

NOVEMBER 15, 2013

CFPB Ombudsman's Office

FY2013 ANNUAL REPORT TO THE DIRECTOR



OMBUDSMAN'S
OFFICE

Message from the Ombudsman

I am pleased to present our FY2013 annual report to the Director of the Consumer Financial Protection Bureau, pursuant to the CFPB Ombudsman's Office Charter.

To informally assist in resolving issues, an ombudsman has a toolbox of resources to use such as: analyzing systemic process matters; reviewing inquiry data; problem solving; facilitating dialogue; providing solution options; and making recommendations. At the CFPB Ombudsman's Office, we have the opportunity to assist all of our stakeholders, internally and externally, to informally resolve process issues with the CFPB. This year, as detailed in our report, we used our toolbox of resources to address process issues across a broad range of topics, including: how the CFPB shares information; the caller experience with the CFPB contact center; and financial entities' experiences with the examination process. I appreciate all of our stakeholders working with the Ombudsman's Office as we continue to advocate for a fair process in consumer financial protection.

Wendy Kamenshine
CFPB Ombudsman

Introduction

The Dodd-Frank Wall Street Reform and Consumer Protection Act, Section 1013(a)(5), requires the establishment of a Consumer Financial Protection Bureau Ombudsman's Office (CFPB Ombudsman).¹

The CFPB Ombudsman advocates for a fair process as between consumers, financial entities, and the CFPB. As with other ombudsman offices, the core ombudsman principles of independence, impartiality, and confidentiality allow the Ombudsman to serve as an advocate for a fair process:

- **Independence** – The Ombudsman reports to the CFPB's Deputy Director with access to the Director. This reporting line ensures the Ombudsman's independence within the CFPB. It also allows us to act as an early warning system and serve as a catalyst for change, if needed.
- **Impartiality** – We do not take sides in reviewing an issue. We do not take the side of the consumer, financial entity, or the CFPB. Instead, we advocate for a fair process.
- **Confidentiality** – We have put safeguards in place to preserve confidentiality. We will not share someone's identifying information outside of our Office unless the person indicates that we can. We also may have to share it if there is a threat of imminent risk of serious harm, the person raised an issue of government fraud, waste, or abuse, or if required by law.

¹ In this report, "Ombudsman" refers to the Office, the staff, or the person.

The Ombudsman encourages everyone first to use the regular avenues that the CFPB offers to address an individual or systemic issue relating to the CFPB, as we want those regular avenues to work well. Individuals, companies, or groups reach the Ombudsman when the regular avenue does not work for some reason, or whenever they wish to highlight a concern in confidence. The Ombudsman reviews each issue impartially and may make a recommendation to the CFPB to change its process. Specifically, we make recommendations either on existing processes if their application does not lead to a fair process, or where implementing a new process would achieve a fair process.

This second annual report to the Director reflects the CFPB Ombudsman's activities for FY2013, October 1, 2012 through September 30, 2013. It describes the further building of the Ombudsman's Office, outreach and engaging external stakeholders, inreach and regular informal feedback provided to the CFPB, individual inquiry data, an update on FY2012 systemic analyses, FY2013 systemic analyses, and the direction of the Ombudsman's work going forward.

Further Building the Ombudsman's Office

This year, the Ombudsman continued to build on the first year in operation by:

- Hiring permanent staff for the Ombudsman team;
- Finalizing the Ombudsman records disposition schedule with signature by the National Archives and Records Administration;
- Establishing an ability to interpret and translate inquiries received in other languages that is separate from interpreters and translators who assist consumers reaching the Office of Consumer Response (Consumer Response) to maintain our independence, impartiality, and confidentiality;

- Establishing a TTY phone line, (202) 435-9835, to assist callers in reaching the Office;
- Refining our tracking categories to understand and report on the individual inquiries received by the Ombudsman to inform its recommendations to the CFPB;
- Updating our Office policies and procedures to reflect changes implemented to more efficiently serve inquirers who reach the Office;
- Further standardizing contact with CFPB divisions, offices, and the Regional Directors to learn about developments and informally share feedback heard by the Ombudsman; and
- Developing a strategic plan to focus our efforts for the next few years.

