBREFA.

SBREFA became law in 1996 and was later amended by the Small Business and Work Opportunity Act of 2007 to include specific requirements for small entity compliance guides. These guides are created by federal rulemaking agencies to explain the actions a small entity should take to comply with a rule. Section 605(b) of SBREFA generally allows the agency head to certify in the *Federal Register*, as part of the proposed or final rule, that the final rule will not have a significant economic impact on a substantial number of small entities. In such cases, a compliance guide does not have to be created. The 2007 amendments to SBREFA also included a congressional reporting requirement.

We found that the Board was not consistent in developing or updating small entity compliance guides in accordance with SBREFA requirements. In addition, the Board's compliance guides did not consistently provide clear guidance to small entities, explaining how to comply with certain rules or when the requirements of the specific rules would be satisfied. Instead, many of the guides merely restated and summarized each section of the rules.

We also reviewed the Board's compliance with the annual congressional reporting requirement to describe the status of the agency's compliance with the small entity compliance guide requirements created by the 2007 amendments to SBREFA. We requested documentation evidencing that the annual congressional reporting requirement had been satisfied, but we did not receive any.

We recommended that the Board establish centralized oversight and a standard method or approach for creating small entity compliance guides. We also recommended that the Board begin submitting the annual reports describing the agency's compliance with small entity compliance guide requirements to the relevant congressional committees as required by section 212(a)(6) of SBREFA. Management concurred with our recommendations and stated that it would take steps to implement them.

The Board Can Benefit from Implementing an Agency-Wide Process for Maintaining and Monitoring Administrative Internal Control

2013-AE-B-013

September 5, 2013

Total number of recommendations: 1

Recommendations open: 1

Our objective for this audit was to determine the processes for establishing, maintaining, and monitoring internal control within the Board. We focused on internal control over the effectiveness and efficiency of operations and compliance with laws and regulations, i.e., administrative internal control. Internal control is an integral part of managing an organization and is critical to improving organizational effectiveness and accountability. It comprises the plans, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal control is the first line of defense in safeguarding assets and preventing and detecting errors and fraud; thus, it helps organizations achieve desired results through effective stewardship of government resources.

The Federal Managers' Financial Integrity Act (FMFIA) requires that each executive agency establish internal accounting and administrative controls in compliance with standards established by the U.S. Government Accountability Office and prepare an annual statement on internal control based on an evaluation performed using Office of Management and Budget guidelines. Although the Board is not subject to FMFIA, the Board decided to voluntarily comply with the spirit and intent of FMFIA shortly after its enactment.

We found that the Board's divisions have processes for establishing administrative internal control that are tailored to their specific

responsibilities. These controls generally use best practices and are designed to increase efficiency and react to changing environments; however, the Board's processes for maintaining and monitoring these controls can be enhanced. Specifically, we found that the Board does not have an agencywide process for maintaining and monitoring its administrative internal control. The Board's approach to addressing the provisions of FMFIA does not require management to assess and monitor administrative internal control. We believe that an agencywide process that maintains, monitors, and reports on administrative internal control can assist the Board in effectively and efficiently achieving its mission, goals, and objectives, as well as address the organizational challenges outlined in the Board's 2012–2015 strategic framework.

We recommended that the Chief Operating Officer designate responsible officials or an office to develop and implement an agencywide policy and process to more closely follow the spirit and intent of FMFIA and develop a training program to increase staff awareness about maintaining and monitoring administrative internal control. Management concurred with the recommendation's intent, stating that the Board has already implemented, or is in the process of implementing, several enhanced administrative processes. Management added that it would evaluate whether and in what form an agencywide framework makes sense, given the priorities and budgetary constraints underlying the Board's new strategic framework, and that it would coordinate with the Executive Committee of the Board to implement any additional requirements.

Enforcement Actions and Professional Liability Claims Against Institution-Affiliated Parties and Individuals Associated with Failed Institutions

2014-SR-B-011

July 25, 2014

Total number of recommendations: 3²

Recommendations open: 2

Our office, the FDIC OIG, and the Treasury OIG participated in this evaluation concerning actions that the FDIC, the Board, and the OCC took against individuals and entities in response to actions

2. Two of these recommendations were directed jointly to the Board, the OCC, and the FDIC. One recommendation was directed jointly to the Board and the OCC.

that harmed financial institutions. The objectives of the evaluation were (1) to describe the FDIC's, the Board's, and the OCC's processes for investigating and pursuing enforcement actions against institution-affiliated parties associated with failed institutions, as well as the results of those efforts; (2) to describe the FDIC's process for investigating and pursuing professional liability claims against individuals and entities associated with failed institutions and its coordination with the Board and the OCC; (3) to determine the results of the FDIC's, the Board's, and the OCC's efforts in investigating and pursuing enforcement actions against institution-affiliated parties and the FDIC's efforts in pursuing professional liability claims; and (4) to assess key factors that may impact the pursuit of enforcement actions and professional liability claims.

The joint evaluation team found that several factors appeared to affect the three regulators' ability to pursue enforcement actions against institution-affiliated parties. Those factors included the rigorous statutory criteria for sustaining removal/prohibition orders; the extent to which each regulator was willing to use certain enforcement action tools, such as personal cease and desist orders; the risk appetite of the FDIC, the Board, and the OCC for bringing enforcement actions; enforcement action statutes of limitation; and staff resources. The report also notes that these regulators should address differences in how they notify each other when initiating enforcement actions against institution-affiliated parties and depository institutions.

The three report recommendations that apply to the Board seek to strengthen the Board's program for pursuing enforcement actions. In its response to the report, the Board acknowledged the recommendations and described its planned activities.

Opportunities Exist to Enhance the Board's Oversight of Future Complex Enforcement Actions

2014-SR-B-015

September 30, 2014

Total number of recommendations: 5

Recommendations open: 2

In February 2013, the Board and the OCC issued amended consent orders that require mortgage servicers to provide about \$3.67 billion in payments to nearly 4.2 million borrowers based on possible

harm and to provide other foreclosure prevention assistance. Our objectives for this evaluation were (1) to evaluate the Board's overall approach to oversight of the amended consent orders, (2) to determine the effectiveness of the Board's oversight of the borrower slotting process, and (3) to determine the effectiveness of the Board's oversight of the servicers' paying agent, Rust Consulting, Inc.

