JULY 1, 2012 – DECEMBER 31, 2012

Semi-Annual Report

of the Consumer Financial Protection Bureau

Consumer Financial Protection Bureau

Message from Richard Cordray

Director of the CFPB

At the Consumer Financial Protection Bureau, we are the nation's first federal agency whose sole focus is protecting consumers in the financial marketplace. We are dedicated to improving the lives of everyday Americans.

Two founding principles that lie at the heart of the American dream are equal opportunity and the opportunity for upward mobility. The consumer financial markets allow people to climb this economic ladder, and our job at the Bureau is to hold that ladder steady.

This Semi-Annual Report reflects the Bureau's efforts to do just that. Through even-handed and reasonable oversight of the market, the Bureau is working to make the market fair, transparent, and competitive, as the Dodd-Frank Act directs us to do. Through our enforcement actions, we have obtained about $425 million in refunds for consumers who were wronged by credit card companies.

We have established a number of tools to equip consumers with the information they need to make responsible financial decisions. We have answered nearly 1,000 of consumers' most frequently asked questions, and if you have more questions, you can ask us at consumerfinance.gov/AskCFPB. Our Financial Aid Shopping Sheet and Financial Aid Comparison Shopper have been helping students and their families better understand the student loan process.

Consumers deserve to be treated fairly and have someone on their side when they are not. To that end, the Bureau has strengthened our Office of Consumer Response and since our doors opened in July 2011, we have received over 100,000 consumer complaints from people seeking help on topics such as their mortgages, credit cards, bank products, student loans, and credit reporting.

Each day, we work to accomplish the goals of renewing consumers' trust in the marketplace and ensuring that financial products and services help consumers climb that economic ladder of opportunity. Any progress we are making is attributable to the hard work performed by our team - people of the highest caliber who are dedicated to public service and protecting American consumers.

We look forward to continuing to fulfill Congress's vision of an agency dedicated to cultivating a consumer financial marketplace based on responsible practices, sound innovation, and excellent customer service.

Sincerely,

Richard Cordray

Table of Contents

1. Executive Summary

The Consumer Financial Protection Bureau (CFPB or Bureau) is the nation's first federal agency focused solely on consumer financial protection.[1] The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) created the CFPB to protect consumers of financial products and services and to encourage the fair, transparent and competitive operation of consumer financial markets. The Bureau's mission is to make consumer financial markets work for American consumers, honest businesses, and the economy as a whole.

The CFPB proudly presents its third Semi-Annual Report to the President and to Congress, in fulfillment of its statutory responsibility and commitment to accountability and transparency. This report updates the Congress and the American people on the Bureau's mission, activities, accomplishments and publications since its last Semi-Annual Report[2], and additional information required by the Dodd-Frank Act.[3]

[1] Previously, seven different federal agencies were responsible for rulemaking, supervision, and enforcement relating to consumer financial protection. The agencies which previously administered statutes transferred to the Bureau are the Federal Reserve Board (and the Federal Reserve Banks), Department of Housing and Urban Development (HUD), Federal Deposit Insurance Corporation (FDIC), Federal Trade Commission (FTC), National Credit Union Administration (NCUA), Office of the Comptroller of the Currency (OCC), and Office of Thrift Supervision (OTS).

[2] The last Semi-Annual Report was published in July 2012 and may be viewed at http://files.consumerfinance.gov/f/201207_cfpb_Semi-Annual_Report.pdf.

[3] The Semi-Annual Report *primarily* covers six-month increments beginning January 1st and July 1st. Certain sections of this report cover the time period between January 1, 2012 and December 31, 2012. Appendix B provides a guide to the Bureau's response to the reporting requirements of Section 1016(c) of the Dodd-Frank Act.

The Dodd-Frank Act requires the CFPB to:

- Ensure that consumers have timely and understandable information to make responsible decisions about financial transactions;
- Protect consumers from unfair, deceptive, or abusive acts and practices, and from discrimination;
- Identify and address outdated, unnecessary, or unduly burdensome regulations;
- Promote fair competition by consistent enforcement of the consumer protection laws in the Bureau's jurisdiction; and
- Ensure that markets for consumer financial products and services operate transparently and efficiently to facilitate access and innovation.[4]

The Bureau has continued its efforts to listen and respond to consumers and industry, to develop into a great institution worthy of the responsibility statutorily given to it by Congress, and to be a resource for the American consumer.

1.1 Consumer Challenges in Obtaining Financial Products and Services

In 2012, the Bureau sought input from consumers nationwide through different listening events, roundtables and town halls, and from our website, consumerfinance.gov. We seek to learn about their experiences with financial products and services, and collecting consumer input is an important step toward understanding consumer challenges in obtaining financial products and services in our troubling economic times. Consumer input is important for numerous reasons, including development of a research and data-driven agenda and various tools designed to help consumers of the financial services market obtain the products and services they need. We also desire to help the providers of those products and services comply with applicable regulations and keep the playing field fair for all participants.

The Bureau has also continued to improve and expand the capabilities of its Office of Consumer Response to receive, process, and facilitate responses to consumer complaints, as well as

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

establish a Consumer Complaint Database. The CFPB continually gathers data and information about consumers' behaviors, choices and experiences when they shop for financial products and how the market, market participants, and sales practices may influence the decisions that consumers make.

1.2 Delivering for American Consumers and Leveling the Playing Field

The CFPB continued to both develop and expand as a resource for consumers in 2012. For example, the CFPB's Consumer Education and Engagement Division developed and implemented initiatives to educate and empower consumers to make informed financial decisions. Its information-gathering efforts, educational tools, and reports include programs directed toward particular populations, such as service members, older Americans, and students. The Division of Supervision, Enforcement, and Fair Lending focused its efforts in 2012 on ensuring compliance with federal consumer financial laws and holding financial institutions accountable for their violations of those laws. The Research, Markets and Regulations Division focused its efforts on promoting markets in which consumers can shop effectively for financial products and services and finalizing a number of regulations implementing changes made by the Dodd-Frank Act to the laws governing various aspects of the mortgage market, including the origination and servicing of mortgages. While the various divisions of the Bureau play different roles in carrying out the Bureau's mission, they all work together to protect and educate consumers, keep the playing field fair for participants, and fulfill our statutory obligations under the Dodd-Frank Act.

In 2012, the Bureau also:

- Engaged in extensive outreach to consumers and industry throughout the country;
- Established advisory bodies, and initiated and developed partnerships with federal agencies, state financial regulatory entities, and state attorneys general;
- Implemented statutory protections for consumers who use consumer financial products and services, and continued the process of streamlining regulations that the CFPB inherited from other federal regulatory agencies; and
- Launched programs for supervising large banks, non-banks, and companies that provide consumer financial products and services, and investigated potential violations of consumer financial laws under the Bureau's jurisdiction.

1.3 Building a Great Institution

Many of these efforts have taken place during the Bureau's first full year as an independent regulatory agency. As of December 15, 2012, the CFPB team consisted of 1,073 employees working to carry out the Bureau's mission. It has worked to build a human and physical infrastructure that promotes – and will continue to promote – transparency, accountability, fairness, and service to the public. That includes:

- Demonstrating a strong commitment to openness and utilizing the Bureau's website to share information on its operations;
- Recruiting highly qualified personnel;
- Providing training and engagement opportunities for CFPB staff to improve skills, increase knowledge, and maintain excellence; and
- Promoting diversity in the CFPB's workforce and among its contractors, including through the Bureau's Office of Minority and Women Inclusion.

CFPB employees at an All Hands Meeting in August 2012

The CFPB is proud of the accomplishments it achieved in 2012, but this marks only the beginning of the Bureau's work on behalf of consumers and providers of financial products and services. In 2013, the CFPB's efforts to make consumer financial markets work better will continue to expand. We invite you to visit the CFPB's website at consumerfinance.gov for updates on our work over the coming months.

2. Consumer Challenges in Obtaining Financial Products and Services

The challenges consumers face in obtaining financial products and services are a driving force behind the CFPB's efforts to make consumer financial markets work better. Listening and responding to consumers are integral components of our mission, and the Bureau provides numerous ways for consumers to make their voices heard.

2.1 Consumer Concerns

Financial markets are rooted in the daily lives and the financial and credit needs of individual Americans. Consumer financial products and services, when understood and appropriately used, can bring broad benefits to consumers. Savings accounts are a first step to help people pursue their dreams, and checking accounts facilitate everyday transactions. Mortgages help people buy homes and pay for them over time. Credit cards give people convenient access to money when needed. Student loans allow people who lack means but have talent and ambition to pursue their deepest aspirations.

Over the past year, consumers have shared with the CFPB their experiences – positive and negative – with financial products and services. Consumers have the opportunity to provide the CFPB with such feedback through a variety of forums, including, among others, the "Tell Your Story" feature on the CFPB's website, roundtables, town halls, and field hearings. This feedback is critical to our efforts to understand the challenges consumers face in obtaining the financial products and services they need.

The stories consumers have shared with the Bureau through “Tell Your Story” cover a wide range of financial products and services, and provide snapshots of consumers' day-to-day experiences in the financial marketplace. Consumers’ stories are reviewed by CFPB staff and further the Bureau’s understanding of current issues in the financial marketplace. They also supplement what we learn from listening to consumer complaints.[5] For example, consumers’ stories about student loans echo the issues raised in the CFPB Student Loan Ombudsman’s Annual Report about student loan complaints. The stories reflect consumers’ frustrations with loan origination and repayment, and often describe how these challenges have affected their day-to-day lives, as well as their long-term plans.

Consumers have expressed how their lives have been negatively impacted by their student loan obligations. For example, some consumers have reported:

- Experiencing difficulty balancing paying for basic necessities (housing, food, transportation, healthcare) while having to repay student loan debt;
- Amassing credit card debt to cover shortfalls due to having to repay student loan debt;
- Delaying family planning (marriage, children) because of their debt burden; and
- Being fearful that their debt burden will prevent them from owning a home, saving for their children’s education, and/or saving for retirement.

Stories illustrate that the lives of borrowers’ family members have been adversely affected as well:

- Parents and/or grandparents who cosigned for borrowers unable to repay their loans are now faced with having to repay these loans;
- Parents and/or grandparents who borrowed money to help their children and/or grandchildren pay for school are unable to repay the loans due to lost income; and
- Family members are harassed by debt collectors collecting on student loans, even if they did not cosign.

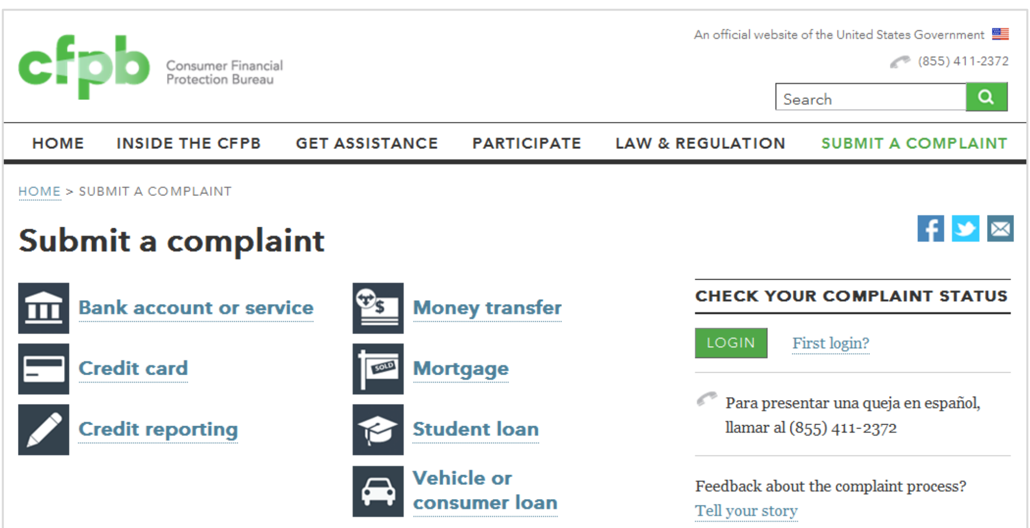
In addition to “Tell Your Story,” consumers have opportunities to voice concerns and share their experiences in person. Consumers and advocates have participated in large Bureau-sponsored

[5] 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.

public events in Detroit, MI, St. Louis, MO, Seattle, WA, and Mountain View, CA[6], including town halls, field hearings and public meetings, focused on particular consumer finance issues. These events have drawn hundreds of participants, many of whom have shared their personal experiences with credit reporting, debt collection, and other consumer financial issues.

The CFPB's Office of Community Affairs (OCA) has also hosted roundtable conversations with leaders of consumer, civil rights, community, housing, faith, student, women, and other organizations. The roundtables have provided opportunities for stakeholders to meet with Director Cordray and other key Bureau staff to share their ground-level perspectives on key consumer finance issues that affect their communities.

Collecting, investigating, and responding to consumer complaints are integral parts of the CFPB's work, as Congress set forth in the Dodd-Frank Act.[7] The 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.