With these elements in place, the Ombudsman looks forward to providing additional ways to serve as an advocate for a fair process.

Outreach and Engaging External Stakeholders

Outreach creates the foundation for continuing dialogue with the Ombudsman. In keeping with the Ombudsman's FY2012 objective, we built upon the prior year's outreach efforts to make external stakeholders aware of the Ombudsman resource.² Outreach opportunities also provide a way for the Ombudsman to learn more about the consumer, trade, and other

² This year, the CFPB established a new regular avenue for financial entities and trade groups with the CFPB's Office of Financial Institutions and Business Liaison (OFIBL) within the Division of External Affairs. Individuals, financial entities, or groups should reach the Ombudsman after they attempted to resolve their issue via a regular CFPB avenue, such as OFIBL, or if they wish to raise a matter in confidence.

groups that interface with the CFPB, and to obtain first-hand the perspectives of stakeholders.

This year, the Ombudsman used many approaches for outreach to include: in-office introductory and follow-up meetings, teleconferences with groups' memberships, speaking engagements at conferences, presentations to board meetings, a webinar, an audio recording for a group to share with its membership, and a visit to a financial entity to learn more about an industry. The Ombudsman sought to meet with consumer and trade groups representative of the spectrum of financial products and services regulated by the CFPB.

During such outreach and follow-up meetings, the Ombudsman may learn about process issues experienced with the CFPB. Depending upon the issue, the Ombudsman may offer informal feedback and recommendations to the CFPB. Where the issue may need to be reviewed more thoroughly to understand various perspectives, the Ombudsman may do more of a holistic review before potentially offering recommendations to the CFPB. The Ombudsman also may reach back to stakeholders to gain additional perspective and understanding in considering the issues.

The FY2013 Systemic Reviews section below describes how the Ombudsman addressed two sets of concerns heard primarily through outreach meetings this year: keeping up-to-date with CFPB developments, notification of CFPB events, and speaker requests; and, elevating concerns in the examination process and what to expect during the examination lifecycle. In addition, groups shared with the Ombudsman other topics such as: the importance of the CFPB balancing feedback between consumer and trade groups; feedback pertaining to regulatory processes; meetings of the CFPB's Consumer Advisory Board and councils; and information presented in the Consumer Complaint Database.

In FY2014 and beyond, and as part of its strategic plan, the Ombudsman will continue its outreach efforts to ensure a continuous dialogue with stakeholders.³

³ Groups or financial entities that wish to request a meeting with the Ombudsman may contact the Ombudsman at CFPBOmbudsman@cfpb.gov or (855) 830-7880. In addition, to the extent a group would like to have regular touch base meetings, the Ombudsman is available to schedule such meetings.

Inreach and Regular Feedback to the CFPB

Throughout the reporting period, the Ombudsman continued with CFPB inreach and provided informal feedback in regular meetings with CFPB leaders and in meetings requested by Bureau divisions, offices, or the Ombudsman. In keeping with its FY2013 objective, the Ombudsman introduced the role and answered questions about the role with new CFPB Assistant Directors and the CFPB's distributed workforce in all four regions. The Ombudsman also began an effort to ensure ongoing contact with internal stakeholders to include quarterly meetings with each CFPB division head, quarterly meetings with the Regional Directors, and regular meetings with CFPB offices or groups. This inreach established regular opportunities to learn about developments in each area, so the Ombudsman can be further informed about CFPB activities and initiatives. Moreover, it provided the Ombudsman a regular opportunity to share feedback on issues received from inquiries and during outreach.

During the reporting period, the Ombudsman provided informal feedback on many topics, such as: the consumer complaint process; content within AskCFPB, available on consumerfinance.gov; help for consumers who needed extra assistance communicating with the CFPB about their consumer complaints; information to be shared regarding the operation of the CFPB's Consumer Advisory Board and councils; pending Bureau guidance, activities, and bulletins; information to share with a consumer when a company does not provide a timely response to a consumer complaint due to issues using the CFPB company portal; and the Consumer Complaint Database. As with the last reporting period, the Ombudsman found that the Bureau continued to be receptive to our informal feedback.