We found that the Board's advance preparation and planning efforts for the payment agreement with the 13 servicers that joined the agreement in January 2013 were not commensurate with the complexity associated with this unprecedented interagency effort. In addition, project management resources were not available to the Board's oversight team for this initiative. Further, we found that data integrity issues at two servicers affected the reliability and consistency of the slotting results. The payment agreement required servicers to slot borrowers into categories of possible harm—with payment amounts set for each category—that were defined by Board and OCC staff. The approach to resolving these data integrity issues may have resulted in borrowers who experienced similar harm receiving different payment amounts. We also determined that an approach had not been selected to end the payment agreement. Despite these challenges and limitations, as of August 15, 2014, borrowers had cashed or deposited checks representing about \$3.15 billion, or approximately 86 percent, of the total \$3.67 billion.

We made five recommendations to improve the Board's oversight of future complex enforcement strategies. The Board generally agreed with our recommendations and noted the corrective actions that it had implemented or intended to implement.

Opportunities Exist to Improve the Operational Efficiency and Effectiveness of the Board's Information Security Life Cycle

2014-IT-B-021

December 18, 2014

Total number of recommendations: 3

Recommendations open: 1

We completed a review of the operational efficiency and effectiveness of the Board's information security life cycle. We performed this audit pursuant to requirements set forth in FISMA.

Overall, we found that the Chief Information Officer maintains a FISMA-compliant information security program that is consistent with requirements for certification and accreditation established by the National Institute of Standards and Technology and the Office of Management and Budget; however, we identified opportunities to improve the operational efficiency and effectiveness of the Board's management of its information security life cycle.

Our report contains recommendations designed to improve the operational efficiency and effectiveness of the Board's information security life cycle process. The Director of the Division of Information Technology agreed with the recommendations and stated that the division would take action to address the recommendations.

Review of the Failure of Waccamaw Bank

2015-SR-B-005

March 26, 2015

Total number of recommendations: 5

Recommendations open: 2

Waccamaw Bank was supervised both by the Federal Reserve Bank of Richmond under delegated authority from the Board and by the North Carolina Office of the Commissioner of Banks. On June 8, 2012, the North Carolina Office of the Commissioner of Banks closed Waccamaw Bank and appointed the FDIC as receiver. The FDIC estimated that the failure of Waccamaw Bank would result in a \$51.1 million loss to the DIF, which was beneath the material loss threshold. Consistent with Dodd-Frank Act requirements, we concluded that Waccamaw Bank's failure presented unusual circumstances that warranted an in-depth review.

Based on the in-depth review, we determined that Waccamaw Bank failed because its board of directors and senior management did not control the risks associated with its rapid growth strategy. As a result, the bank sustained significant losses during a downturn in its local real estate market. In addition, we learned that (1) supervisory activity records were not retained in accordance with Board policy, (2) Waccamaw Bank's written agreement did not contain a provision that required regulatory approval of material transactions, and (3) Board and Federal Reserve Bank of Richmond appeals policies were silent on procedural aspects for second-level and third-level appeals.

We made recommendations related to the Board's records retention and appeals policies and procedures. The Director of the Division of Banking Supervision and Regulation agreed with our recommendations and outlined planned corrective actions to address them.

Security Control Review of the Board's Consolidated Supervision Comparative Analysis, Planning and Execution System

2015-IT-B-015

September 2, 2015

Total number of recommendations: 3

Recommendations open: 3

We completed a security control review of the Board's Consolidated Supervision Comparative Analysis, Planning and Execution System (C-SCAPE), which is intended to provide supervisory teams throughout the Federal Reserve System with tools and methods to plan and execute supervisory events, manage issues, and enhance decisionmaking around the examination planning process. Our audit objective was to evaluate the adequacy of selected security controls implemented by the Board to protect C-SCAPE from unauthorized access, modification, destruction, or disclosure. We also evaluated C-SCAPE's compliance with FISMA and the information security policies, procedures, standards, and guidelines of the Board.

Overall, we found that the Board has taken steps to secure the C-SCAPE application in accordance with FISMA and the Board's information security program. However, during

vulnerability scanning of the databases supporting C-SCAPE, we found vulnerabilities that require the attention of the C-SCAPE application owner and the Board's Division of Information Technology. Additionally, we noted that the C-SCAPE application audit logs do not record certain database activity on financial institution information.

Our report includes recommendations to address C-SCAPE database vulnerabilities. We also identified items for management's consideration that were already being addressed by management. The Chief Information Officer and the Director of the Division of Banking Supervision and Regulation agreed with our recommendations.

2015 Audit of the Board's Information Security Program

2015-IT-B-019

November 13, 2015

Total number of recommendations: 4

Recommendations open: 1

FISMA requires IGs to conduct an annual, independent evaluation of their respective agencies' information security programs and practices. In support of FISMA's independent evaluation requirements, DHS issued guidance to IGs on FISMA reporting for 2015. The guidance directs IGs to evaluate agencies' information security programs in 10 areas. The guidance also references a new five-level maturity model for IGs to use in assessing agencies' information security continuous monitoring programs. In accordance with these requirements, we reviewed the Board's information security program. Specifically, we evaluated (1) the Board's compliance with FISMA and related information security policies, procedures, standards, and guidance and (2) the effectiveness of security controls and techniques for a subset of the Board's information systems.

Overall, we found that the Board's Chief Information Officer has developed, documented, and implemented an information security program that is generally consistent with the requirements established by FISMA and the 10 areas outlined in DHS's FISMA reporting guidance for IGs.

Our report includes recommendations to strengthen the Board's information security program in the areas of information

security continuous monitoring, configuration management, and identity and access management. The Board agreed with our recommendations and noted that it was addressing them. Further, based on corrective actions taken by the Board's Information Security Officer, we closed the open recommendations from our prior years' FISMA reports related to contractor systems, information security continuous monitoring, and plans of action and milestones.

Security Control Review of the Board's Statistics and Reserves System

2015-IT-B-021

December 17, 2015

Total number of recommendations: 6

Recommendations open: 6

The Board's Statistics and Reserves System (STAR) is a web-based application that collects and edits over 75 periodic statistical reports that are received from financial institutions. In addition, the system manages financial institutions' reserve requirements and term deposits. We performed this audit in accordance with FISMA requirements. Specifically, we evaluated the adequacy of selected information security controls for protecting Board data in STAR from unauthorized access, modification, destruction, or disclosure, as well as the system's compliance with FISMA and the Board's information security policies, procedures, standards, and guidelines.

Overall, we found that the Board's Division of Monetary Affairs and its Division of Information Technology have taken several steps to implement information security controls for STAR, in accordance with FISMA and the *Board Information Security Program*. However, we found that improvements are needed in the Board's security governance of STAR to ensure that information security controls are adequately implemented, assessed, authorized, and monitored.