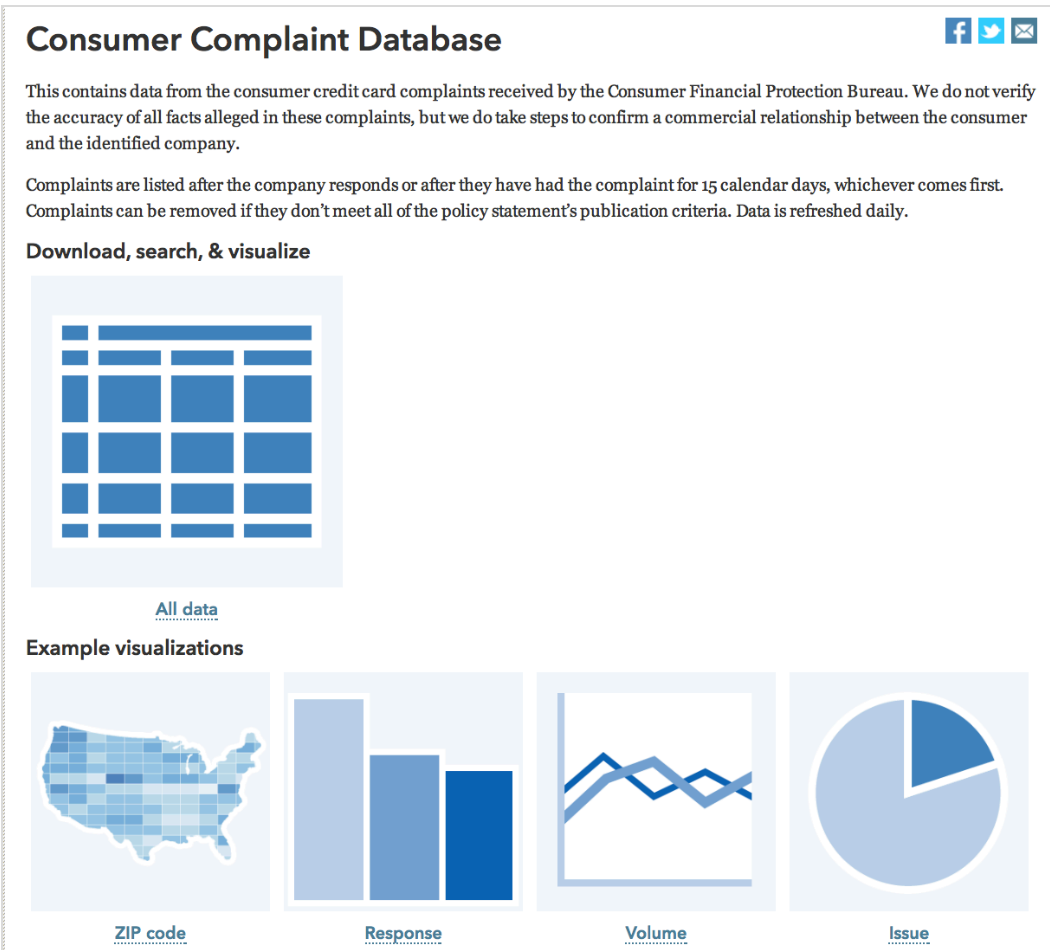


consumerfinance.gov/complaint

[6] Between July 1, 2012 and December 31, 2012.

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

The CFPB began Consumer Response operations on July 21, 2011, by accepting consumer complaints about credit cards. Consumer Response now accepts complaints related to bank accounts and services, private student loans, mortgages, other consumer loans, and most recently, on October 22, 2012, it began handling credit reporting complaints. The CFPB continues to work toward expanding its complaint handling capacity to include other products and services, such as money transfers, payday loans, and debt collection. Consumers may also contact the CFPB with questions about other products and services. The Bureau answers these questions and refers consumers to other regulators or additional resources as appropriate.



consumerfinance.gov/complaintdatabase

Information about consumer credit card complaints is available to the public, through the CFPB's public Consumer Complaint Database, launched on June 19, 2012.[8] Initially populated with credit card complaints received by the CFPB, the database was expanded in October 2012 to include consumer credit card complaints dating back to December 1, 2011. A complaint is listed in the database when the company responds to the complaint confirming a commercial relationship with the consumer, or after the company has had the complaint for 15 days, whichever comes first. Complaints can be removed if they do not meet all of the publication criteria.

The database is live, updates daily, and contains certain individual complaint-level data collected by the CFPB, including the type of complaint, the date of submission, the consumer's zip code, and the company that the complaint concerns. The database also includes information about the actions taken by a company in response to a complaint – whether the company's response was timely, how the company responded, and whether the consumer disputed the company's response. The database does not include confidential information about consumers' identities. Web-based and user-friendly features of the database include the ability to filter data based on specific search criteria, aggregate data in various ways, such as by complaint type, company, zip code, date, or any combination of available variables, and download data. Information from the database has been shared and evaluated on social media and using other new applications.

In the summer of 2012, the CFPB asked for public comment on adding complaints about other consumer financial products and services under its authority to the Consumer Complaint Database and received a wide range of comments from interested stakeholders.[9] The CFPB continues to evaluate, among other things, the release of consumer narratives, the potential for normalization of data to make comparisons easier, and the expansion of functionality to improve user experience.

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[8] 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).

[9] In June 2012, the CFPB asked the public to comment on a proposed policy of duplicating the data disclosure practices described in the Policy Statement for consumer complaints about other consumer financial products and services within the Bureau's jurisdiction. 77 FR 37616 (June 22, 2012).

2.1.1 How the CFPB Handles Complaints

In keeping with the CFPB's statutory responsibility and its commitment to accountability, the following pages provide an overview of the handling and analysis of complaints received by Consumer Response from January 1, 2012 through December 31, 2012.

Consumer Response screens all complaints submitted by consumers based on several criteria, including whether the complaint falls within the CFPB's primary enforcement authority, whether the complaint is complete, and whether the complaint is duplicative of a prior submission by the same consumer. Screened complaints are forwarded via a secure web portal to the appropriate company.[10] The company reviews the information, communicates with the consumer as needed, and determines what action to take in response. Then, the company 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. Consumer Response reviews the feedback consumers provide about company responses, using this information along with other information such as the timeliness of the company's response,[11] for example, to help prioritize complaints for investigation. Consumers who have submitted complaints to the Bureau through Consumer Response can log onto the secure "consumer portal" available on the CFPB's website, or call a toll-free number, to receive status updates, provide additional information, and review responses provided to the consumer by the company.

Throughout this process, subject-matter experts help monitor certain complaints. For example, the Office of Servicemember Affairs coordinates on complaints filed by servicemembers or their spouses and dependents.

[10] If a particular complaint does not involve a product or market that is within the Bureau's jurisdiction, or that is currently being handled by the Bureau, Consumer Response refers it to the appropriate regulator.

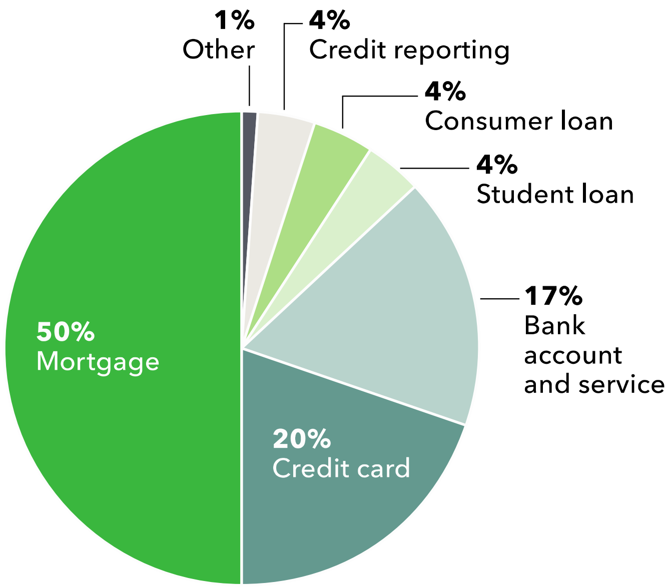
[11] The CFPB requests that companies respond to complaints within 15 calendar days. If a complaint cannot be closed within 15 calendar days, a company may indicate that its work on the complaint is "In progress" and provide a final response within 60 calendar days.

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

2.1.2 Complaints Received by the CFPB

Between January 1, 2012 and December 31, 2012, the CFPB received approximately 91,000 consumer complaints.[12]

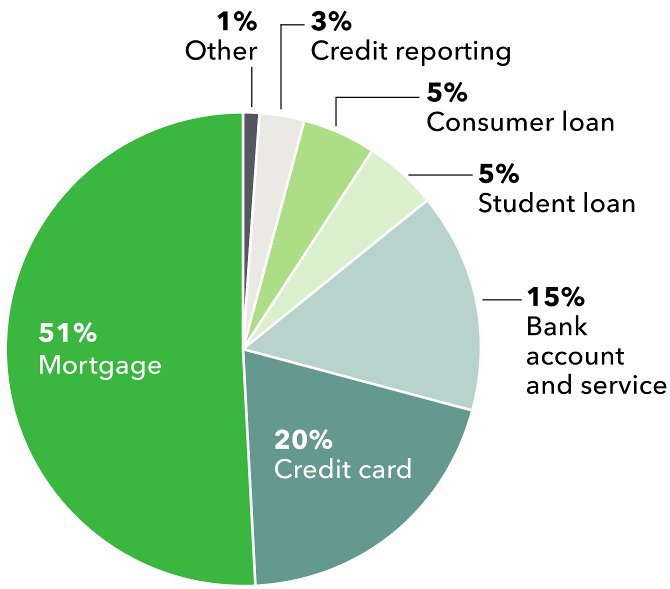
FIGURE 1: CONSUMER COMPLAINTS BY PRODUCT



The Dodd-Frank Act created the Office of Servicemember Affairs at CFPB to address the specific challenges faced by servicemembers, veterans, and their families (collectively "servicemembers"). It monitors complaints from servicemembers in conjunction with Consumer Response. Between January 1, 2012 and December 31, 2012, approximately 3,500 complaints were submitted by servicemembers.

[12] This analysis excludes multiple complaints submitted by a given consumer on the same issue and whistleblower tips. All data are current as of January 1, 2013. Since launching Consumer Response operations on July 21, 2011, the CFPB has received approximately 104,000 consumer complaints.

FIGURE 2: SERVICEMEMBER COMPLAINTS BY PRODUCT



Approximately 46% of all consumer complaints were submitted through the CFPB's website and 9% via telephone calls. Referrals accounted for 34% of all complaints received, with the remainder 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.[13]

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

CONSUMERS' CREDIT CARD COMPLAINTS

Table 1 shows the most common types of credit card complaints that the CFPB has received as reported by consumers. 67% of the approximately 18,600 credit card complaints fell into these 10 categories.

TABLE 1: MOST COMMON CREDIT CARD COMPLAINTS REPORTED BY CONSUMERS

Complaint	%
Billing disputes	14%
Annual Percentage Rate (APR) or interest rate	10%
Credit reporting	8%
Identity theft/Fraud/Embezzlement	7%
Closing/Cancelling account	6%
Collection practices	5%
Other	5%
Late fee	4%
Credit card protection/Debt protection	4%
Collection debt dispute	4%
Credit Card Complaints in Top 10 Types	**67%**

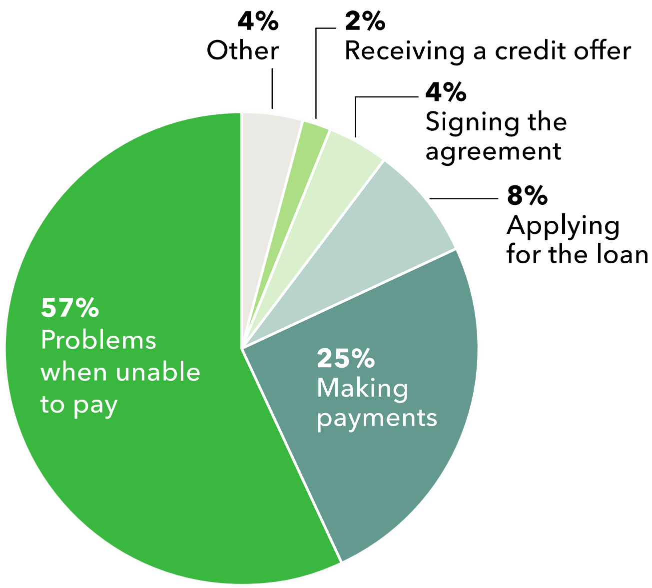
As the table illustrates, billing disputes are the most common type of credit card complaint. Some consumers are confused and frustrated by the process and by their limited ability to challenge inaccuracies on their monthly credit card billing statements. For example, some consumers realize only after their claim has been denied that they needed to notify their credit card companies within 60 days of any billing errors. In other cases, consumers are not aware that companies typically do not stop a merchant charge once the cardholder has authorized it, or do not override a merchant's "no-return policy." Other common types of credit card complaints relate to annual percentage rates (APRs) or interest rates, credit reporting, and identity theft, fraud, or embezzlement.

The CFPB generally has relied on the consumer's characterization of his or her complaint to identify its nature for analytical purposes. However, the CFPB's experience to date suggests that consumers may have differing interpretations of what these categories mean. For example, one consumer might choose to categorize a problem as a billing dispute, while another might identify the same issue as a concern with a provider's setting or changing of an interest rate. To improve our reporting on the data we receive, the Bureau is evaluating the use of these categories by consumers to date and developing a simplified identification scheme to promote more consistent categorization of complaints.

CONSUMERS' MORTGAGE COMPLAINTS

Figure 3 shows the types of mortgage complaints reported by consumers for the approximately 45,200 mortgage complaints the CFPB has received.