Examining Individual Inquiries to the Ombudsman

In FY2013, the Ombudsman received significantly more individual inquiries (1,422 inquiries) than in its first ten months of operation in FY2012 (775 inquiries). Individual inquiries do not include Ombudsman outreach and the issues received in connection with such outreach. Similar to last year, the majority of those individual inquiries, 1,219, were from consumers regarding the processes, services, products, and entities under the CFPB's jurisdiction. The Ombudsman also received approximately 200 individual inquiries including, for example, from: attorneys, representatives, and third parties; financial entities, business persons, and consumer and trade groups; and local, state, and federal government to include Congressional offices. Overall, inquiries to the Ombudsman included: complaints (51 percent); questions (35 percent); topics of concern (8 percent); feedback on CFPB and non-CFPB topics (3 percent); and copies to the Ombudsman (2 percent).⁴

To advocate for a fair process, we review each individual inquiry with an impartial lens considering all sides of an issue to determine how we may assist. Depending on the issue we may: review the applicable laws, regulations, policy, and data; talk with the person or financial entity involved; and/or meet with CFPB officials. We then may make a recommendation to the CFPB on how to further assist the person or entity.

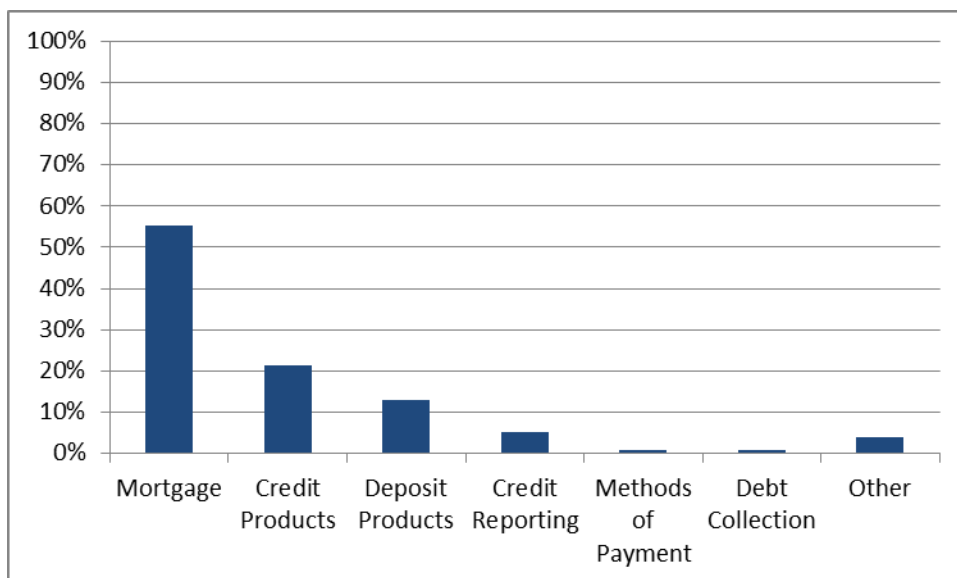
The public can reach the CFPB Ombudsman by email (CFPBOmbudsman@cfpb.gov), toll-free number (855) 830-7880, TTY (202) 435-9835, or fax (202) 435-7888. The Ombudsman also occasionally receives letters sent to the CFPB Washington, D.C., mailing address. In the reporting period, we tracked how a person first contacted the Ombudsman. As in FY2012, the majority of first contacts were by telephone (73 percent) or email (24 percent).

⁴ All percentages in this report are rounded up to the nearest number if 0.5 or greater, or rounded down if less than 0.5.

This year, the Ombudsman began tracking two new fields to better understand the inquiries we received: location for all inquiries and product category regarding consumer complaints. In FY2013, people contacted the Ombudsman from 45 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, as well as other countries.

We received inquiries regarding consumer complaints primarily regarding mortgages (55 percent) followed by credit products (21 percent), as shown in Figure 1 below.