Our report includes recommendations that focus on strengthening information security controls related to planning, security assessment and authorization, contingency planning, auditing, access control, risk assessment, and system and information integrity. The Board agreed with our recommendations and outlined actions that had been or would be taken to address them.

The Board Should Strengthen Controls to Safeguard Embargoed Sensitive Economic Information Provided to News Organizations

2016-MO-B-006

April 15, 2016

Total number of recommendations: 9

Recommendations open: 9

Our audit objective was to assess the Board's controls to protect sensitive economic information from unauthorized disclosure when it is provided under embargo to news organizations either through a press lockup room located at the Board or through the Board's embargo application, which enables news participants to remotely access information made available by the Board.

During the course of this audit, we discovered issues that warranted the Board's immediate attention. We issued a restricted early alert memorandum to the Board on July 16, 2015, that outlined these concerns and included recommendations. On August 19, 2015, a news organization broke the embargo of the Federal Open Market Committee meeting minutes that had been provided through the embargo application. On August 21, 2015, the Board ceased using the embargo application to provide news organizations embargoed access to Federal Open Market Committee-related information and other market-moving economic publications within the scope of our audit. Separately, the Board relocated its press lockup room in September 2015, a move that had been planned before our audit began.

We identified opportunities for the Board (1) to more strictly adhere to controls already established in policies, procedures, and agreements with participating news organizations and (2) to establish new controls to more effectively safeguard embargoed economic information. We also identified risks to providing information under embargo through the embargo application.

Our report contains recommendations designed to strengthen the Board's controls to safeguard sensitive economic information provided to news organizations under embargo and includes actions taken by the Board in response to the early alert memorandum. The Board generally concurred with our recommendations and noted both that substantial improvements were planned before we began our review and that many were implemented during our review.

Security Control Review of the Board's Active Directory Implementation

2016-IT-B-008

May 11, 2016

Total number of recommendations: 10

Recommendations open: 10

Our audit objective, as required by FISMA, was to evaluate the administration and security design effectiveness of the Active Directory operating environment implemented at the Board. To accomplish this objective, we (1) evaluated whether the Board has conducted a proper risk assessment of the Board's Active Directory domain; (2) determined whether tools and processes have been implemented to continuously monitor the Board's Active Directory domain; (3) determined whether the tools and processes implemented allow for users (active employees, contractors, super users, administrators, and others) to be properly identified; (4) determined whether the Board's Active Directory domain is properly configured and scanned for vulnerabilities; and (5) determined whether contingency planning processes have been established for the Board's Active Directory domain.

Overall, we found that the Board is effectively administering and protecting the Active Directory infrastructure. We found, however, that the Board can strengthen Active Directory controls in the areas of risk management, continuous monitoring, user group management, contractor account management, and system documentation. In addition, we identified a risk for management's continued attention related to transport layer security. Our report includes recommendations to address these findings, and the Board generally concurred with those recommendations.

2016 Audit of the Board's Information Security Program

2016-IT-B-013

November 10, 2016

Total number of recommendations: 9

Recommendations open: 9

See the summary in the body of this report.

Opportunities Exist to Increase Employees' Willingness to Share Their Views About Large Financial Institution Supervision Activities

2016-SR-B-014

November 14, 2016

Total number of recommendations: 11

Recommendations open: 11

See the summary in the body of this report.

The Board Can Improve Documentation of Office of Foreign Assets Control Examinations

2017-SR-B-003

March 15, 2017

Total number of recommendations: 2

Recommendations open: 2

See the summary in the body of this report.

The Board Can Improve the Effectiveness of Continuous Monitoring as a Supervisory Tool

2017-SR-B-005

March 29, 2017

Total number of recommendations: 2

Recommendations open: 2

See the summary in the body of this report.

Consumer Financial Protection Bureau

Table C-2: Reports to the CFPB With Unimplemented Recommendations, by Calendar Year^a

Year	Number of reports with unimplemented recommendations	Number of unimplemented recommendations
2012	1	2
2013	1	3
2014	4	6
2015	3	5
2016	4	17
2017 ^b	2	8

- a. Because the CFPB is primarily a regulatory and policymaking agency, our recommendations typically focus on program effectiveness and efficiency, as well as strengthening internal controls. As such, the monetary benefit associated with their implementation typically is not readily quantifiable.
- b. Through March 31, 2017.

Evaluation of the Consumer Financial Protection Bureau's Consumer Response Unit

September 28, 2012

Total number of recommendations: 5

Recommendations open: 2

We completed a review of the CFPB's Consumer Response unit. The Dodd-Frank Act mandated that the CFPB "establish a unit whose functions shall include establishing a single, toll-free telephone number, a website, and a database to facilitate the centralized collection of, monitoring of, and response to consumer complaints regarding consumer financial products or services" offered by the companies under its jurisdiction.³ The Dodd-Frank Act also requires that the CFPB coordinate with other federal

3. Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, § 1013(b)(3)(A), 124 Stat. 1376, 1969 (2010) (codified at 12 U.S.C. § 5493(b)(3)(A) (2010)).

agencies to appropriately process complaints.⁴ To satisfy the Dodd-Frank Act's requirements for processing consumer complaints, the CFPB created the Consumer Response unit. Our objectives were (1) to evaluate the process the CFPB has established to receive, respond to, and track consumer complaints; (2) to assess the CFPB's coordination with federal and state agencies regarding the processing and referral of complaints; and (3) to determine the extent to which the CFPB is assessing its effectiveness and timeliness in responding to consumer complaints.

Our analysis determined that the CFPB has a reasonable process to receive, respond to, and track consumer complaints. In addition, the CFPB's consumer response process generally complies with Dodd-Frank Act requirements, the Privacy Act, and industry best practices. The CFPB has a comprehensive manual of standard operating procedures for processing complaints. The manual includes internal controls to mitigate risk in processing consumer complaints. Further, no issues came to our attention to indicate noncompliance with or internal control weaknesses related to the size and nature of the Consumer Response unit's organizational structure, oversight of its contracted contact centers, communication within the Consumer Response unit and throughout the CFPB, coordination with other regulatory agencies for complaint referrals, and the CFPB's schedule for the incremental acceptance of complaints by financial product.