FIGURE 3: TYPES OF MORTGAGE COMPLAINTS REPORTED BY CONSUMERS



Complaint	%
Problems when you are unable to pay *(Loan modification, collection, foreclosure)*	57%
Making payments *(Loan servicing, payments, escrow accounts)*	25%
Applying for the loan *(Application, originator, mortgage broker)*	8%
Signing the agreement *(Settlement process and costs)*	4%
Other	4%
Receiving a credit offer *(Credit decision/Underwriting)*	2%
Total Mortgage Complaints	**100%**

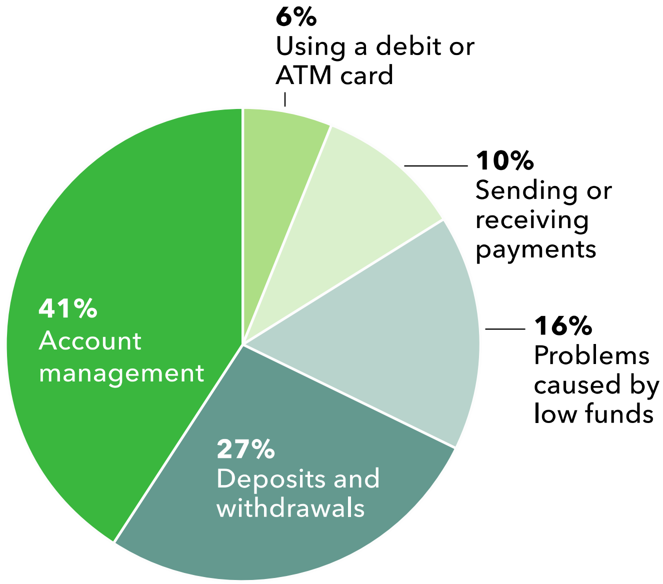
The most common type of mortgage complaint concerns problems consumers face when they are unable to make payments, such as loan modifications, collections, or foreclosures. Consumers who have submitted these complaints generally appear to be driven by a desire to seek agreement with their companies on foreclosure alternatives. These complaints indicate that consumer confusion persists around the process and requirements for obtaining loan modifications and refinancing, especially regarding document submission timeframes, payment trial periods, allocation of payments, treatment of income in eligibility calculations, and credit bureau reporting during the evaluation period. The shelf life of documents provided as part of the loan modification process is of particular concern to consumers. Although consumers must provide documents within short time periods and income documentation generally remains valid for up to 60 days, lengthy evaluation periods can result in consumers having to resubmit documentation – sometimes more than once, contributing to consumer fatigue and frustration with these processes.

Other common types of mortgage complaints address issues related to making payments, such as loan servicing, payments, or escrow accounts. For example, consumers express confusion as to whether making timely trial period payments will guarantee placement into a permanent modification. Issues related to applying for the loan, such as the application, the originator, or the mortgage broker, are also among the most common types of mortgage complaints.

CONSUMERS' BANK ACCOUNT AND SERVICE COMPLAINTS

Figure 4 shows the types of bank account and service complaints, such as complaints about checking and savings accounts, reported by consumers for the approximately 15,700 complaints received by the CFPB.

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



Complaint	%
Account opening, closing, or management *(Confusing marketing, denial, disclosure, fees, closure, interest, statements, joint accounts)*	41%
Deposits and withdrawals *(Availability of deposits, withdrawal problems and penalties, unauthorized transactions, check cashing, payroll deposit problems, lost or missing funds, transaction holds)*	27%
Problems caused by my funds being low *(Overdraft fees, late fees, bounced checks, credit reporting)*	16%
Making or receiving payments, sending money to others *(Problems with payments by check, card, phone or online, unauthorized or fraudulent transactions, money/wire transfers)*	10%
Using a debit or ATM card *(Disputed transaction, unauthorized card use, ATM or debit card fees, ATM problems)*	6%

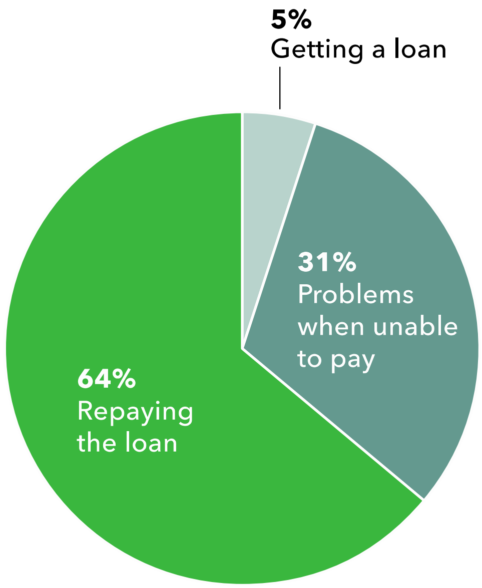
Total Bank Account and Service Complaints	**100%**

As the table illustrates, the most common type of bank account and service complaint relates to opening, closing, or managing the account. These complaints address issues such as confusing marketing, denial, fees, statements, and joint accounts. Other common complaints relate to deposit and withdrawal issues, such as transaction holds and unauthorized transactions, and problems caused by the consumer's funds being low, including bounced checks, overdraft and late fees, and credit reporting. Many consumers remain frustrated with overdraft fees and the wide discretion companies have to assess these and other fees, so long as the fees are outlined in account agreements. Similarly, some consumers express frustration when some companies process larger withdrawal transactions before smaller ones, which can generate more overdraft fees.

CONSUMERS' STUDENT LOAN COMPLAINTS

Figure 5 shows the types of student loan complaints reported by consumers for the approximately 3,900 student loan complaints received by the CFPB.

FIGURE 5: TYPES OF STUDENT LOAN COMPLAINTS REPORTED BY CONSUMERS



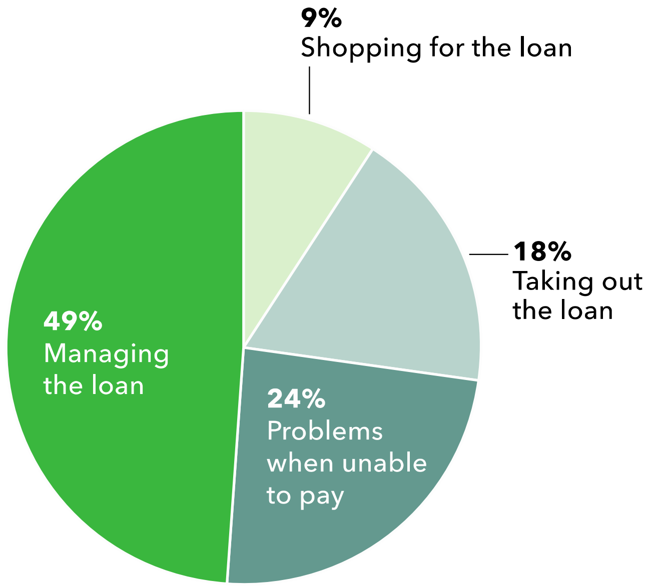
Complaint	%
Repaying your loan *(Fees, billing, deferment, forbearance, fraud, credit reporting)*	64%
Problems when you are unable to pay *(Default, debt collection, bankruptcy)*	31%
Getting a loan *(Confusing terms, rates, denial, confusing advertising or marketing, sales tactics or pressure, financial aid services, recruiting)*	5%
Total Student Loan Complaints	**100%**

The most common type of student loan complaint relates to repaying the loan, such as fees, billing, deferment, forbearance, fraud, and credit reporting. Consumers struggle with the limited payment deferment options permitted in their loan agreements, especially when they have not found employment by the time they must begin repaying their loans, and because deferments often are limited to six months. Another common type of complaint addresses problems consumers confront when they are unable to pay, such as issues related to default, debt collection, and bankruptcy.

CONSUMERS' CONSUMER LOAN COMPLAINTS

Figure 6 shows the types of consumer loan complaints, such as complaints about installment loans, vehicle loans and leases, and personal lines of credit, reported by consumers for the approximately 3,200 consumer loan complaints received by the CFPB.

FIGURE 6: TYPES OF CONSUMER LOAN COMPLAINTS REPORTED BY CONSUMERS



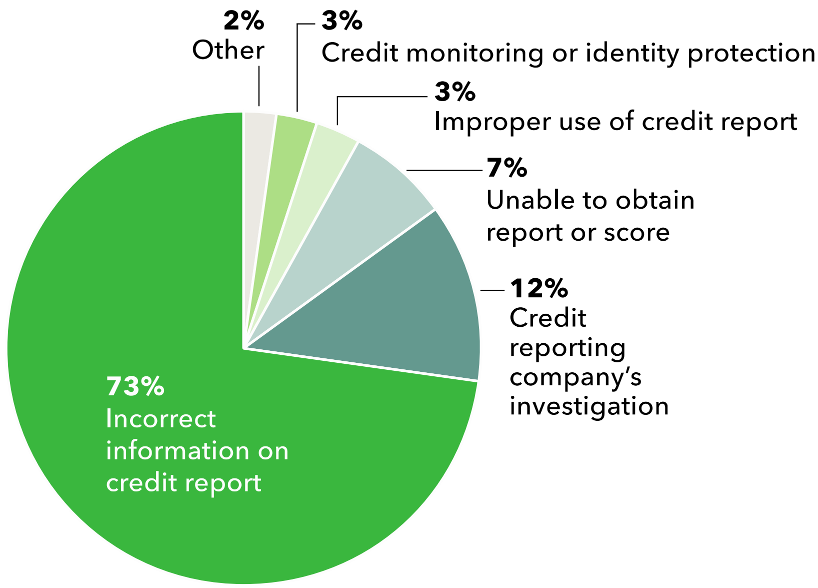
Complaint	%
Managing the loan, lease, or line of credit *(Billing, late fees, damage or loss, insurance (GAP, credit, etc.), credit reporting, privacy)*	49%
Problems when you are unable to pay *(Debt collection, repossession, set-off from bank account, deficiency, bankruptcy, default)*	24%
Taking out the loan or lease / Account terms and changes *(Term changes (mid-deal changes, changes after closing, rates, fees, etc.), required add-on products, trade-in payoff, fraud)*	18%
Shopping for a loan, lease, or line of credit *(Sales tactics or pressure, credit denial, confusing advertising or marketing)*	9%
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. Another common type of complaint addresses problems consumers have when they are unable to pay, including issues related to debt collection, bankruptcy, and default.

CONSUMERS' CREDIT REPORTING COMPLAINTS

Figure 7 shows the types of credit reporting complaints reported by consumers for the approximately 3,300 credit reporting complaints the CFPB has received.[14]

FIGURE 7: TYPES OF CREDIT REPORTING COMPLAINTS REPORTED BY CONSUMERS



Complaint	%
Incorrect information on credit report *(Information is not mine, Account terms, Account status, Personal information, Public record, Reinserted previously deleted information)*	73%
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)*	12%
Unable to get my credit report or credit score *(Problem getting free annual report, Problem getting report or credit score)*	7%

[14] Consumer Response began handling credit reporting complaints on October 22, 2012.

Improper use of my credit reporting *(Report improperly shared by credit reporting company, Received marketing offers after opting out, Report provided to employer without written authorization)*	3%
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%
Other	2%
Total Credit Reporting Complaints	**100%**

This table illustrates that the most common type of credit reporting complaint is about incorrect information appearing on the consumer's credit report, such as information that is not the consumer's, incorrect account status, and incorrect personal information. Another common type of complaint is about issues with credit reporting companies' investigations of information disputed by consumers.

HOW COMPANIES RESPOND TO CONSUMER COMPLAINTS

Approximately 75,400 (or 83%) of all complaints received between January 1, 2012 and December 31, 2012 were sent by Consumer Response to companies for review and response.[15] Table 2 shows how companies responded to these complaints during this time period.

Company responses include descriptions of steps taken or that will be taken, communications received from the consumer, any follow-up actions or planned follow-up actions, and categorization of the response. Based on industry comments received about disclosure of credit card complaint data, beginning June 1, 2012, response category options included "closed with monetary relief," "closed with non-monetary relief," "closed with explanation," "closed," "in progress," and other administrative options. Monetary relief is defined as objective, measurable, and verifiable monetary relief to the consumer as a direct result of the steps taken or that will be taken in response to the complaint. "Closed with non-monetary relief" indicates that the steps taken by the company in response to the complaint did not result in monetary relief to the

[15] 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 (1% and 3%, respectively).

consumer that is objective, measurable, and verifiable, but may have addressed some or all of the consumer's complaint involving non-monetary requests. Non-monetary relief is defined as other objective and verifiable relief to the consumer as a direct result of the steps taken or that will be taken in response to the complaint. "Closed with explanation" indicates that the steps taken by the company in response to the complaint included an explanation that was tailored to the individual consumer's complaint. For example, this category would be used if the explanation substantively meets the consumer's desired resolution or explains why no further action will be taken. "Closed" indicates that the company closed the complaint without relief – monetary or non-monetary – or explanation. Consumers are given the option to review and dispute all company closure responses.

TABLE 2: HOW COMPANIES HAVE RESPONDED TO CONSUMER COMPLAINTS[16]

	All	Credit card	Mortgage	Bank account and service	Student loan	Consumer loan	Credit reporting
N ≈	75,400	15,700	39,500	13,000	2,900	2,100	2,000
Company reported closed with explanation	65%	56%	72%	57%	71%	66%	59%
Company reported closed with monetary relief	15%	29%	5%	28%	7%	12%	1%
Company reported closed with non-monetary relief	9%	8%	10%	5%	11%	9%	16%
Company reviewing	7%	4%	8%	5%	8%	8%	23%

16 While companies' responses under previous categorizations were maintained, for operational and reporting purposes, responses categorized as "full resolution provided," "partial resolution provided," and "closed with relief" are considered a subset of "closed with monetary relief," and responses categorized as "no resolution provided" and "closed without relief" are categorized as "closed with explanation." "Closed with non-monetary relief" and "closed" reflect only those responses provided by companies after June 1, 2012.