FIGURE 1: FY2013 PRODUCT CATEGORIES FOR INQUIRIES TO THE OMBUDSMAN

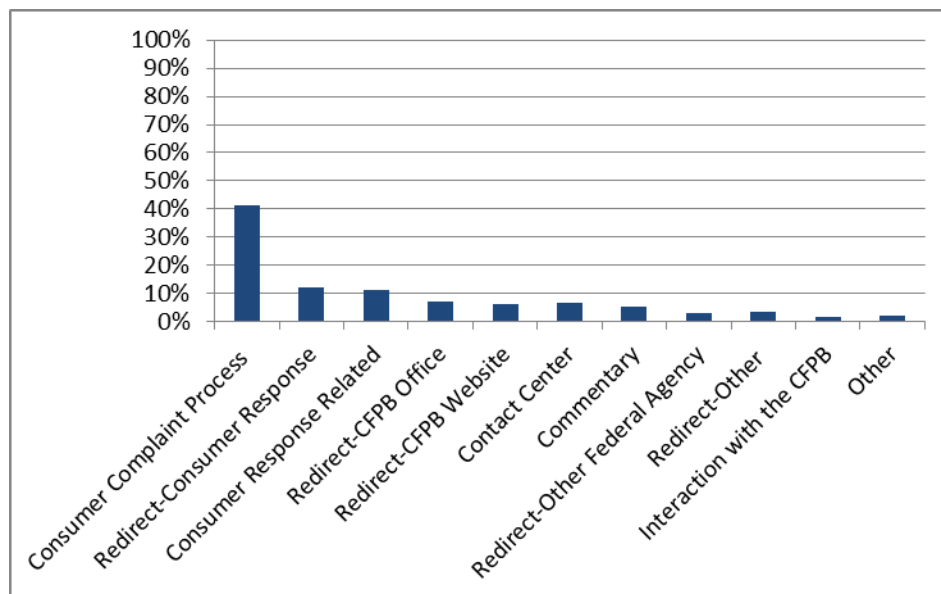


The Ombudsman also tracks issues raised in inquiries received to highlight trends and make recommendations to the CFPB. Each inquiry may include multiple issues. For FY2013, the Ombudsman received 2,070 issues from the 1,422 inquiries.

In this reporting period, we again tracked issues based on nine categories: Consumer Response; Commentary; Bank Supervision; Nonbank Supervision; Enforcement Related; Interaction with the CFPB; Ombuds External; Redirect; and Other. Most of these categories have subheadings to reflect a particular action, question, comment, concern, or complaint from the perspective of the person who reached the Ombudsman. For example, “Ombuds

External-Information about the Office” reflects someone who asked for more information about this resource. Figure 2 summarizes the main issues received by the Ombudsman.⁵

FIGURE 2: FY2013 ISSUES RECEIVED BY THE OMBUDSMAN



- **Consumer Complaint Process** – Issues pertaining to: the need for additional information, particularly regarding the end of the consumer complaint process; how the CFPB provides assistance on consumer complaints; and what is happening on a particular complaint;
- **Contact Center** – Interactions with the contact center (855) 411-CFPB (2372);
- **Consumer Response Related** – Other issues regarding the consumer complaint process such as: difficulties with disputing a company response; accessing a consumer complaint online; and company challenges in responding to consumer complaints through the CFPB company portal;

⁵ The percentage listed equals the number of issues in each grouping divided by the number of total issues received.

- **Commentary** – Opinions on how something should proceed at the Bureau or elsewhere;
- **Interaction with the CFPB** – Topics related to the CFPB’s interaction with the public more generally; and
- **Redirects** – The Ombudsman provides information to reach another CFPB division, office, or resource, or somewhere outside the CFPB that can assist.

This year the percentage breakdown of most topic areas was similar to the issues received in FY2012 within a few percentage points. In addition, there was a small increase in Consumer Response Related issues. Notably, in FY2013 the Ombudsman received very few issues regarding the functionality or ease of use of the CFPB website, consumerfinance.gov, so we removed it as a separate category in this report.

The Systemic Reviews section below discusses the issues regarding the consumer complaint process and the contact center.