However, our review did note areas in which the CFPB can improve processes and strengthen controls in the Consumer Response unit. Our report contains recommendations to address (1) the inaccurate manual data entry of consumer complaints, (2) the inconsistency of complaint management system data, (3) the lack of a finalized

4. The Dodd-Frank Act requires the CFPB to enter into a memorandum of understanding with "any affected Federal regulatory agency regarding procedures by which any covered person, and the prudential regulators, and any other agency having jurisdiction over a covered person, including the Secretary of the Department of Housing and Urban Development and the Secretary of Education, shall comply with this section." Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, § 1034(d), 124 Stat. 1376, 2009 (2010) (codified at 12 U.S.C. § 5534(d) (2010)). The term *covered person* is defined as "any person that engages in offering or providing a consumer financial product or service," as well as any affiliate thereof if the affiliate acts as a service provider to such person. Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, § 1002(6), 124 Stat. 1376, 1956 (2010) (codified at 12 U.S.C. § 5481(6) (2010)).

agencywide privacy policy, (4) the lack of a comprehensive quality assurance program, and (5) the lack of a centralized tracking system for quality assurance reviews. The Assistant Director of the Consumer Response unit agreed with our recommendations and specified actions that had been taken, were underway, or were planned to implement them.

The CFPB Should Strengthen Internal Controls for Its Government Travel Card Program to Ensure Program Integrity

2013-AE-C-017

September 30, 2013

Total number of recommendations: 14

Recommendations open: 3

Our objective for this audit was to determine the effectiveness of the CFPB's internal controls for its government travel card (GTC) program. Specifically, we assessed compliance with policies and procedures and whether internal controls were designed and operating effectively to prevent and detect fraudulent or unauthorized use of travel cards and to provide reasonable assurance that cards are properly issued, monitored, and closed out.

Through its GTC program, the CFPB provides its employees with the necessary resources to arrange and pay for official business travel and other travel-related expenses and to receive reimbursements for authorized expenses. The CFPB's Travel and Relocation Office within the Office of the Chief Financial Officer oversees the GTC program. In fiscal year 2012, the CFPB spent more than \$10 million, or about 3 percent of its incurred expenses, on travel. As of April 30, 2013, the CFPB had 743 active cardholder accounts.

We found that internal controls for the CFPB GTC program should be strengthened to ensure program integrity. Although controls over the GTC issuance process were designed and operating effectively, controls were not designed or operating effectively (1) to prevent and detect fraudulent or unauthorized use of GTCs and (2) to provide reasonable assurance that cards are properly monitored and closed out.

We made 14 recommendations designed to assist the CFPB in strengthening its internal controls over the GTC program. Management concurred with our recommendations, has taken

corrective actions to close 11 recommendations, and has begun taking steps to implement the remaining 3 open recommendations.

The CFPB Has Established Effective GPRA Processes, but Opportunities Exist for Further Enhancement

2014-MO-C-008

June 30, 2014

Total number of recommendations: 3

Recommendations open: 1

We conducted this audit to assess (1) the effectiveness of the CFPB's processes that address the Government Performance and Results Act of 1993, as amended by the GPRA Modernization Act of 2010 (GPRA) and (2) the CFPB's compliance with applicable sections of GPRA. GPRA requires that most executive agencies produce strategic plans every 4 years and publish annual agency performance plans. The CFPB determined that it is generally subject to the requirements of GPRA, except for those provisions of GPRA that require agencies to follow guidance issued by the Office of Management and Budget or to submit to the Office of Management and Budget's jurisdiction or oversight.

We found that the CFPB developed effective strategic and performance planning processes. The CFPB expanded these processes beyond GPRA requirements by developing division-level strategic plans with division-level performance goals and performance measures and implementing a quarterly performance review process. We found that the CFPB fully satisfied 22 of 28 applicable GPRA requirements and that opportunities existed for the CFPB to further enhance its GPRA processes.

Our report contains three recommendations designed to ensure full GPRA compliance and to assist the CFPB in building on its success in establishing GPRA processes. Management identified actions that had been or would be taken to address our recommendations.

Security Control Review of the CFPB's Cloud Computing–Based General Support System

2014-IT-C-010

July 17, 2014

Total number of recommendations: 4

Recommendations open: 3

FISMA requires the OIG to evaluate the effectiveness of the information security controls and techniques for a subset of the agency's information systems, including those provided or managed by another agency, a contractor, or another organization. To meet FISMA requirements, we reviewed the information system security controls for the CFPB's cloud computing–based general support system.

The CFPB has invested in a cloud computing–based general support system that provides the information technology infrastructure to support the agency's applications and common enterprise services, such as email, instant messaging, and file storage. The general support system is jointly managed and operated by the CFPB and a third party, and it is classified as a moderate-risk system.

Overall, we found that the CFPB has taken a number of steps to secure its cloud computing–based general support system in accordance with FISMA requirements. However, we found that improvements are needed to ensure that FISMA processes and controls are effective and consistently implemented across all information security areas for the general support system.

Our report includes recommendations to strengthen security controls for the general support system in four information security areas: system and information integrity, configuration management, contingency planning, and incident response. The CFPB's Chief Information Officer concurred with our recommendations and outlined actions that had been or would be taken to address them.

Audit of the CFPB's Acquisition and Contract Management of Select Cloud Computing Services

2014-IT-C-016

September 30, 2014

Total number of recommendations: 4

Recommendations open: 1

In January 2014, CIGIE spearheaded a governmentwide review of select agencies' efforts to adopt cloud computing technologies. In support of this initiative, our objective was to review the CFPB's acquisition and contract management for two of the CFPB's seven cloud service providers to determine whether requirements for security, service levels, and access to records were planned for, defined in contracts, and being monitored.

Overall, we found that (1) the CFPB's contracts for cloud computing services included roles and responsibilities, information security requirements, and service-level expectations; (2) the CFPB has established a process to monitor both contractual and service-level requirements for its cloud service providers; and (3) the agency collects and maintains nondisclosure agreements from contractor personnel to protect sensitive information. However, we identified opportunities for improvement in the procurement and use of cloud services, such as performing alternatives analysis and cost analysis and including clauses that provide the access needed for electronic discovery and performance of criminal and noncriminal investigations. We also found that one of the contracts we reviewed did not (1) include a clause granting the OIG the right to examine agency records or (2) detail specific penalties or remedies for noncompliance with contract terms and service levels.

Our report contains four recommendations to assist the CFPB's Chief Information Officer in strengthening processes for the acquisition and contract management of cloud services. The Chief Information Officer concurred with our recommendations and outlined actions that had been taken or would be implemented to address them.