Company provided administrative response	3%	2%	3%	3%	2%	2%	1%
Company reported closed (without relief or explanation)	2%	1%	2%	3%	1%	4%	0%
Total Complaints	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Companies have responded to approximately 95% of complaints[17] sent to them and report having closed 90% of the complaints sent to them. Table 2 shows how companies have responded.

Beginning December 1, 2011, companies had the option to report an amount of monetary relief, where applicable. In 2012, companies have provided relief amounts in response to more than 9,300 complaints. The median amount of relief reported by companies was $145; however, company reports of relief amounts and medians vary by product. For the approximately 4,100 credit card complaints where companies provided a relief amount, the median amount of relief reported was approximately $123. For the approximately 1,400 mortgage complaints where companies provided a relief amount, the median amount of relief reported was approximately $413. For the more than 3,300 bank account and service complaints where companies provided a relief amount, the median amount of relief reported was approximately $105. For the approximately 200 student loan complaints where companies provided a relief amount, the median amount of relief reported was approximately $1,307. And for the approximately 200 consumer loan complaints where companies provided a relief amount, the median amount of relief reported was approximately $174.

CONSUMERS' REVIEWS OF 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

[17] Approximately 71,300 of 75,400.

relief," "closed with explanation," or "closed," consumers are given the option to provide feedback on the company's response. Table 3 shows how consumers responded to the approximately 68,000 complaints where they were given the option to provide feedback.

Consumers are asked to notify the CFPB within 30 days if they want to provide feedback by disputing a company's response. Approximately 61% of such consumers did not dispute the responses provided, while approximately 22% of consumers did dispute the response provided. The rest were pending with consumers at the end of this period.

TABLE 3: CONSUMER FEEDBACK ABOUT COMPANY RESPONSES

	All	Credit card	Mortgage	Bank account and service	Student loan	Consumer loan	Credit reporting
Consumer did not dispute company's response	61%	67%	59%	64%	67%	57%	21%
Consumer disputed company's response	22%	20%	24%	21%	19%	24%	20%
Pending consumer review of company's response	17%	14%	17%	16%	14%	19%	59%
Total Complaints	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

CONSUMER RESPONSE INVESTIGATION AND ANALYSIS

After requesting that companies respond to complaints sent to them for response and giving consumers the opportunity to review and provide feedback on company responses, Consumer Response prioritizes complaints for investigation based on a review of the complaint, the company's response, and the consumer's feedback. Consumer Response seeks to determine why a company failed to provide a timely response (if applicable) and whether the consumer's feedback of the company's response (if applicable) justifies additional review of the company's minimum required actions under the consumer financial protection laws within the CFPB's authority. In the course of an investigation, Consumer Response may ask companies and consumers for additional information, and once an investigation is completed, Consumer Response sends the consumer a summary. In some cases, Consumer Response has referred complaints to colleagues in the CFPB's Division of Supervision, Enforcement, and Fair Lending and Equal Opportunity for further action.

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 in helping the market work better for consumers. The information shared by consumers and companies throughout the complaint process informs the Bureau about business practices that may pose risks to consumers and helps the Bureau in its work to supervise companies, enforce federal consumer financial laws, and write better rules and regulations.

2.2 Shopping Challenges

The challenges that consumers face in the marketplace highlight the importance of a tenet which is central to the CFPB's mission – promoting markets in which consumers can shop effectively for financial products and services. When the costs, risks, and other key features of financial products are transparent and understandable, consumers are better able to compare products and choose the best one for them. This discussion presents preliminary observations about opportunities and challenges that consumers face when shopping for short term credit needs.

2.2.1 Small Dollar Lending

Many American households face an unexpected expense or simply find that their expenses regularly outstrip their income. Low-to moderate-income households may use credit options such as payday loans, pawn loans, or consumer finance installment loans to deal with a financial shortfall. Other strategies may include cutting back on expenses, delaying a bill payment, tapping savings, or getting help from friends, family, or an employer. Individual consumers may consider a range of products and strategies for this type of need. For example, several surveys of payday loan borrowers found that a significant share of respondents considered other options, either as an alternative to obtaining a payday loan or after some length of payday loan use, including borrowing from their bank or credit union, taking a loan from a consumer finance company, using a credit card, or getting assistance from a friend or relative.[18]

While credit cards are perhaps the most common way to address a short-term credit need, this section focuses on other options such as payday loans, overdraft signature loans from a bank or credit union, installment loans from a consumer finance company, or a pawn shop. Because surveys suggest that some consumers shopping for small loans may choose among these options, we consider the trade-offs and challenges inherent in making this decision.

2.3 Shopping Channels

Consumers shopping among small dollar loan options may find that various products are offered with different prices, terms, and conditions. The cost of a payday loan is typically communicated as a fee calculated as a percentage of the loan amount, with the entire amount due on the borrower's next payday. In addition, the lender must disclose an APR. Somewhat similarly, an overdraft also has an upfront fee and usually is repaid when a consumer next deposits funds into their bank account, although an overdraft fee is usually fixed regardless of the amount by which a transaction overdraws an account. Other options, such as installment and signature loans, carry varying interest rates and are typically repaid over longer periods of time. Finally, a pawn loan is usually repaid within a month, or the borrower may choose to simply forfeit the item being held as collateral at the end of the loan term.

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[18] Surveys showing households' consideration of these various strategies when faced with a financial short-fall include *Payday Advance Customer Research Cumulative State Research Report*, IO Data Corporation (September 2002), *North Carolina Consumers After Payday Lending: Attitudes and Experiences with Credit Options*, University of North Carolina Center for Community Capital (November 2007), Gregory Elliehausen, *An Analysis of Consumers' Use of Payday Loans* (January 2009), *Payday Lending in America: Who Borrows, Where They Borrow, and Why*, Pew Charitable Trusts (July 2012), and *A Complex Portrait: An Examination of Small-Dollar Credit Consumers*, Center for Financial Services Innovation (August 2012).

While the cost of obtaining a loan may be a major consideration when deciding to take on debt and selecting which credit product to use, it is not the only factor in a consumer's decision-making process. For example, in some surveys, borrowers of small dollar amounts have overwhelmingly cited the speed, convenience and near-certainty that they will be approved for a loan as the primary considerations for using these products.[19] Likewise, while friends and family may charge little or nothing to a consumer needing some assistance, there may be concerns about mixing financial needs with these important relationships that outweigh cost considerations.[20]

Many of those decisions are dependent on the loan products for which the consumer can qualify, with consumers on the subprime end of the credit scale potentially having fewer credit options. In the case of payday loans, availability is generally dependent on the state in which the borrower resides, since a significant number of states do not permit loans at the interest rates these products typically carry.[21] However, in these (and other) states, residents may be obtaining internet payday loans.

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[19] Speed, convenience, and likelihood of approval were top reasons borrowers decided to use small dollar credit products in four national surveys. *See Payday Advance Customer Research Cumulative State Research Report*, IO Data Corporation (September 2002), *Payday Advance Customer Satisfaction Survey*, Cypress Research Group (May 2004), Gregory Elliehausen, *An Analysis of Consumers' Use of Payday Loans* (January 2009), and *A Complex Portrait: An Examination of Small-Dollar Credit Consumers*, Center for Financial Services Innovation (August 2012).

[20] In a survey of how low and moderate-income North Carolina families managed financial shortfalls, 42% noted that they obtained money from friends and family. *See North Carolina Consumers After Payday Lending: Attitudes and Experiences with Credit Options*, University of North Carolina Center for Community Capital (November 2007). Similarly, over a quarter of payday borrowers consider taking a loan from a friend or family member, according to two national surveys. *See* survey results in *Payday Advance Customer Research Cumulative State Research Report*, IO Data Corporation (September 2002) and Gregory Elliehausen, *An Analysis of Consumers' Use of Payday Loans* (January 2009).

[21] Stephens Inc. reports that 13 states and the District of Columbia have no payday lending storefronts and an additional state would no longer authorize the product by mid-2010. *See Payday Loan Industry Update*, Stephens Inc. (June 6, 2011). There are, however, a small number of consumers in these states that do report using payday loans in a recent Pew survey. *See Payday Lending in America: Who Borrows, Where They Borrow, and Why,* The Pew Charitable Trusts (July 2012).

2.4 Product Complexity

Given the diversity of small dollar loans that exists in the marketplace, consumers may have difficulty comparing these products on an "apples-to-apples" basis. It may be challenging to determine whether taking out a two-week payday loan, pawning a household good for a month, or gradually paying down a six-month installment loan makes better financial sense. One standard approach to comparing loan costs is the APR; however, APRs may not be provided in every case, or include all fees. For example, APRs are not disclosed when a consumer incurs an overdraft fee, and other products might have application or other fees that are not included in this calculation.[22] At least one survey suggests that many consumers may not understand how to use APR to measure the relative costs of different small dollar credit options.[23]

Importantly, especially for payday loans, some consumers may overestimate (or fail to give consideration to) their ability to fully repay a loan, resulting in the need to refinance or otherwise extend their loan, which can result in considerable additional cost. If consumers do not understand all their options and potential obligations, they may not fully anticipate their repayment costs, and may lose the opportunity to choose a different product that might be more appropriate to meet their needs.

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[22] For example, "deposit advance" products offered by banks to checking account customers with direct deposit are structured as "open end" lines and the cash advance fee on such a line may not trigger an APR disclosure.

[23] A national survey of 1,173 payday borrowers found that only 34% were able to cite an APR for a payday loan. Of those who reported an APR, about half reported a rate that was unrealistically low. *See* Gregory Elliehausen, *An Analysis of Consumers' Use of Payday Loans* (January 2009).

3. Delivering for American Consumers and Leveling the Playing Field

The CFPB is authorized to exercise its authorities under federal consumer financial protection laws to administer, implement, and promote compliance with those laws. To this end, the Bureau has worked to expand the resources it makes available to consumers and build the infrastructure necessary for making consumer financial markets work better.

3.1 Resources for Consumers

The CFPB has launched a variety of offices to provide assistance and information to consumers. The Bureau strives to provide individualized help to consumers based on their specific issues with financial products and services, and it works to improve financial literacy and capability – amongst the public as a whole and consumers who have experienced particular challenges in the financial markets.

3.1.1 Consumer Response

Consumer Response receives complaints and inquiries directly from consumers. The CFPB accepts complaints through its website and by telephone, mail, email, fax, and referral. Consumers submit complaints on the CFPB website using complaint forms tailored to specific products, and can also log on to the secure consumer portal to check the status of a complaint and review a company's response. While on the website, consumers can chat with a live agent to receive help completing a complaint form. Consumers can also call the Bureau's toll-free number to ask questions, file a complaint, check the status of a complaint, and more. The CFPB's U.S.-based contact centers handle calls with little-to-no wait times and can provide services to consumers in more than 180 languages and serve hearing- and speech-impaired consumers via a toll-free telephone number. Cutting-edge technology, including the secure company and consumer portals, makes the process efficient and user-friendly for consumers and companies. The CFPB also provides secure channels for companies to communicate directly with dedicated staff about technical issues.

As Consumer Response processes complaints and responds to inquiries, it continues to seek new ways to improve existing processes to make them as efficient, effective, and easy-to-use as possible. Based on feedback from consumers and companies, as well as its own observations, Consumer Response identifies new opportunities to improve its processes and implement changes with each product launch. By applying the lessons learned through previous complaint function rollouts, Consumer Response has continued to improve its intake process, enhance communication with companies, and ensure the system's ease-of-use and effectiveness for consumers, while providing services trusted by consumers and companies alike.

3.1.2 Consumer Education and Engagement

The CFPB's Consumer Education and Engagement Division is responsible for developing and implementing initiatives to educate and empower consumers to make better-informed financial decisions. Improving financial literacy and capability encompasses many short and longer-term efforts, including education and engagement with information and tools designed to provide clear and meaningful assistance to consumers when they need it.

Reaching out to consumers is essential to the work of this division. From July 1, 2012 through December 31, 2012, the division's offices engaged with different groups across the country through more than 240 listening sessions, town halls and roundtables, visits to military installations, and other stakeholder events. These and other opportunities to hear directly from consumers about their financial needs, aspirations, and experiences help inform all of the Bureau's work. Through this outreach work, the CFPB has connected to more than 4,100 stakeholder organizations that were involved in these events.

As a 21st-century agency, the Bureau has focused on bringing financial decision-making tools and information to consumers through an accessible online format. In 2012, a steadily increasing number of consumers took advantage of these offerings. The Bureau's website received more than five million unique views in the past year. The CFPB estimates that more than 3,750,000 of those were to areas of the site providing consumer tools, information, and assistance.

3.1.3 Financial Education

The Bureau's Office of Financial Education (OFE) has engaged a variety of communities and stakeholders in its work. OFE has continued to prioritize outreach to key stakeholders, including financial educators and community leaders, and directly with consumers, through webinars, listening sessions, and large consumer events. Much of OFE's outreach has prioritized innovation to solve common financial challenges for consumers by holding a number of events around the country to assess need and to establish its priorities in this area.

In its efforts to engage with a larger American audience, OFE has produced some of its core consumer education materials in Spanish, and provided radio interviews both in Spanish and English to appeal to a broad audience. OFE also received more than 100 comments from a range of organizations, individuals, financial institutions and other entities in response to a Request for Information (RFI) on Effective Financial Education.