Systemic Reviews: Update on FY2012

In addition to individual inquiries, the Ombudsman reviews systemic issues that may be affecting consumers or financial entities nationwide, in a particular region, or with a certain process. We decide to review topics as systemic issues to see if we may have helpful recommendations to share with the CFPB. The Ombudsman recommendations may be: also suggested by others, but not implemented; ideas shared with the Ombudsman as we explored an issue; or, the Ombudsman’s ideas of how to address an issue. The objective is to resolve the issue, but sometimes there are other possible solutions that also may work to reach the same result and we welcome implementation of those ideas.

This section provides a brief update on the Ombudsman's FY2012 systemic review recommendations to the CFPB.

Consumer Complaints: Setting Expectations and the Need for Transparency

A consumer may contact the Ombudsman about the CFPB's consumer complaint process anytime during the complaint lifecycle to raise a process concern in confidence or after first attempting to resolve the issue with the CFPB. In FY2012, many of the issues consumers shared with the Ombudsman we categorized as start-up issues as CFPB's Office of Consumer Response (Consumer Response) developed the consumer complaint function and expanded it to accept complaints about additional types of consumer financial products and services. The Ombudsman highlighted issues to include the need for: clarification about the consumer complaint process; more information and transparency in communications to consumers; and assistance to consumers without computer access. The Ombudsman offered informal recommendations and noted Consumer Response's receptivity to feedback and changes to address these issues.

In FY2013 the Ombudsman again heard from consumers about the consumer complaint process. Some consumers who reached the Ombudsman did not understand what happened after disputing the financial entity's response, or did not understand how the complaint process could assist on an individual consumer complaint.⁶

To build on Consumer Response's efforts, this year the Ombudsman recommended that Consumer Response: provide frequently asked questions on consumerfinance.gov about the consumer complaint process; include further clarifying information in correspondence to consumers; provide guidance to consumers on how to craft an effective complaint; and add

⁶ The Ombudsman understands that after a consumer submits a consumer complaint to Consumer Response, the relevant financial entity reviews the complaint and responds to the Bureau and the consumer using the CFPB's company portal. If the consumer does not agree with the response, the consumer has the opportunity to dispute the financial entity's response. At that point, Consumer Response reviews the complaint to determine whether it will investigate the complaint further.

more transparency to the end of the consumer complaint process, for example, sharing when Consumer Response closes a complaint.

This year, Consumer Response continued to focus on enhancing the consumer complaint process. Specifically, Consumer Response implemented further changes to provide consumers with more clarity regarding the consumer complaint process, particularly the first part of the process through when the consumer disputes the financial entity's response. For example, Consumer Response simplified all of its correspondence to consumers in a clear question and answer format, similar to some of the Ombudsman's proposed FAQs. With this increased transparency in communications, consumers know what to expect from most of the process.

As Consumer Response develops additional ways to assist consumers, the Ombudsman understands that the Office is considering the Ombudsman's other recommendations regarding the consumer complaint process.

Supervisory Examinations: Presence of Enforcement Attorneys

This year, the CFPB addressed the Ombudsman's FY2012 recommendations regarding the presence of Enforcement Attorneys at supervisory examinations. In FY2012, the Ombudsman heard concerns from groups that work with financial entities regarding the CFPB's policy to include Enforcement Attorneys at the supervisory examinations. As an advocate for a fair process, the Ombudsman reviewed the implementation of this policy, as described in our last annual report to the Director.

To reflect on the success and challenges of the new policy, achieve consistency in its implementation, and improve transparency with CFPB staff and supervised entities, last year the Ombudsman recommended that the CFPB review implementation of the policy to have Enforcement Attorneys present at supervisory examinations. Until that review was complete, the Ombudsman also recommended that the CFPB establish ways to clarify the current role of Enforcement Attorneys at supervisory examinations.

To address the Ombudsman's recommendations, the CFPB Division of Supervision, Enforcement, Fair Lending, and Equal Opportunity (SEFL) first established a working group in December 2012 which met over the course of several months to review the

implementation of the existing policy. As a result of this review, SEFL revised the role for Enforcement Attorneys on examinations in October 2013 so they will no longer participate in the on-site part of the examination. At the same time, we understand that Enforcement Attorneys will continue to be integrated on examinations through regular meetings with examination staff convened by Supervision headquarters staff. To implement this new policy, SEFL scheduled multiple, mandatory training sessions over the course of one month for the entire division to learn about and ask questions on the new policy.