2014 Audit of the CFPB's Information Security Program

2014-IT-C-020

November 14, 2014

Total number of recommendations: 3

Recommendations open: 1

We completed our annual review of the CFPB's information security program. FISMA requires the OIG to conduct an annual, independent evaluation of the agency's information security program and practices. We found that the CFPB continued to take steps to mature its information security program and to ensure that it is consistent with the requirements of FISMA. Overall, we found that the CFPB's information security program was consistent with 9 of 11 information security areas. Although corrective actions were underway, further improvements were needed in security training and contingency planning. Although we found that the CFPB's information security program was generally consistent with the requirements for continuous monitoring, configuration management, and incident response, we identified opportunities to strengthen these areas through automation and centralization.

Our report includes three new recommendations designed to strengthen the CFPB's information security continuous monitoring and configuration management practices. The Chief Information Officer concurred with our recommendations and outlined actions that had been taken, were underway, and were planned to strengthen the CFPB's information security program. In addition, our 2013 FISMA audit report included recommendations to develop and implement (1) an organizationwide configuration management plan and consistent process for patch management, (2) a capability to centrally track and analyze audit logs and security incident information, and (3) a role-based training program.

The CFPB Can Enhance Its Diversity and Inclusion Efforts

2015-MO-C-002

March 4, 2015

Total number of recommendations: 17

Recommendations open: 3

Our review of the CFPB's diversity and inclusion efforts was conducted in response to a congressional request. Overall, our audit determined that the CFPB had taken steps to foster a diverse

and inclusive workforce since it began operations in July 2011. These steps included elevating the Office of Minority and Women Inclusion and the Office of Equal Employment Opportunity to the Office of the Director; conducting listening sessions with employees to identify and respond to perceptions of fairness, equality, and inclusion; and creating an internal advisory council and working groups to focus on diversity and inclusion issues.

We identified four areas of the CFPB's diversity and inclusion efforts that could be enhanced. First, diversity and inclusion training was not mandatory for CFPB employees, supervisors, and senior managers. Second, data quality issues existed in the CFPB's tracking spreadsheets for equal employment opportunity complaints and negotiated grievances, and certain data related to performance management were not analyzed for trends that could indicate potential diversity and inclusion issues. Third, the CFPB's diversity and inclusion strategic plan had not been finalized, and opportunities existed for the CFPB to strengthen supervisors' and senior managers' accountability for implementing diversity and inclusion initiatives and human resources–related policies. Finally, the CFPB could benefit from a formal succession planning process to help ensure that it will have a sufficient and diverse pool of candidates for its senior management positions. We acknowledged that initiatives and activities that were beyond the scope of our review also contributed to enhancing diversity and inclusion.

Our report contains recommendations designed to improve the monitoring and the promotion of diversity and inclusion at the CFPB, as well as to strengthen related controls. The CFPB concurred with our recommendations and outlined planned, ongoing, and completed activities related to analyzing performance management data, performance management training, and tracking of equal employment opportunity and non–equal employment opportunity complaints. The CFPB has since taken action to address and close several recommendations.

The CFPB Can Enhance Its Contract Management Processes and Related Controls

2015-FMIC-C-014

September 2, 2015

Total number of recommendations: 10

Recommendations open: 1

We completed an audit of the CFPB's contract management processes and related controls. Our audit objective was to assess the CFPB's compliance with applicable laws, regulations, and CFPB policies and procedures related to contract management, as well as the effectiveness of the CFPB's internal controls related to contract management.

In general, we found the CFPB to be in compliance with applicable laws, regulations, and CFPB policies and procedures, although we noted that certain contract management controls could have been improved in 3 contracts among the 29 contracts in our sample. We also found that 32 of the 79 contractor performance evaluations required by the *Federal Acquisition Regulation* were overdue. Further, the Bureau of the Fiscal Service's Division of Procurement omitted a contract clause designed to clarify the OIG's access to contractor records from one of the 10 contracts we sampled for this purpose. The CFPB's Office of Minority and Women Inclusion is required to develop standards and procedures to ensure that minority-owned and women-owned businesses are considered for CFPB procurements, including procedures that will enable the CFPB to know whether contractors have failed to make a good faith effort to include minorities and women in their workforce. Although there is no statutory deadline, these standards and procedures had not yet been developed.

Our report includes recommendations designed to improve the CFPB's contract management processes and related controls. The CFPB concurred with our recommendations.

Opportunities Exist to Enhance Management Controls Over the CFPB's Consumer Complaint Database

2015-FMIC-C-016

September 10, 2015

Total number of recommendations: 8

Recommendations open: 1

Our audit objective was to assess the effectiveness of the CFPB's controls over the accuracy and completeness of its public-facing Consumer Complaint Database.

We determined that the CFPB's Office of Consumer Response had implemented controls to monitor the accuracy of complaint data in the internal case management system, but it had not established separate management controls to ensure the accuracy of the Consumer Complaint Database. We also found that the Office of Consumer Response was not (1) reviewing all company closing responses, including verifying whether the company-selected response is consistent with the definition, and (2) consistently publishing untimely company closing responses in the Consumer Complaint Database. In addition, consumers were not consistently offered the opportunity to dispute untimely company responses. Finally, although the Consumer Complaint Database website asserts that complaint data are refreshed daily, we found that the Office of Consumer Response did not consistently notify the public when the database was not updated.

Because the Data Team Complaint Database plays a role in the daily update process, our findings should be considered in conjunction with the security control deficiencies associated with the Data Team Complaint Database that were identified in *OIG Report 2015-IT-C-011, Security Control Review of the CFPB's Data Team Complaint Database*.

Our report includes recommendations designed to improve the CFPB's controls over the accuracy and completeness of the Consumer Complaint Database. The CFPB concurred with our recommendations.

Collecting Additional Information Can Help the CFPB Manage Its Future Space-Planning Activities

2016-FMIC-C-002

February 3, 2016

Total number of recommendations: 1

Recommendations open: 1

The CFPB's Office of Administrative Operations is responsible for managing space for approximately 1,500 CFPB employees in its headquarters and regional offices. In fiscal year 2015, the CFPB budgeted \$29.6 million for its occupancy agreements for these offices, which includes \$10.0 million for temporary office space that is needed because the CFPB is renovating its headquarters building. We assessed the CFPB's short-term and long-term space planning to determine whether controls are in place to effectively manage the agency's space needs and associated costs. We focused on the CFPB's processes for planning, obtaining, and managing space for both its headquarters and regional offices.