OFE has also added to its research and innovation portfolios, procuring the services of outside experts to develop metrics for success in financial education and to test solutions for consumers as they make regular, everyday financial decisions.

3.1.4 Consumer Engagement

The Office of Consumer Engagement (CE) continues to encourage the public to participate in the Bureau's work by developing programs, initiatives, and digital experiences that help consumers make informed financial decisions.

CE continues to improve and build out the Bureau's online presence with innovative, user-focused, and data-driven approaches to social media and web development. Through research and user testing, CE has been able to tap into the needs, habits and interests of consumers, thus allowing the team to create opportunities to engage the public at the moments we can be most useful to them.

In particular, CE has focused on building an online consumer experience through the beta version of its Paying for College project. This online module guides users through the primary decision points of the college decision-making process and offers tools that help users to:

- Find financial aid and choose a loan;
- Compare financial aid and college costs;
- Manage college money; and

- Repay student debt

CE continues to collaborate with divisions across the Bureau on ways to best engage the public through digital media.

3.1.5 Servicemember Affairs

The CFPB's Office of Servicemember Affairs (OSA) conducted 82 outreach events in 2012, delivering consumer financial information to more than 31,000 military and veteran consumers to help them make better informed financial decisions.

More specifically, this figure includes reaching out to servicemembers where they live and work, by visiting 10 military installations/National Guard units, and participating in six town halls and 15 roundtable discussions with senior military leaders from July 1, 2012 through December 31, 2012. At these outreach events, the Servicemember Affairs team listened to servicemembers discuss the financial challenges they face, observed financial education training, and provided educational materials. In addition to the military units/installations visited, OSA participated in 40 outreach events sponsored by external organizations seeking additional educational information about OSA and the CFPB. OSA also launched Facebook and Twitter accounts specifically to serve the military and veteran communities. By incorporating the use of digital and social media channels into the delivery methodology for consumer financial education, OSA reached approximately 2.8 million more consumers.

OSA awarded a contract to develop an effective "just enough and just in time" financial education experience designed to equip Delayed Entry Program (DEP) participants (those who have committed to join the military but not yet been sent to boot camp) with the information and education needed to make sound financial decisions in predetermined target areas. The DEP education program aims to offer experiential education that engages the interest and caters to the learning style of the recruit demographic. Due to the varied timelines and geographical locations of the future recruits in DEP and to ensure the curriculum's availability across the services, course content and materials will be made available through an e-learning platform that DEP personnel can access regardless of time or location. This experience should also set the stage for future financial education efforts.

Collaboration and building upon viable outreach networks was a key focus throughout 2012. OSA connected with the Departments of Defense, Veterans Affairs, Justice, and Labor to raise awareness of the CFPB's mission and OSA's specific efforts on behalf of the military and veteran communities. At the state level, efforts have centered on introducing state and local resources to the military community. Military consumer-focused events included the participation of 14 state National Guard Adjutants General and the Attorneys General of 11 states.

3.1.6 Older Americans

The Consumer Education and Engagement Division's Office for Older Americans (OA) has continued its outreach efforts nationwide with its core constituency, key public officials, financial institutions, industry, advocates, and other stakeholders. OA's mission is "to facilitate the financial literacy of individuals who have attained the age of 62 or more... on protection from unfair, deceptive, and abusive practices, and on current and future financial choices, including through the dissemination of materials to seniors on such topics." OA participated in 46 events from July 1, 2012 through December 31, 2012, reaching more than 2,050 participants.

OA's outreach work is raising awareness of the critical problem of financial exploitation and unfair, deceptive, or abusive practices targeted at older people. OA is also building on its outreach work to help foster local networks to prevent financial harm directed at older people. In support of its mission, Hubert H. "Skip" Humphrey III, Assistant Director for OA, testified before the U.S. Senate Special Committee on Aging on November 15, 2012 regarding OA's many initiatives to combat the crisis of financial exploitation facing older Americans.[24]

Specific examples of these outreach efforts include helping coordinate Older American Protection Networks in four states, representing the CFPB on the federal Elder Justice Coordinating Council, which consists of 11 federal agencies that play a role in addressing elder abuse, and collecting and reviewing comments submitted in response to the CFPB's RFI Regarding Senior Financial Exploitation. The Bureau received over 1,200 comments in response to the RFI, providing invaluable public participation to inform OA's work.

The RFI has also provided important input for OA's work on an upcoming report to Congress and the Securities and Exchange Commission (SEC) on senior financial advisor certifications and designations, pursuant to Section 1013(g)(3)(C) of the Dodd-Frank Act. That report will

[24] Assistant Director Humphrey's testimony may be found in Appendix F.

address consumer issues relating to certifications or designations of financial advisors for seniors.

Other initiatives underway include developing consumer guides to help fiduciaries handle finances on behalf of older consumers, a guide to help identify and intervene when financial exploitation occurs in congregate living facilities, and developing, along with the FDIC, a community education and awareness program called Money Smart for Older Americans, which focuses on preventing, recognizing, and reporting elder financial exploitation targeting older consumers, family caregivers and other key audiences.

3.1.7 Students

Pursuant to Section 1035 of the Dodd-Frank Act, the CFPB's Student Loan Ombudsman submitted a report to the Director of the CFPB, the Secretary of the Treasury, the Secretary of Education, and Congress in October 2012. The report offered analysis of complaints from private student loan borrowers, and was informed by nearly 3,000 complaints, as well as input from borrowers and stakeholders.

The report found that some private student loan borrowers are experiencing similar issues to borrowers struggling with mortgages. For example, borrowers complained about the difficulty in negotiating a lower payment, as well as issues they faced when loans and servicing rights change hands.

In a separate report, the Student Loan Ombudsman, in coordination with OSA, identified a unique set of issues facing servicemembers with student loans. The report identified problems faced by servicemembers when attempting to invoke their rights afforded by the Service Members Civil Relief Act.

The Bureau has developed more tools to help consumers make better financial decisions about paying for college and managing student debt. In July 2012, the CFPB launched the Student Loan Debt Collection Assistant to help borrowers avoid costly penalties and fees when their loans are in collection. As part of the Paying for College suite of tools, the Bureau launched Repay Student Debt, a combined, expanded version of our tools.

Based on public feedback received in response to a prototype launched in April 2012, the CFPB released the next iteration of Compare Financial Aid and College Cost, a tool to help students and families make smarter choices when weighing financial aid offers. The Bureau also issued a special guide to assist students when choosing a checking account and accessing financial aid offers.

3.1.8 Financial Empowerment

Since its launch in May 2012, the Office of Financial Empowerment (Empowerment) has conducted extensive outreach to consumers and stakeholders from around the country. Empowerment participated in five listening sessions in San Francisco, CA, New York, NY, St. Louis, MO, Cleveland, MS and Dallas, TX. The team conducted field research focused on organizations and companies that provide innovative programs and services designed to build the financial capability of underserved and vulnerable consumers. It also participated in community events and conferences focused on low-income issues.

On November 28-29, 2012, at the CFPB's headquarters in Washington, DC, Empowerment brought together 125 external stakeholders to discuss opportunities to make consumer financial markets work better for low-income and economically vulnerable consumers. This meeting included Bureau leaders, local, state, and federal financial regulators, senior government and agency officials, and leaders and practitioners from industry, academia, and nonprofit organizations who have been developing and evaluating innovative initiatives to address the financial services needs of low-income and economically vulnerable consumers.

Empowerment launched two major projects in September 2012. The first is a three-phase information-gathering effort to better understand whether bundled financial products and services are effective in building the financial capability of consumers. This effort will help gauge whether programs designed to build the credit and/or savings of consumers are more effective if they include a bundled secondary product or service. This phase is designed to lead to further stages that will include an evaluation of two programs that currently use the bundled products and/or services strategy, and eventually a pilot phase that will test two "ideal" programs based on the lessons learned from the previous two stages. The second project is the development of Financial Empowerment Training for front-line staff, like social workers or benefits administrators, for organizations that provide services directly to low-income and economically vulnerable consumers.

Empowerment is also working with other federal agencies to streamline and integrate federal resource services designed to make consumers more financially capable and stable. Current work includes coordination with the Department of Labor's Office of Disability Employment

Policy (ODEP) in a joint effort to identify opportunities to promote financial capability strategies to selected ODEP grantees.

3.2 Outreach

In addition to its efforts to engage and educate particular populations, the CFPB has hosted events throughout the country to inform and receive input about its work on issues related to consumer financial products and services. More than 1,000 consumers have made their voices heard by participating in town halls and field hearings convened by the CFPB – such as one on credit reporting in Detroit, MI and one on debt collection in Seattle, WA. The CPFB has actively solicited public input on key policy initiatives at the launch of Project Catalyst in Silicon Valley, CA, and at the inaugural meeting of the Consumer Advisory Board (CAB) in St. Louis, MO.

Director Cordray speaks at an event on credit reporting in Detroit, Michigan

The CFPB unveiled Project Catalyst as part of its effort to foster consumer-friendly innovation in the marketplace. The Bureau believes markets work best when they are open to new ideas, and that the insights and innovations that come from looking at problems and solutions from new angles hold great potential in our efforts to achieve our mission of making the consumer finance market work for all consumers. Project Catalyst is designed to open lines of communication and foster collaborations that promote consumer-friendly innovation. In addition to conducting ongoing outreach and forums for discussion, the CFPB has launched a new section of its website where innovators can obtain relevant information, propose ways the Bureau can make innovation easier, or suggest pilot projects to develop and test new market ideas.

In conjunction with field events, Director Cordray and Deputy Director Date held roundtables with community banks, credit unions, and other members of the financial services industry as part of our continuing commitment to engage with financial services providers. The Bureau has actively solicited the perspectives of consumer and civil rights groups and has held roundtables with community-based organizations across the country. Since July 2012, the CFPB's OCA has engaged thousands of community group representatives through more than 100 meetings, briefing calls, and public appearances. Topics discussed include mortgage, credit cards, payday loans, student loans, bank accounts, prepaid cards, credit reporting and scoring, debt collection, remittances, and more.

As with industry outreach, the Bureau has ensured that consumer groups' perspectives inform its internal deliberations on policy initiatives. Bureau representatives have met with hundreds of industry representatives, and Director Cordray and senior CFPB leadership have delivered several speeches at widely-attended industry and nonprofit conferences.[25]

[25] A list of speeches given in 2012 by CFPB personnel may be found in Appendix G of this report.

Senior CFPB leadership addresses comments at an event on debt collection in Seattle, Washington.

3.3 Partnerships

The Bureau has furthered many existing partnerships and formalized several new ones.

To date, the Bureau has signed numerous memoranda of understanding (MOU) with intergovernmental partners, including federal agencies, state financial regulatory entities, state attorneys general, and municipal law enforcement agencies.[26] The Bureau has also actively solicited the perspectives of consumer and civil rights groups.

[26] consumerfinance.gov/newsroom/.

Bureau personnel also testified before Congress on 17 occasions between January 1, 2012 and December 31, 2012 to discuss policy, operations and budget matters.[27]

3.3.1 Office of the Consumer Advisory Board and Councils

In addition, the Bureau has established the Office of the Consumer Advisory Board and Councils, which is charged with managing the Bureau's advisory groups and serving as the liaison between advisory group members and the Bureau. It oversees the Bureau's engagements with external stakeholders and includes the:

- Consumer Advisory Board (CAB);
- Community Bank Advisory Council (CBAC);
- Credit Union Advisory Council (CUAC); and
- Academic Research Council (ARC)

The Office of the Consumer Advisory Board and Councils is part of the External Affairs Division. To manage these bodies, the Office of Consumer Advisory Boards and Councils:

- Regularly facilitates discussions between the Bureau and advisory board/council members;
- Recommends policy and associated strategies as suggested by advisory boards and councils;
- Manages the selection process for the Bureau's advisory boards and councils;
- Conducts agenda setting for advisory board and council meetings; and
- Manages the policies and procedures for the constitution and management of advisory boards and councils.

These groups will meet at least twice per year and offer vital insight and perspective of financial service providers as the Bureau strives to issue thoughtful, research-based rules.

[27] CFPB testimony before Congress may be found in Appendix F of this report.

ROLE OF THE CONSUMER ADVISORY BOARD

Section 1014(a) of the Dodd-Frank Act states:

> *The Director shall establish a Consumer Advisory Board to advise and consult with the Bureau in the exercise of its functions under the Federal consumer financial laws, and to provide information on emerging practices in the consumer financial products or services industry, including regional trends, concerns, and other relevant information.*[28]

The Consumer Advisory Board and the other advisory councils help the Bureau solicit external stakeholder feedback on a range of topics, including consumer engagement, policy development and research, and from a range of actors, academics, industry, community members and advocates. Advisory boards and councils may consult on a variety of cross-cutting topics, report on meetings, and provide minutes and/or summaries of their meetings. Members of boards and councils will serve for limited, specified terms.

MEMBERSHIP AND PUBLIC NOMINATING PROCESS OF THE CONSUMER ADVISORY BOARD

Section 1014(b) of the Dodd-Frank Act states:

> *In appointing the members of the Consumer Advisory Board, the Director shall seek to assemble experts in consumer protection, financial services, community development, fair lending and civil rights, and consumer financial products or services and representatives of depository institutions that primarily serve underserved communities, and representatives of communities that have been significantly impacted by higher-priced mortgage loans, and seek representation of the interests of covered persons and consumers, without regard to party affiliation.*[29]

Following these statutory guidelines, the Bureau invited external experts, industry representatives, consumers, community leaders, and advocates to apply to be a member of the

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[28] Dodd-Frank Act, Pub. L. No. 111-203, § 1014(a).