The Ombudsman now views the FY2012 recommendations on this topic as closed.

Systemic Reviews: Focus for FY2013

This reporting period the Ombudsman reviewed three issues as systemic issues: how the CFPB shares information; the caller experience with the CFPB contact center; and financial entities' experiences with the examination process.

CFPB Activities, Events, and Services: How the CFPB Shares Information

The Ombudsman heard feedback from consumer and trade groups, as well as financial entities, regarding how the CFPB shares information about its activities, events, and services. Stakeholders overall highlighted that the CFPB was accessible for meetings and to answer questions. At the same time, they indicated that standardizing certain processes regarding how the CFPB shares this information would be helpful. This section describes the concerns the Ombudsman received and our recommendations to the CFPB. The CFPB was receptive to all of these recommendations.

CFPB Information

Consumer and trade groups shared with the Ombudsman that it is challenging to keep up-to-date with CFPB activity across consumerfinance.gov.

The CFPB includes “sign-up” features on consumerfinance.gov where anyone can request to receive email updates on the content found on certain webpages, for example, on additions to the Regulations webpage. This year, the CFPB also re-launched the Regulations webpage to provide more accessible information to financial entities and their trade groups, and now is conducting a review of consumerfinance.gov.

To further address the availability of information, the Ombudsman recommended: the addition of a digest to all updates to consumerfinance.gov; a checklist opportunity for users to subscribe to each available CFPB “sign-up” rather than searching for “sign-ups” on each consumerfinance.gov webpage; and an option for stakeholders to “sign-up” to receive the Division of External Affairs’ newsletter.

Notice of Events

Stakeholders shared with the Ombudsman that it would be helpful if the CFPB provided more consistent and advanced lead time for public events to allow time to prepare and plan to attend.⁷

The CFPB provides Save the Date announcements on consumerfinance.gov for upcoming events. To add to this notification, the Ombudsman recommended that the CFPB announce information about events, even if only the city and state are known, with consistent minimal lead time. Additionally, the Ombudsman recommended that the CFPB provide an events calendar on consumerfinance.gov to centralize this information and add a “sign-up” to receive updates included on the calendar.

Speakers

Consumer groups, financial entities, and trade groups shared with the Ombudsman that they did not know how to request a CFPB speaker or did not know when they should expect to hear follow-up on a request resulting in challenges for conference planning.

⁷ These events do not refer to CFPB hiring efforts.

The CFPB's website does not provide information on how to make a speaker request, but the Ombudsman understands individuals can request CFPB speakers through the main CFPB phone number, (202) 435-7000, or via cfpb_info@cfpb.gov.

To provide process transparency, the Ombudsman recommended that the CFPB provide basic information about the speaker request process on consumerfinance.gov. The Ombudsman also recommended that the CFPB either provide a speaker request form on the website or give instructions for making a request through cfpb_info@cfpb.gov.

CFPB Contact Center: The Caller Experience

The CFPB's contact center provides the first personal interaction that many people have with the CFPB. The public uses the contact center, (855) 411-CFPB (2372), to submit a consumer complaint, ask questions, provide feedback, and learn more about the CFPB. Here, we highlight the issues the Ombudsman received about the contact center, some of our recommendations to the Office of Consumer Response (Consumer Response), and the changes Consumer Response instituted to address these issues.

Seven percent of the issues the Ombudsman received this year reflected complaints with the contact center to include issues such as: the consumer complaint information was not accurately captured; the contact center could not provide the requested information, which may include that they did not have the information to provide; and the consumer did not have a good interaction with the contact center.

To understand further about the individual inquiries received, we reviewed the contact center's recorded phone calls for consumers who contacted the Ombudsman. In addition, we listened to randomly selected consumer phone calls to the contact center for different times of the day and month during May, June, and July 2013, and met with a focus group from the contact center to hear their feedback and suggestions.