We identified controls that the Office of Administrative Operations is using to plan for CFPB headquarters office space; however, we found that the CFPB could benefit from implementing a process to manage information about its regional space needs and associated costs. The Office of Administrative Operations plans to continue using the U.S. General Services Administration for its future regional space procurement needs, and the U.S. General Services Administration gathers relevant information from the CFPB to gain an understanding of its space requirements. Therefore, our report includes a recommendation designed to ensure that the CFPB consistently collects, maintains, and uses information about its evolving space needs to manage the agency's future space planning and associated costs. The CFPB agreed with our recommendation and outlined planned corrective actions.

The CFPB Should Continue to Enhance Controls for Its Government Travel Card Program

2016-FMIC-C-009

June 27, 2016

Total number of recommendations: 9

Recommendations open: 8

Our audit objective was to determine whether the CFPB had established and maintained internal controls for its GTC program in accordance with the Government Charge Card Abuse Prevention Act of 2012.

We found that although the CFPB had implemented several controls over its GTC program, some controls were not designed or operating effectively (1) to prevent or identify unauthorized use of the GTCs and (2) to provide reasonable assurance that cards were closed in a timely manner upon employees' separation. Therefore, our report contains recommendations designed to help ensure GTC program integrity. The CFPB concurred with our recommendations.

2016 Audit of the CFPB's Information Security Program

2016-IT-C-012

November 10, 2016

Total number of recommendations: 3

Recommendations open: 3

See the summary in the body of this report.

The CFPB's Advisory Committees Help Inform Agency Activities, but Advisory Committees' Administration Should Be Enhanced

2016-MO-C-016

November 30, 2016

Total number of recommendations: 7

Recommendations open: 5

See the summary in the body of this report.

The CFPB Can Strengthen Its Controls for Identifying and Avoiding Conflicts of Interest Related to Vendor Activities

2017-SR-C-004

March 15, 2017

Total number of recommendations: 5

Recommendations open: 2

See the summary in the body of this report.

The CFPB Can Strengthen Contract Award Controls and Administrative Processes

2017-FMIC-C-007

March 30, 2017

Total number of recommendations: 6

Recommendations open: 6

See the summary in the body of this report.

Abbreviations

Board	Board of Governors of the Federal Reserve System
CFPB	Consumer Financial Protection Bureau
CIGFO	Council of Inspectors General on Financial Oversight
CIGIE	Council of the Inspectors General on Integrity and Efficiency
C-SCAPE	Consolidated Supervision Comparative Analysis, Planning and Execution System
DATA Act	Digital Accountability and Transparency Act of 2014
DHS	U.S. Department of Homeland Security
DIF	Deposit Insurance Fund
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
DOJ	U.S. Department of Justice
FBI	Federal Bureau of Investigation
FDIC	Federal Deposit Insurance Corporation
FFIEC	Federal Financial Institutions Examination Council
FHFA	Federal Housing Finance Agency
FISMA	Federal Information Security Modernization Act of 2014
FMFIA	Federal Managers' Financial Integrity Act
GPRA	Government Performance and Results Act of 1993, as amended by the GPRA Modernization Act of 2010
GTC	government travel card
HUD	U.S. Department of Housing and Urban Development
IG	Inspector General
IPIA	Improper Payments Information Act of 2002, as amended
IRS	Internal Revenue Service
LBO	large banking organization
LISCC	Large Institution Supervision Coordinating Committee
NRAS	National Remote Access Services
OCC	Office of the Comptroller of the Currency
OFAC	Office of Foreign Assets Control
OIG	Office of Inspector General
PCA	prompt corrective action
PRA	prompt regulatory action
PubWeb	Board's public website
SBREFA	Small Business Regulatory Enforcement Fairness Act of 1996, as amended
SIGTARP	Special Inspector General for the Troubled Asset Relief Program
STAR	Statistics and Reserves System
Treasury	U.S. Department of the Treasury



Office of Inspector General
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Mail Stop K-300
Washington, DC 20551
Phone: 202-973-5000 | Fax: 202-973-5044

OIG Hotline 1-800-827-3340 | OIGHotline@frb.gov

United States House of Representatives
Committee on Financial Services
Washington, D.C. 20515

May 17, 2017

The Honorable Richard Cordray
Director
Bureau of Consumer Financial Protection
1700 G Street NW
Washington, D.C. 20552

Dear Director Cordray:

Thank you for your letter dated April 28, 2017 responding to House Financial Services Committee (“Committee”) Chairman Jeb Hensarling’s request that your agency decline to produce any Committee communications, agency responses to Congressional inquiries, or any other congressional records in response to Freedom of Information Act (“FOIA”) requests. While I understand that you have agreed to comply in part with the Chairman’s policy, I write to clarify that I do not share the Chairman’s position.

I have long understood that my and my staff’s communications with executive branch agencies are subject to FOIA disclosure barring an explicit assertion on my part to retain control over such documents. While Chairman Hensarling has chosen to make this assertion, I want to be clear that he does not speak on my behalf in this instance.

It is my position that my correspondence with your agency, should you deem it responsive to public FOIA requests, not be subject to exemption. If you have any questions, please contact Kevin Burris or Jennifer Read at (202) 225-4247.

Sincerely,



Maxine Waters
Ranking Member
Committee on Financial Services

cc: The Honorable Jeb Hensarling, Chairman



Consumer Financial
Protection Bureau

May 18, 2017

The Honorable Michael Crapo
Chairman
Committee on Banking, Housing, and Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Crapo:

Enclosed is the Semiannual Report to Congress of the Office of Inspector General for the Board of Governors of the Federal Reserve and the Consumer Financial Protection Bureau, as required under Section 5 of the Inspector General Act. This report covers the six-month period from October 1, 2016 – March 31, 2017.

Should you have any questions concerning this report, please feel free to contact me at (202) 435-9711.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Galicia'.

Catherine Galicia
Assistant Director for Legislative Affairs



May 18, 2017

The Honorable Jeb Hensarling
Chairman
Committee on Financial Services
United States House of Representatives
2129 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Hensarling:

Enclosed is the Semiannual Report to Congress of the Office of Inspector General for the Board of Governors of the Federal Reserve and the Consumer Financial Protection Bureau, as required under Section 5 of the Inspector General Act. This report covers the six-month period from October 1, 2016 – March 31, 2017.

Should you have any questions concerning this report, please feel free to contact me at (202) 435-9711.

Sincerely,

Catherine Galicia
Assistant Director for Legislative Affairs



Consumer Financial
Protection Bureau

May 18, 2017

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
United States House of Representatives
4340 Thomas P. O'Neill, Jr. House Office Building
Washington, DC 20515

Dear Ranking Member Waters:

Enclosed is the Semiannual Report to Congress of the Office of Inspector General for the Board of Governors of the Federal Reserve and the Consumer Financial Protection Bureau, as required under Section 5 of the Inspector General Act. This report covers the six-month period from October 1, 2016 – March 31, 2017.