[29] Dodd-Frank Act, Pub. L. No. 111-203, § 1014(b).

Consumer Advisory Board. Additionally, the Bureau published a notice for nominations on its website, distributed a notice widely through mass email distributions, and published a notice outlining the functions of the Board and soliciting nominations for members to serve on the Board in the Federal Register. In response to this call for nominations, the Bureau received over 1,100 unique candidate nominations for membership on the Board. On September 12, 2012, the Bureau announced the appointment of 25 consumer experts to the Consumer Advisory Board[30].

The inaugural members of the Consumer Advisory Board, meeting in St. Louis, Missouri

INAUGURAL MEETINGS OF THE CONSUMER ADVISORY BOARD AND THE OTHER COUNCILS

The Bureau held the inaugural meeting of the Consumer Advisory Board in St. Louis, MO on September 27-28, 2012, inviting members of the public to watch a portion of the meeting and to provide testimony directly to CAB members on the financial issues that affect their

[30] The announcement and list of members may be found at http://www.consumerfinance.gov/pressreleases/consumer-financial-protection-bureau-announces-consumer-advisory-board-members/.

communities. Director Cordray provided remarks at the event that are available on our website.[31]

The inaugural meetings of the Community Bank Advisory Council and the Credit Union Advisory Councils were held, respectively, on October 11, 2012 and October 12, 2012.

For more information about the CAB and the other CFPB advisory bodies, please visit our website.

[31] Director Cordray's remarks may be read at http://www.consumerfinance.gov/speeches/prepared-remarks-by-richard-cordray-at-the-inaugural-consumer-advisory-board-meeting/.

4. Regulations and Guidance

Since the issuance of the July 2012 Semi-Annual Report, the Bureau issued a number of proposed and final rules on mortgage-related issues, in anticipation of meeting a January 21, 2013 deadline under the Dodd-Frank Act, as well as a number of non-mortgage related proposed and final rules on various other matters within its authority. Along with the issuance of these new rules, the CFPB is also working to facilitate industry compliance. In addition, the Bureau continues to implement suggestions received in response to a Bureau RFI seeking public comments on potential projects to streamline Bureau regulations.

4.1 Implementing Statutory Protections

The CFPB has recently finalized a number of rules implementing changes made by the Dodd-Frank Act to the laws governing various aspects of the mortgage market, including originations and servicing of mortgages. In 2012, the Bureau issued a series of proposed rules for public comment after months of preparation and outreach, including several small business review panels. The Bureau analyzed the comments received on those proposals and prepared the final rules, as well as various final rules for proposals inherited by the Bureau from the Federal Reserve Board. These rules will provide significant improvements to the mortgage process that will benefit both consumers and the mortgage industry alike through strengthened consumer protections and increased efficiencies. The Bureau issued the following final rules in January 2013:[32]

- A rule implementing Dodd-Frank Act amendments to the Truth in Lending Act (TILA) requiring that creditors make a reasonable, good-faith determination of a consumer's

[32] Links to final and proposed rules discussed in this section are *available at*: consumerfinance.gov/regulations/.

ability to repay any consumer credit transaction secured by a dwelling (excluding an open-end credit plan, timeshare plan, reverse mortgage, or temporary loan), establishing certain protections from liability under this requirement for “qualified mortgages,” and limiting prepayment penalties. The rule also requires creditors to retain evidence of compliance with the rule for three years after a covered loan is consummated.

- Rules implementing new Dodd-Frank Act requirements in the Real Estate Settlement Procedures Act (RESPA) and in TILA related to mortgage servicing. The rule amending Regulation X, which implements RESPA, addresses servicers’ obligations to correct errors asserted by mortgage loan borrowers, to provide certain information requested by such borrowers, and to provide protections to such borrowers in connection with force-placed insurance. Additionally, this rule addresses servicers’ obligations to establish reasonable policies and procedures to achieve certain delineated objectives, to provide information about mortgage loss mitigation options to delinquent borrowers, to establish policies and procedures for providing delinquent borrowers with continuity of contact with servicer personnel capable of performing certain functions, and to evaluate borrowers’ applications for available loss mitigation options. Further, the rule modifies and streamlines certain existing servicing-related provisions of Regulation X. The rule amending Regulation Z, which implements TILA, includes requirements concerning notices of initial rate adjustments for adjustable rate mortgages (ARMs), periodic statements for residential mortgage loans, prompt crediting of mortgage payments, and responses to requests for payoff amounts. This rule also amends current rules governing scope, timing, content, and format of disclosures to consumers regarding the interest rate adjustments of their variable-rate transactions.
- A rule implementing certain amendments to TILA made by the Dodd-Frank Act that lengthens the time for which a mandatory escrow account established for a higher-priced mortgage loan must be maintained and exempts certain transactions from the escrow requirement, including creating an exception for certain small servicers in rural or underserved areas.
- A rule implementing Dodd-Frank Act changes to TILA regarding loan originator compensation, qualifications of and registration or licensing of loan originators, compliance procedures for depository institutions, mandatory arbitration, and the financing of single premium credit insurance. The rule also revises or provides additional commentary on restrictions on loan originator compensation, including application of these restrictions to prohibitions on dual compensation and compensation based on a term of a transaction or a proxy for a term of a transaction, and to recordkeeping

requirements. The rule also establishes tests for when loan originators can be compensated through certain profits-based compensation arrangements.

- An interagency rule implementing Dodd-Frank Act amendments to TILA that requires appraisals for "higher-risk mortgages," including, for certain mortgages, requiring creditors to obtain an appraisal or appraisals meeting certain specified standards, and providing applicants with a notification regarding the use of the appraisals and a copy of the written appraisals used.
- A rule implementing a Dodd-Frank amendment to the Equal Credit Opportunity Act (ECOA) that requires creditors to provide applicants with free copies of all appraisals and other written valuations developed in connection with an application for a loan secured by a first lien on a dwelling, and requires creditors to notify applicants in writing that copies of appraisals will be provided to them promptly.
- A rule implementing Dodd-Frank Act amendments to TILA that expands the types of mortgage loans that are subject to the protections of the Home Ownership and Equity Protection Act of 1994 (HOEPA), revises and expands the tests for coverage under HOEPA, and imposes additional restrictions on HOEPA mortgage loans, including a pre-loan counseling requirement. The rule also implements other Dodd-Frank Act amendments to TILA and RESPA that impose certain other requirements related to homeownership counseling, including a requirement that consumers receive information about homeownership counseling providers.

In addition, since the July 2012 Semi-Annual Report, the Bureau has issued other proposed and final rules, including the following:

- In November 2012, the Bureau proposed to amend the rules implementing the credit card ability to pay provisions of TILA to address concerns that the current rules unduly limit the ability of spouses and partners not working outside the home to obtain credit cards based on the income of the other spouse or partner.
- In August 2012, the Bureau issued a final rule that provides a "safe harbor" provision exempting from the requirements of the Bureau's Regulation E, which implements the Electronic Fund Transfer Act, as amended by the Dodd-Frank Act, those who, in the normal course of business, provided 100 or fewer remittance transfers in the current calendar year. This amendment will make the remittance transfer process easier for institutions that handle 100 or fewer remittances per year. The August 2012 rule also adjusts rules regarding transfers that consumers schedule several days in advance. In December 2012, the Bureau proposed three substantive amendments to the remittance

rule, which would temporarily delay the February 7, 2013 effective date of the rule and provide additional clarity regarding disclosures and error resolution procedures. On January 22, 2013, the Bureau issued a final rule temporarily delaying the February 7, 2013 effective date.

- In January 2013, concurrently with issuing its ability to repay/qualified mortgage rule, the Bureau issued a proposed rule proposing certain amendments to the rule, including exemptions for certain nonprofit creditors and certain homeownership stabilization programs and an additional definition of a qualified mortgage for certain loans made and held in portfolio by small creditors. The Bureau also sought feedback on whether additional clarification is needed regarding the inclusion of loan originator compensation in the points and fees calculation.

The Bureau continues work to finalize the proposal it issued in July 2012 that would, among other things, combine certain disclosures that consumers receive in connection with applying for and closing on a mortgage loan under TILA and RESPA, as required by the Dodd-Frank Act. The Bureau also continues work to finalize the proposal it issued in April 2012 with respect to fees charged by credit card issuers prior to the opening of an account, and continues working on an interagency basis to complete rulemakings related to appraisals and implementation of the Expedited Funds Availability Act.

As the Bureau completes work on these pending rulemakings, it is also in the process of analyzing and prioritizing additional projects. It expects, for example, to accelerate work on other rulemakings that are mandated under the Dodd-Frank Act, such as amendments to the Home Mortgage Disclosure Act (HMDA) to require creditors to collect and report certain additional lending data. In addition, the Bureau is in the process of assessing information gathered in the past year concerning a variety of consumer financial products and services besides mortgage loans to determine whether rulemakings are warranted to address other markets. In particular, the CFPB has issued a number of RFIs, an advance notice of proposed rulemaking, and congressionally mandated and other reports in the past year concerning a wide variety of markets and consumer financial issues. The Bureau expects, for example, to issue a proposed rule with respect to prepaid cards in 2013.

4.2 Interpreting and Streamlining Inherited Regulations; Facilitating Compliance with New Regulations

The CFPB continues to work with consumer and industry stakeholders to interpret and streamline regulations that implement existing federal consumer financial protection laws. These regulations were issued previously by other federal financial regulators and transferred to the Bureau in July 2011. The Bureau is also working to find ways of facilitating industry compliance with newly issued Bureau rules.

In 2012, the Bureau issued interpretive guidance[33] on a variety of topics, including interpreting regulations concerning mortgage loan originator compensation, licensing requirements for loan originators under the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Act), and reaffirming the applicability of the disparate impact doctrine under ECOA.

The CFPB is also considering opportunities to streamline, modernize, and harmonize regulations that it inherited from other federal agencies. The Bureau issued an RFI in December 2011 on this topic seeking broad stakeholder input, and as a result of the comments received, has identified several priority areas for regulatory action. For example, the proposal that the Bureau issued in November to amend the ability-to-pay regulations under the Credit Card Accountability Responsibility and Disclosure Act of 2009 (the Credit Card Act) was advocated by a number of industry participants responding to the streamlining RFI. Similarly, the Bureau is carefully exploring methods to reduce the burden of HMDA reporting while simultaneously increasing the value of the information collected.

In addition, the CFPB is assessing ways to facilitate industry compliance with newly-issued regulations. The Bureau has determined that one important way to help reduce compliance burdens is to assist regulated entities, especially community banks, credit unions, and small entities, in understanding and complying with the rules. For example, in connection with the remittance rule, the Bureau has engaged in outreach and provided educational materials to industry. In October 2012, the Bureau issued its International Fund Transfers Small Entity

[33] consumerfinance.gov/guidance/.

Compliance Guide. As one industry representative remarked upon reading the Guide, "I commend the CFPB for providing a guide that is so informative. ... The guide presented the requirements of the remittance rule in a clear and concise manner in a format that could be understood by all levels of employees." The Bureau also held a webinar in October 2012 explaining the remittance rule that was similarly well received.[34] The webinar was viewed live by over 3,000 participants and more than 1,000 individuals have viewed the archived webinar online. As one industry professional stated in an e-mail to the Bureau, "This webinar was much better than one I paid $300 for from a reputable banking resource. . . Great job, CFPB!" In addition, Bureau staff have participated in a large number of conferences to discuss the remittance rule, and have handled informal inquiries from a myriad of remittance service providers. The Bureau intends to engage in similar activities in the coming months to facilitate understanding of, and compliance with, the mortgage regulations that the Bureau has issued.

The Bureau is also working to develop opportunities to test alternatives to currently-mandated disclosures which may enhance the efficacy of such disclosures and/or reduce costs. In December 2012, the Bureau issued a proposed Policy to Encourage Trial Disclosure Programs and invited public comment on that proposed policy. The Bureau expects to finalize the policy shortly so as to create room for such trial disclosures.

Finally, the CFPB promulgated supplemental ethics regulations for Bureau employees, establishing restrictions on outside employment and business activities, prohibitions on the ownership of certain financial interests, restrictions on seeking, obtaining, or renegotiating credit and indebtedness, prohibitions on recommendations concerning debt and equity interests, disqualification requirements based on credit or indebtedness, prohibitions on purchasing certain assets, and restrictions on participating in particular matters involving outside entities. [35]

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[34] Remarks, the webinar, and a slide presentation on the remittance rules may be found at www.consumerfinance.gov/blog/remittance-rule-session/.

[35] consumerfinance.gov/regulations/.

5. Supervision

The CFPB's supervision program seeks to ensure that businesses that provide financial products and services to consumers comply with federal consumer financial laws. Initially, the CFPB's supervision office was organized into two groups, one addressing the supervision of large banks and the other focusing on nonbank supervision. In December 2012, Supervision announced the reorganization of its headquarters staff into an examinations team and a policy team. This realignment replaces the previous organizational structure and is consistent with the Bureau's mission to protect consumers across financial markets without regard to the charter of the provider. The examinations team focuses on the processes vital to accomplishing the CFPB's examination function, including recruitment, training, and commissioning of examiners, the implementation of examination policies and procedures, and the planning and execution of examinations appropriately in light of the Bureau's resources and priorities. The policy team ensures that policy decisions for Supervision are consistent with both the law and our mission, and that they are consistent across markets, charters and regions. The Supervision Policy office is organized by product or service market rather than by type of service provider or financial institution.