Based on our research, and to improve the interaction for the public and the team answering the phones, the Ombudsman highlighted the issues we heard from the public and shared recommendations with Consumer Response.

For example, some consumers shared that they missed Consumer Response correspondence because they did not know providing an email address would result in correspondence only via email. The Ombudsman recommended that the contact center share with consumers that providing an email address will result in consumer complaint notifications solely via email. The Ombudsman understands that Consumer Response changed the information shared with the public to reflect this process.

Some consumers also shared that they had difficulty reaching a supervisor with the contact center. The Ombudsman highlighted this concern and understands that the process to reach a supervisor now is changed.

As demonstrated in the randomly selected calls and reflected in nearly half of the issues received regarding the contact center, some callers had difficulty obtaining answers to certain information requested. The Ombudsman highlighted specific areas where more information would be helpful such as describing the Bureau's authority and the roles of Bureau divisions. Consumer Response shared that they are reviewing the information the contact center has available to ensure that team receives the necessary information to provide to callers.

Consumer Response was receptive to the Ombudsman's recommendations on the contact center and suggested meeting monthly to receive our feedback. Next year, the Ombudsman will continue to review feedback on the contact center and offer recommendations to Consumer Response, as appropriate.

Examination Process: Elevating Concerns and What to Expect During the Examination Lifecycle

This year, the Ombudsman heard concerns from financial entities and their trade groups regarding CFPB's supervisory examinations to include: how a financial entity may elevate concerns about the examination and what may be expected during the examination lifecycle, at the end of the onsite, and at the end of the entire examination. This section discusses the Ombudsman's review, recommendations to the CFPB, and next steps.

The Ombudsman reviewed the CFPB's examination processes to include the examination manual as well as templates used for correspondence with financial entities. The Ombudsman considered various perspectives by meeting with CFPB leaders, financial entities, outside attorneys, and trade groups, and shared possible recommendations to the CFPB to obtain feedback on them.

In December 2012, the CFPB Division of Supervision, Enforcement, Fair Lending and Equal Opportunity (SEFL) undertook a reorganization of Supervision to provide programmatic efficiencies in policy setting and examination processes.⁸ The Ombudsman understands that the SEFL reorganization will address some of the examination process issues highlighted to the Ombudsman. Further, the Ombudsman understands that SEFL continues to refine its processes and incorporate best practices for examinations.

To build on the process changes in connection with SEFL's reorganization, the Ombudsman provided recommendations to further standardize and clarify what a financial entity may expect in an examination. The Ombudsman recommended that the CFPB share how a financial entity may elevate concerns about the examination process by: providing specific information on who composes the examination team through the Regional Director; and, supplementing the Information Request template (which provides the Examiner-In-Charge (EIC) point of contact for the Information Request and shares about interagency coordination) to mention the EIC as the point-of-contact to address any concern during the examination lifecycle such as data format, data scope, and follow-up information requests.

In addition, the Ombudsman recommended that the CFPB clarify what may be expected during the examination lifecycle by: including citations to the examination manual in written communications to a financial entity, where relevant; describing in the opening letter the document an entity may expect at the end of the examination process; reaching back to inform the entity of the examination status at regular intervals after the conclusion of the onsite portion of the examination; and co-locating the appeals bulletin with the examination manual on consumerfinance.gov.

⁸ <http://www.consumerfinance.gov/blog/realigning-our-supervision-work/>

The Ombudsman understands that the CFPB is implementing all of these recent recommendations.

Going Forward

To further focus our efforts going forward, this year the Ombudsman developed an 18-24 month strategic plan, which included the following strategic goals: develop and implement an effective outreach strategy to engage internal and external stakeholders; provide deliverables to inform stakeholders of the work of the Ombudsman; develop Ombudsman resources to offer options to address common inquirer concerns; and streamline internal workflow processes to maximize Ombudsman efficiency and effectiveness. The Ombudsman also looks forward to additional opportunities, such as this year's visit to a financial entity's operations and shadowing a CFPB examination, to build on our ability to assist consumers and financial entities that contact the Ombudsman in the coming year.