Should you have any questions concerning this report, please feel free to contact me at (202) 435-9711.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Galicia / 7-1-K', is written over a light blue circular stamp.

Catherine Galicia
Assistant Director for Legislative Affairs



May 30, 2017

The Honorable Ron Johnson
Chairman
Committee on Homeland Security and
Governmental Affairs
United States Senate
340 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Jason Chaffetz
Chairman
Committee on Oversight and Government
Reform
U.S. House of Representatives
2157 Rayburn House Office Building
Washington, DC 20515

Dear Chairmen Johnson and Chaffetz:

I am writing to provide information regarding actions taken by the Consumer Financial Protection Bureau related to the findings and recommendation by the Government Accountability Office (GAO) in its report entitled *Private Deposit Insurance: Credit Unions Largely Complied with Disclosure Rules, but Rules Should be Clarified (GAO-17-259)*, which was publicly released on March 29, 2017.

GAO's report focused, in part, on the level of compliance with disclosure requirements for privately insured credit unions. The Federal Deposit Insurance Act (FDIA) and its implementing regulation, Regulation I, require depository institutions that do not have federal deposit insurance to disclose "clearly and conspicuously" that their institutions are not federally insured.¹ GAO identified 125 such credit unions (approximately 2 percent of all credit unions) and concluded that privately insured credit unions largely complied with federal disclosure requirements. For example, GAO determined that 45 of the 47 privately insured credit unions GAO reviewed complied with the disclosure requirement for teller windows. Additionally, GAO determined that 99 of the 102 websites GAO reviewed had the required disclosure on their main Internet page. These findings align with our understanding of the market. The Bureau is also pleased to see that GAO found overall compliance levels with federal disclosure requirements have improved since GAO's last review in 2003.

Nevertheless, GAO did identify instances of noncompliance and determined that a lack of specificity in Regulation I contributed to privately insured credit unions either failing to comply with or inconsistently complying with federal disclosure requirements. GAO therefore recommended that the Bureau provide guidance clarifying Regulation I in three respects: (1) clarify whether drive-through windows require disclosures; (2) describe what constitutes a clear and

¹ 12 U.S.C. § 1831t(b); 12 C.F.R. §§ 1009.3-4. As the report notes, the Bureau inherited rulemaking authority under this provision of the FDIA from the Federal Trade Commission (FTC) as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and subsequently adopted Regulation I substantially as promulgated by the FTC.

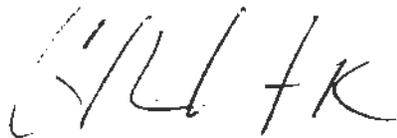
conspicuous disclosure, including minimum signage dimensions and font size for disclosures; and (3) explain and provide examples of which communications are advertising.

As the Bureau wrote in its response to GAO, the Bureau recognizes that providing guidance that clarifies Regulation I may improve privately insured credit unions' understanding of and compliance with federal disclosure requirements, and thus improve consumers' understanding of how deposits at non-federally-insured depository institutions are insured. Therefore, the Bureau continues to explore options that will most effectively and efficiently provide guidance regarding Regulation I.

The Bureau looks forward to continuing to work with GAO on this matter. The Bureau will continue to monitor privately insured credit unions' compliance with federal disclosure requirements, consistent with our prioritization process.

Should you have any additional questions, please do not hesitate to contact me or have your staff contact Matthew Pippin in the Bureau's Office of Legislative Affairs or Steven Bressler in the Bureau's Legal Division. Mr. Pippin can be reached at 202-435-7552 and Mr. Bressler can be reached at 202-435- 7248.

Sincerely,



Catherine Galicia
Assistant Director for Legislative Affairs

cc: The Honorable Claire McCaskill
Ranking Member, Committee on Homeland Security and Governmental Affairs, United States Senate

The Honorable Elijah Cummings
Ranking Member, Committee on Oversight and Government Reform, U.S. House of Representatives



Consumer Financial
Protection Bureau

1700 G Street, N.W., Washington, DC 20552

May 31, 2017

The Honorable Michael Capuano
U.S. House of Representatives
1414 Longworth House Office Building
Washington, DC 20515

Dear Congressman Capuano:

Thank you for your letter regarding the Consumer Financial Protection Bureau's work to understand the challenges consumers face in accessing, using, and securely sharing their financial records. Your letter notes the importance of transparency, security, and strong consumer protections in the evolving financial technology market. As you know, the Consumer Bureau is seeking to understand the full range of issues associated with how consumers access their financial records and how that information can be used.

Section 1033 of the Dodd-Frank Wall Street Reform and Consumer Protection Act provides for consumer rights to access their financial records and account-related information, and specifies that this information "shall be made available in an electronic form usable by consumers."¹ The law also gives rulemaking authority over this area to the Consumer Bureau. As a step toward implementing this provision, in November 2016, the Consumer Bureau issued a Request for Information and hosted a field hearing for information about how consumers share access to their digital financial records.² Specifically, the Request For Information seeks information about how much choice consumers are given regarding the use of their records, how secure it is for them to share their records, and to what extent consumers have control over their records. Through this Request for Information, the Consumer Bureau is working to better understand how to foster an environment where providers can securely obtain, with the consumer's permission, the information needed to deliver innovative products and services that will benefit consumers.

The comment period for the Request for Information has now closed.³ The Consumer Bureau has received over 70 comments from financial institutions, data aggregators, companies that use aggregated data, trade associations, consumer groups, and consumers. Consumer Bureau staff is continuing to review these comments, which are extensive and thoughtful. They present a wide range of views about how best to achieve the broad goals of Section 1033 of Dodd-Frank and provide valuable insight into the various technical, legal, and consumer protection considerations in this space. In recent months, there have been several developments in the marketplace, including several announcements of bi-lateral industry agreements outlining terms for consumer-

¹ 12 U.S.C. 5533.

² 81 FR 83806.

³ The comment period closed on February 21, 2017.

permissioned data sharing between certain companies. The Consumer Bureau remains committed to the principle that consumers should be able to use their financial records and account information and securely share access in an electronic format.

Thank you for your continued interest in the Consumer Bureau's work. Please do not hesitate to contact me or have your staff contact Patrick O'Brien in the Consumer Bureau's Office of Legislative Affairs. Mr. O'Brien can be reached at (202) 435-7180. I look forward to working with you on this and other consumer financial protection matters of importance to you and your constituents.