5.1 Supervisory Activities

On October 31, 2012, the Office of Supervision issued three public documents:

SUPERVISORY HIGHLIGHTS: FALL 2012

The CFPB supervises certain financial institutions and service providers to determine their compliance with applicable federal consumer financial laws and regulations and to help ensure that markets for financial products and services work in a fair and transparent way for consumers and the businesses that serve them. As part of its commitment to transparency, the CFPB has issued Supervisory Highlights: Fall 2012, a periodic publication that apprises the public and the financial services industry about its supervision and examination program, including significant concerns discovered during the course of its completed work. The CFPB believes this communication will help providers of financial products and services better understand steps they can take to fully comply with federal consumer financial laws and protect against the risk of harm to consumers. This first edition of *Supervisory Highlights* emphasizes the need for financial institutions to implement sound compliance management systems, and discusses issues noted in three key product areas: credit cards, credit reporting, and mortgages.[36]

SUPERVISION AND EXAMINATION MANUAL, VERSION 2

The CFPB's *Supervision and Examination Manual* guides CFPB examiners in overseeing companies that provide consumer financial products and services. In Version 2, the *Manual* has been updated to restate outdated regulatory citations with new CFPB citations, reflecting the rulemaking authority for federal consumer financial laws which was transferred from other federal agencies to the CFPB by the Dodd-Frank Act. CFPB regulations are codified in Title 12, Chapter X, of the *Code of Federal Regulations*.

The *Manual* also incorporates updated interagency examination procedures based on revisions to (1) TILA, and its implementing Regulation Z, pursuant to the Credit Card Accountability, Responsibility and Disclosure Act of 2009 and (2) the Fair Credit Reporting Act (FCRA), that requires the disclosure of credit score and related information when a credit score is used in taking an adverse action or in risk-based pricing. In addition, it provides new examination procedures covering short-term, small-dollar lending, the Secure and Fair Enforcement for Mortgage Licensing Act, and consumer reporting. It includes updated guidance and procedures for compliance with of RESPA in mortgage originations, and incorporates the June 21, 2012 Interagency Guidance on Mortgage Servicing Practices Concerning Military Homeowners with Permanent Change of State Orders.[37]

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[36] *Supervisory Highlights, Fall 2012* can be found at: http://files.consumerfinance.gov/f/201210_cfpb_supervisory-highlights-fall-2012.pdf.

[37] The updated CFPB Supervision and Examination Manual can be found at: http://files.consumerfinance.gov/f/201210_cfpb_supervision-and-examination-manual-v2.pdf.

EXAMINATION APPEALS POLICY

The CFPB has issued a new policy that allows supervised entities that receive final, less than satisfactory ratings on their reports of examination to request review of their rating by CFPB officials not involved in the examination or determination of the rating. Supervised entities may also appeal adverse findings conveyed in a supervisory letter. This new appeals policy promotes the CFPB's goals of establishing constructive relationships with supervised entities and maintaining a fair and factually based supervision program. It will help assure consistency in ratings, and will encourage greater industry compliance with applicable laws and regulations and better markets for consumers. [38]

5.2 Supervisory Guidance and Examination Procedures

CFPB BULLETIN: MARKETING OF CREDIT CARD ADD-ON PRODUCTS

On July 18, 2012, the CFPB issued Bulletin 2012-06, entitled "Marketing of Credit Card Add-on Products". Credit card issuers market "add-on" products to card users, including debt protection, identity theft protection, credit score tracking, and other products that are supplementary to the credit provided by the card itself. The CFPB's supervisory experience indicates that some credit card issuers have employed deceptive promotional practices for add-on products. They have failed to disclose important product terms and conditions, enrolled consumers in programs without their affirmative consent, billed for services that were not activated or performed, and misled consumers by the marketing and sales practices employed. This Bulletin outlines the CFPB's expectation that institutions under its supervision and their service providers offer such products in compliance with provisions of law, including Dodd-Frank Act prohibitions against deceptive practices, TILA, ECOA, and other applicable federal laws and regulations.

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[38] The Appeals Bulletin can be found at: http://files.consumerfinance.gov/f/201210_cfpb_bulletin_supervisory-appeals-process.pdf.

The Office of Supervision has issued new examination procedures in three broad areas, which are now incorporated into the Supervision and Examination Manual:

LARGER PARTICIPANT RULES

Pursuant to provisions of the Dodd-Frank Act, the CFPB generally has authority to supervise nonbank covered persons of all sizes in the residential mortgage, private education lending, and payday lending markets. In addition, the CFPB has the authority to supervise "larger participant[s]" of markets for other consumer financial products or services, as the Bureau defines by rule.

On July 20, 2012, the Bureau issued a final rule to define larger participants in the consumer credit reporting market. This final rule facilitates the supervision of nonbank covered persons active in that market. In September 2012, the Bureau released examination procedures related to this rule, and since then has begun exercising its supervisory authority in this market. Further, in October 2012, the Bureau issued a final rule to define larger participants of the consumer debt collection market, bringing those entities under its supervisory and examination authority. The Bureau also released examination procedures for this market and held a field hearing in Seattle, WA on October 24, 2012 to receive public feedback.[39] The rule and related examination procedures became effective on January 2, 2013.[40]

RULES ESTABLISHING SUPERVISORY AUTHORITY OVER CERTAIN PERSONS POSING RISKS TO CONSUMERS

The Bureau has also proposed a rule to establish supervisory authority over any nonbank entity that it has reasonable cause to determine is posing a risk to consumers with regard to the offering or provision of consumer financial products or services.[41] The proposed rule would

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[39] The video for this event may be viewed at www.consumerfinance.gov/blog/category/debt-collection/ and Director Cordray's remarks for the event may be viewed at www.consumerfinance.gov/speeches/prepared-remarks-by-richard-cordray-at-the-public-field-hearing-on-debt-collection-practices/.

[40] http://www.gpo.gov/fdsys/pkg/FR-2012-12-07/pdf/2012-29438.pdf.

[41] https://www.federalregister.gov/articles/2012/05/25/2012-12718/procedural-rules-to-establish-supervisory-authority-over-certain-nonbank-covered-persons-based-on.

establish a process for the CFPB to give notice to the nonbank entities of such determinations and would provide them with a reasonable opportunity to respond. The proposed rule would not impose new substantive consumer protection requirements on any nonbank entity. The Bureau anticipates that this rule will be finalized in 2013.

EDUCATION LOANS

On December 17, 2012, the CFPB published procedures it will use in examining private student lenders. These procedures will help CFPB examiners ensure that private student lenders comply with applicable federal consumer financial laws, including TILA, the Electric Fund Transfer Act, the Fair Debt Collection Practices Act, the FC RA, ECOA, and the Gramm-Leach-Bliley Act.

5.3 Information Sharing With State Regulators

The Office of Supervision has continued to expand its information sharing outreach to state regulators, and now has in place information sharing MOUs with 61 state regulatory agencies in 49 states, the District of Columbia, and Puerto Rico. On December 6, 2012, the CFPB issued a Statement of Intent for Sharing Information with State Banking and Financial Services Regulators. Under an access agreement with the State Regulatory Registry, a subsidiary of the Conference of State Bank Supervisors, the Bureau will have access to state regulatory and licensing information in the Nationwide Mortgage Licensing System.

5.4 Examiner Training and Commissioning

The CFPB's field examination work is carried out by a highly qualified and diverse examination staff that has broad experience in planning and conducting examinations of financial institutions and businesses supervised by the CFPB. In August 2012, 89 experienced examiners became commissioned CFPB examiners, based on their prior experience and commissioning at other federal agencies. The CFPB is continuing to develop its own examiner commissioning test, which will be based on the CFPB's examiner training strategy and components. The examiner training component includes, among other items, the Bureau's Fair Lending Examination Techniques course. Examiners who complete the training and pass the test that the CFPB adopts will become commissioned CFPB examiners.

5.5 Technology

The Bureau has continued to build out its technology infrastructure in order to supervise covered persons in a data-driven manner.

EXAMINERS ENCYCLOPEDIA (E2)

Supervision has launched the Examiners Encyclopedia (e2), an internal online resource that organizes supervisory documentation for reference. The Examiners Encyclopedia includes guidance and publications to support and facilitate the work of the CFPB's Supervision program, including links to the CFPB Supervision and Examination Manual. Additional publications referenced in the tool include:

- CFPB Handbooks and Examination Programs;
- Regulatory Bulletins (Federal and State);
- Federal Register Publications;
- Legal Opinions; and
- Interagency Guidance

COMPLIANCE ANALYSIS SOLUTION

Supervision has also developed the Compliance Analysis Solution (the Solution), an automated system which supports collection, validation and analysis of loan portfolio data through a centralized system. The overall objective of the Solution is to analyze 100% of a loan portfolio, giving examiners the analytical insights necessary to conduct risk-based and targeted compliance assessments. It also allows secure and standardized data submission to the CFPB, which enables consistency in the examination process across institutions. A fair lending-focused component to the Solution is also under development.

The first release of the Solution, on October 19, 2012, performed compliance analysis on mortgage loans, specifically for compliance with the requirements of HOEPA, TILA, and RESPA.

6. Enforcement

The CFPB aims to enforce the consumer protection laws within the Bureau's jurisdiction consistently and to support consumer-protection efforts nationwide by investigating potential violations both independently and in conjunction with other federal and state law enforcement agencies.

6.1 Conducting Investigations

Since the CFPB's launch, the Office of Enforcement has been conducting research and investigating potential violations of federal consumer financial laws. Some investigations were transferred to the Bureau by the prudential regulators and HUD, and the Bureau initiated other investigations based on potentially problematic practices that Bureau staff identified or consumers and others have reported. Enforcement has focused its investigative resources on violations of law that cause the greatest harm to consumers. The investigations currently underway span the full breadth of the Bureau's enforcement jurisdiction. Further detail about ongoing investigations will not generally be made public by the Bureau until a public enforcement action is filed.

6.2 Public Supervisory and Enforcement Actions

Section 1016(c)(5) of the Dodd-Frank Act requires the Bureau to include in the annual report "a list, with a brief statement of the issues, of the public supervisory and enforcement actions to which the Bureau was a party during the preceding year." The Bureau was a party in nine such enforcement actions from January 1, 2012 through December 31, 2012, detailed as follows:

In the Matter of: Capital One Bank (U.S.A.), N.A., File No. 2012-CFPB-0001 (July 18, 2012).

The CFPB brought this public enforcement action and obtained an order requiring Capital One Bank (U.S.A.), N.A.to refund approximately $140 million to an estimated two million customers and pay an additional $25 million penalty. The action resulted from a CFPB examination that identified deceptive marketing tactics used by Capital One's vendors to pressure or mislead consumers into paying for "add-on products" such as payment protection and credit monitoring when they activated their credit cards. The Office of the Comptroller of the Currency (OCC) brought a coordinated enforcement action against Capital One, which also included restitution and civil monetary penalties.

In the Matter of: Discover Bank, File No. 2012-CFPB-0005 (September 24, 2012)

The CFPB and the Federal Deposit Insurance Corporation (FDIC) jointly determined that Discover Bank used deceptive telemarketing practices to sell certain credit card add-on products to consumers. Discover agreed to stop deceptive marketing practices, pay approximately $200 million in restitution to more than 3.5 million customers who purchased credit card add-on products over the telephone between December 1, 2007 and August 31, 2011, and pay a $14 million civil money penalty.

In the Matters of: American Express Centurion Bank, et al., File Nos. 2012-CFPB-0002, 2012-CFPB-0003, and 2012-CFPB-0004 (October 1, 2012).

The CFPB ordered three American Express subsidiaries to refund an estimated $85 million to approximately 250,000 customers, and, together with the FDIC, the OCC and the Federal Reserve Board, imposed an additional $27.5 million in civil money penalties. The Utah Department of Financial Institutions (DFI) also took its own enforcement action. The investigation of American Express began after a routine exam by the FDIC and Utah DFI which was shared with the CFPB after the CFPB inherited jurisdiction over federal consumer financial laws in July of 2011. The CFPB and its sister regulators determined that the programs of various American Express-related companies violated consumer protection laws, including the Card Act, ECOA, the FCRA, and the prohibition against deceptive practices, at nearly every stage of the consumer experience, by using deceptive marketing and debt collection practices, unlawfully discriminating against new account applicants on the basis of age, failing to report consumer disputes to consumer reporting agencies, and charging unlawful fees. The fair lending violations at issue in this matter are discussed in greater detail in the Fair Lending Enforcement section below.

Consumer Financial Protection Bureau v. Gordon, et al. (C.D. Cal. No. 12-cv-06147) (complaint filed July 18, 2012).

This action involves a nationwide mortgage relief scheme in which the CFPB alleges that the defendants took advantage of financially distressed homeowners by promising to help them obtain loan modifications and charging them an advance fee ranging from $2,500 to $4,500. In reality, the CFPB believes, the defendants provided consumers with little, if any, meaningful assistance to modify their mortgages. On July 18, 2012, at the Bureau's request, the U.S. District Court issued a Temporary Restraining Order, effectively halting the alleged scheme. The complaint charges that the Defendants violated the Dodd-Frank Act and the Mortgage Assistance Relief Services Rule, recodified as Regulation O. On November 16, 2012, the Court entered a Preliminary Injunction against the Defendants, finding that the Bureau was likely to succeed on the merits of its case. On February 1, 2013, the Court entered a Stipulated Final Judgment and Order for Permanent Injunction and Settlement of Claims as to Defendants Abraham Michael Pessar, Division One Investment and Loan, Inc., and Processing Division, LLC.