Sincerely,

A handwritten signature in blue ink, appearing to read "Richard Cordray".

Richard Cordray
Director



Consumer Financial
Protection Bureau

1700 G Street, N.W. Washington, DC 20552

May 31, 2017

The Honorable Katherine Clark
U.S. House of Representatives
1415 Longworth House Office Building
Washington, DC 20515

Dear Congresswoman Clark:

Thank you for your letter regarding the Consumer Financial Protection Bureau's work to understand the challenges consumers face in accessing, using, and securely sharing their financial records. Your letter notes the importance of transparency, security, and strong consumer protections in the evolving financial technology market. As you know, the Consumer Bureau is seeking to understand the full range of issues associated with how consumers access their financial records and how that information can be used.

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Sincerely,



Richard Cordray
Director



Consumer Financial
Protection Bureau

1700 G Street, N.W. Washington, DC 20562

May 31, 2017

The Honorable Michelle Lujan Grisham
U.S. House of Representatives
214 Cannon House Office Building
Washington, DC 20515

Dear Congresswoman Lujan Grisham:

Thank you for your letter regarding the Consumer Financial Protection Bureau's work to understand the challenges consumers face in accessing, using, and securely sharing their financial records. Your letter notes the importance of transparency, security, and strong consumer protections in the evolving financial technology market. As you know, the Consumer Bureau is seeking to understand the full range of issues associated with how consumers access their financial records and how that information can be used.

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Thank you for your continued interest in the Consumer Bureau's work. Please do not hesitate to contact me or have your staff contact Patrick O'Brien in the Consumer Bureau's Office of Legislative Affairs. Mr. O'Brien can be reached at (202) 435-7180. I look forward to working with you on this and other consumer financial protection matters of importance to you and your constituents.

Sincerely,



Richard Cordray
Director



Consumer Financial
Protection Bureau

1700 G Street, N.W., Washington, DC 20552

May 31, 2017

The Honorable Seth Moulton
U.S. House of Representatives
1408 Longworth House Office Building
Washington, DC 20515

Dear Congressman Moulton:

Thank you for your letter regarding the Consumer Financial Protection Bureau's work to understand the challenges consumers face in accessing, using, and securely sharing their financial records. Your letter notes the importance of transparency, security, and strong consumer protections in the evolving financial technology market. As you know, the Consumer Bureau is seeking to understand the full range of issues associated with how consumers access their financial records and how that information can be used.

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Sincerely,



Richard Cordray
Director



Consumer Financial
Protection Bureau

1700 G Street, N.W., Washington, DC 20557

May 31, 2017

The Honorable Carol Shea-Porter
U.S. House of Representatives
1350 Longworth House Office Building
Washington, DC 20515

Dear Congresswoman Shea-Porter:

Thank you for your letter regarding the Consumer Financial Protection Bureau's work to understand the challenges consumers face in accessing, using, and securely sharing their financial records. Your letter notes the importance of transparency, security, and strong consumer protections in the evolving financial technology market. As you know, the Consumer Bureau is seeking to understand the full range of issues associated with how consumers access their financial records and how that information can be used.

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Sincerely,



Richard Cordray
Director

United States Senate

WASHINGTON, DC 20510

June 8, 2017

The Honorable Richard Cordray
Director
Consumer Financial Protection Bureau
1700 G Street NW
Washington, D.C. 20552

Dear Director Cordray:

Yesterday, we introduced legislation, the "Home Mortgage Disclosure Adjustment Act" (S. 1310), aimed at reducing regulatory burdens associated with the implementation of the Home Mortgage Disclosure Act (HMDA) Final Rule. We write to respectfully request that the Consumer Financial Protection Bureau (CFPB) delay the current effective date of the rule while Congress considers our legislation. At a minimum, we ask that the CFPB approve a one-year delay of the rule's effective date to January 1, 2019.

While we support the purpose of HMDA, which is the promotion of fair lending and assuring equitable access to credit in the housing market, both before and after the publication of the Final Rule, many concerns were expressed regarding the CFPB's expansion of Regulation C beyond what was required by the Dodd-Frank Act. As it stands now, this rulemaking has and will likely continue to play a substantial role in increasing the significant costs of regulatory compliance – taxing credit unions' and community banks' finite resources.

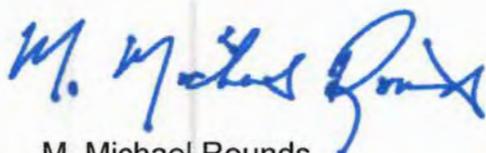
Moreover, we believe it is appropriate for the CFPB to delay the rule's effective date while it completes updates to the HMDA resubmission guidelines. With less than seven months before lenders will be required to begin complying with the new rule, the CFPB has yet to conclusively address this important matter. The new rule more than doubles the amount of data required to be reported, significantly increasing the opportunity for penalties for minor data errors, especially for smaller lenders, many of whom will continue to compile their HMDA reports manually. Prior to effectuating the final rule, the CFPB should complete its updated resubmission guidelines, with appropriate modifications for small lenders, and provide a reasonable implementation timeline, so that lenders can fully understand how to properly implement and comply with the new regulation. After the resubmission guidelines are completed and the HMDA rule becomes effective, we encourage the CFPB and other regulators to proceed with a diagnostic approach to correcting errors made by small lenders who make good-faith efforts to meet the rule's additional requirements.

The CFPB's pending proposal to address various issues within the HMDA Final Rule is a step in the right direction. Community financial institutions across the nation appreciate measures taken by regulators intended to correct errors and to offer greater clarification. Notwithstanding these efforts, no amount of 11th-hour tinkering with technical amendments can offset the tremendous burden being hoisted upon community financial institutions and their vendors as a result of the Final Rule.

We strongly believe an extension of the effective date would go a long way toward mitigating the burdens of this complex rulemaking and assure that financial institutions and their vendors have sufficient time to prepare to implement this rule. As we have moved closer to the effective date, we have heard increasing levels of concern over preparations for the Final Rule. In order to facilitate a smooth transition to the new HMDA requirements, it is critical that these financial institutions and their vendors are provided enough time to ensure they are adequately prepared before the ultimate effective date. Therefore, we strongly recommend the CFPB delay the effective date for the HMDA Final Rule for one-year.

We look forward to working with you on this and other important issues. If you have any questions or need additional information, please feel free to contact Andrew Rothe with Senator Rounds at 202-224-5842 or Craig Radcliffe with Senator Heitkamp at 202-224-2043.

Sincerely,



M. Michael Rounds
United States Senator



Heidi Heitkamp
United States Senator