In re: 3D Resorts-Bluegrass, LLC, (W.D. Ky., Bankruptcy No. 11-41599) (proof of claim filed July 20, 2012).

The CFPB filed a proof of claim in this bankruptcy action based on potential violations of the Interstate Land Sales Full Disclosure Act and the Dodd-Frank Act of 2010. The potential violations include a series of alleged misrepresentations by a lot seller debtor and others regarding the registration, marketing, and sale of certain lots on a property known as the Green Farm Resort.

Consumer Financial Protection Bureau v. Jalan, et al. (C.D. Cal. No. 8:12-cv-02088)(complaint filed December 3, 2012).

This action involves a nationwide mortgage relief scheme that the CFPB alleges took advantage of financially distressed homeowners. The complaint alleges that the defendants promised to help those homeowners obtain loan modifications and charged them an advance fee ranging from $1,000 to $3,000 or more. The CFPB contends that the defendants provided consumers with little, if any, meaningful assistance to modify their mortgages. On December 4, 2012, at the Bureau's request, the U.S. District Court issued a temporary restraining order, effectively halting the alleged scheme, and the defendants subsequently stipulated to a preliminary injunction that was issued on December 14, 2012. The complaint charges that the defendants violated the Dodd-Frank Act and the Mortgage Assistance Relief Services Rule, recodified as Regulation O.

Consumer Financial Protection Bureau, et al. v. Payday Loan Debt Solution, Inc., et al. (S.D. Fla. 2012).

The CFPB obtained a stipulated final judgment in federal district court against a nationwide debt-relief company, Payday Loan Debt Solution, Inc. (PLDS) and its principal, Sanjeet Parvani. The CFPB brought this action in partnership with the State Attorneys General of New Mexico, North Carolina, North Dakota and Wisconsin, and with the State of Hawaii Office of Consumer Protection, based on a CFPB investigation. The investigation revealed that PLDS routinely charged consumers advance fees before attempting to settle their debts. This practice violates the Telemarketing Sales Rule, the Dodd-Frank Act of 2010, and various state laws. The court required PLDS to pay a full refund of up to $100,000 for the advance fees, imposed a $5,000 civil penalty, and enjoined PLDS and its principal from engaging in future unlawful conduct.

7. Fair Lending

The CFPB's Office of Fair Lending and Equal Opportunity (Fair Lending) is charged by Congress with "providing oversight and enforcement of Federal laws intended to ensure fair, equitable, and nondiscriminatory access to credit for both individuals and communities" that are enforced by the CFPB, including ECOA and HMDA.[42]

ECOA[43] prohibits discrimination in mortgage lending and a wide array of other lending, including auto finance, credit cards, business loans, and unsecured loans. HMDA[44] requires that specified mortgage lenders annually collect and accurately report mortgage lending data in order to determine whether institutions are serving the housing needs of their communities, to aid in targeting public investment, and to identify possible discriminatory lending patterns and enforce fair lending laws.

In addition, Fair Lending is charged with "coordinating fair lending efforts of the Bureau with other federal agencies and state regulators, as appropriate, to promote consistent, efficient, and effective enforcement of federal fair lending laws"[45] and "working with private industry, fair lending, civil rights, consumer and community advocates on the promotion of fair lending compliance and education."[46] The Dodd-Frank Act also mandates "annual reports to Congress

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[42] Dodd-Frank Act, § 1013(c)(2)(A).

[43] *See* 15 U.S.C. § 1691 *et seq*.

[44] *See* 12 U.S.C. § 2801 *et seq*.

[45] Dodd-Frank Act, § 1013(c)(2)(B).

[46] Dodd-Frank Act, § 1013(c)(2)(C).

on the efforts of the Bureau to fulfill its fair lending mandate"[47] and transfers to the CFPB annual reporting responsibilities set forth in ECOA[48] and HMDA.[49]

Pursuant to the Dodd-Frank Act's requirement that the Bureau report to Congress annually on its efforts to fulfill its fair lending mission[50], the Bureau submitted its Fair Lending Report in December 2012 in satisfaction of both this requirement and the Bureau's reporting requirements under ECOA and HMDA. The inaugural Fair Lending Report described the Bureau's first-year accomplishments in fair lending, which included – among other things – establishment of the Office of Fair Lending, commencement of the CFPB's fair lending supervision program and completion of various levels of fair lending reviews at dozens of bank and nonbank institutions offering a variety of lending products, development of the CFPB's fair lending enforcement program, and initiation of fair lending investigations.

In this update, we focus on highlights from our fair lending supervision program, a recent fair lending enforcement action, and interagency coordination activity.

7.1 Fair Lending Supervision

With respect to ECOA, the CFPB has discovered that some institutions have inadequate fair lending compliance programs. In order to avoid potential fair lending compliance issues, every financial institution should establish fair lending policies, procedures and internal controls which are tailored to the particular institution's size and operations, in order to ensure that it is operating in compliance with ECOA and its implementing Regulation B, in all of the financial institution's relevant lines of business. Additionally, CFPB examiners have identified several institutions with significant error rates in data reported pursuant to HMDA. HMDA data plays a key role in the work of the CFPB's examination teams and Fair Lending, as well as other

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[47] Dodd-Frank Act, § 1013(c)(2)(D).

[48] *See* 15 U.S.C. § 1691f.

[49] *See* 12 U.S.C. § 2807.

[50] Dodd-Frank Act, § 1013(c)(2)(D).

regulatory agencies. Lenders that do not accurately report data under HMDA violate the law, and hinder regulators' and the public's ability to compare mortgage data across the industry in a meaningful way.

7.2 Fair Lending Enforcement

As discussed in the section on Enforcement above, on October 1, 2012, the CFPB – together with federal and state partners – announced a public enforcement action against American Express. The CFPB announced that it had issued orders requiring three American Express subsidiaries to, among other things, refund an estimated $85 million to approximately 250,000 customers and pay a civil money penalty of $14.1 million to the CFPB for violations of consumer protection laws. Fair Lending, working closely with Supervision and Enforcement colleagues within the Bureau, addressed practices at one subsidiary involving the use of a credit scoring system that took age into account when evaluating applicants. The CFPB found that the subsidiary, American Express Centurion Bank, discriminated against applicants on the basis of age because its credit scoring system did not comply with ECOA and its implementing regulation.

The Consent Order required American Express Centurion Bank to take all action necessary to eliminate violations of ECOA and ensure full compliance with the law. Specifically, American Express Centurion Bank will not unlawfully discriminate based on age in credit decisions and will also be required to certify that all qualified consumers who suffered unlawful age discrimination have an opportunity to reapply for a card.

7.3 Interagency Fair Lending Coordination

Fair lending supervision and enforcement requires close partnerships and coordination both among the various divisions and offices within the Bureau, as well as among the Bureau's many federal and state regulatory and enforcement partners. Recently, recognizing that effective cooperation is important to protect consumers, prevent duplication of efforts, and provide consistent enforcement of federal fair lending laws, the CFPB formalized its fair lending enforcement relationship with the Civil Rights Division of the United States Department of Justice via an MOU.

The CFPB has also engaged in a variety of efforts to coordinate with other federal supervisory and enforcement agencies, and has begun outreach to state agencies. Those efforts include joining the U.S. Department of Justice, HUD, the Federal Reserve, and the National Association of Attorneys General as a co-chair of the Federal Financial Fraud Enforcement Task Force's Non-Discrimination Working Group. The Task Force brings together representatives from law enforcement agencies, regulatory authorities, inspectors general, and state attorneys general to combat financial fraud. The CFPB also participates in the Federal Interagency Task Force on Fair Lending, which brings together various federal regulatory agencies[51] to discuss and coordinate fair lending activities.

The CFPB is committed to working with federal and state partners to ensure that all instances of unlawful discrimination in lending and unequal access to credit are appropriately addressed.

[51] The following agencies also participate in the Federal Interagency Task Force on Fair Lending: HUD, the U.S. Department of Justice, the OCC, the Federal Reserve, the FDIC, the Federal Housing Finance Agency, the NCUA, and the FTC.

8. Building a Great Institution: Update

The CFPB strives to promote transparency, accountability, and fairness. Built on these values, the CFPB is better able to make consumer financial markets work for consumers, honest businesses, and the economy.

8.1 Open Government

A key mission of the CFPB is to make consumer financial products and services more transparent in the consumer marketplace. The CFPB strives to lead by example by being transparent with respect to its own activities.

The Bureau's website is its primary vehicle for sharing information. For example, the Bureau posts the following information on consumerfinance.gov:

- **Leadership Calendars**
  The CFPB is committed to letting consumers know the daily schedules of its senior leadership. The Bureau posts the monthly calendars of its Director and Deputy Director on its website. To further the usefulness of these calendars, the Bureau provides the calendars in multiple formats[52] on a monthly basis.
- **Budget Updates**
  The CFPB has published regular quarterly budget updates on its website, including financial reports for each quarter of the fiscal year, three fiscal years' worth of funding

[52] E.g. interactive/web-based, ics file, RSS feed and Adode pdf.

requests and acknowledgements, and information about the Bureau's Civil Penalty Fund that was created under the Dodd-Frank Act.

- **General Reports**
  The CFPB publishes a variety of reports to document challenges observed in the consumer financial marketplace, to present empirical findings to policymakers, and to illustrate progress in specific areas. Recently published reports concern reverse mortgages, private education loans, an analysis of differences between consumer and creditor-purchased credit scores, a report on the credit reporting marketplace, the annual report of the CFPB Student Loan Ombudsman, and a report on student loan servicing and the cost to our men and women in uniform.[53] Additionally, the CFPB posted a list of depository institutions and depository affiliates of depository institutions under its supervisory authority. Finally, in certain instances, the Bureau publicizes petitions made to modify or set aside civil investigative demand actions.
- **Guidance Updates**
  From time to time, the CFPB will publish specific materials providing guidance to industry and members of the public. In 2012, the Bureau provided additional guidance on its website in the form of a Statement of Intent for sharing information with state banking and financial services regulators, a bulletin regarding FCRA's streamlined process requirement for consumers to obtain free annual credit reports, a bulletin regarding implementation of the remittance rule, a bulletin regarding appeals of supervisory matters, a bulletin regarding the marketing of credit card add-on products, a final policy statement on the publication of credit card complaint data, interagency guidance on mortgage servicing practices concerning military homeowners with Permanent Change of Station Orders and a supervisory coordination MOU with the Federal Reserve Board, FDIC, NCUA and OCC.[54] Additionally, the Bureau has posted information about its Amicus program, the briefs filed in court, and the Information Quality Guidelines that illustrate how the Bureau strives to ensure and maximize the quality, objectivity, utility and integrity of the information it disseminates to the public.

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[53] See Appendix E for a list of all the reports published in 2012 by the CFPB.

[54] All guidance documents and MOUs may be found at consumerfinance.gov/guidance/.

9. Budget

The Bureau is committed to fulfilling its statutory responsibilities and delivering value to American consumers by being accountable and using our resources wisely and carefully.

The CFPB's Operations Division is responsible for coordinating activities related to the development of the CFPB's annual budget. The Office of the Chief Financial Officer within the Division has primary responsibility for developing the budget, and works in close partnership with the Office of Human Capital, the Office of Procurement, the Technology and Innovation team, and other program offices to develop budget and staffing estimates in consideration of statutory requirements, performance goals, and priorities of the Bureau. The CFPB Director ultimately approves the CFPB budget.

9.1 How the CFPB is Funded

The CFPB is funded principally by transfers from the Board of Governors 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 are reasonably necessary to carry out the Bureau's mission. Annual funding from the Federal Reserve System is capped at a fixed percentage of the total 2009 operating expenses of the Federal Reserve System, equal to:

- 10% of these Federal Reserve System expenses (or approximately $498 million) in fiscal year (FY) 2011;
- 11% of these expenses (or approximately $547.8 million) in FY 2012; and

- 12% of these expenses (or approximately $597.6 million) in FY 2013 and each year thereafter, subject to annual adjustments.[55]

As of December 31, 2012, the CFPB had requested transfers from the Federal Reserve totaling $136.2 million to fund CFPB operations and activities for the first quarter of FY 2013.[56] These funds are held in an account for the Bureau at the Federal Reserve Bank of New York.

Bureau funds that are not funding current needs of the CFPB are invested in Treasury securities. Earnings from those investments are also deposited into the Bureau's account.[57]

If the authorized transfers from the Federal Reserve are not sufficient in FY 2010-2014, the CFPB has the authority to ask Congress for up to $200 million in additional funds, subject to the appropriations process.[58] The CFPB did not request an appropriation in FY 2011 or FY 2012 and does not plan to request one in FY 2013 or FY 2014.

Pursuant to the Dodd-Frank Act, the CFPB is also authorized to collect and retain for specified purposes civil penalties collected from any person in any judicial or administrative action under federal consumer financial laws.[59] The CFPB generally is authorized to use these funds for payments to victims of activities for which civil penalties have been imposed, but may also use the funds for purposes of consumer education and financial literacy programs under certain circumstances. The CFPB maintains a separate account for these funds at the Federal Reserve Bank of New York.

In the fourth quarter of FY 2012, the CFPB conducted major enforcement actions against Capital One Bank and Discover, which resulted in the institutions entering into two separate consent orders. The institutions agreed to pay a total of $32 million in civil monetary penalties to the CFPB, and also agreed to provide other relief directly to consumers.

[55] See Dodd-Frank Act, Pub. L. No. 111-203, Sec. 1017(a)(2).

[56] The Bureau posts all funding request letters on its website at consumerfinance.gov/budget.

[57] See Dodd-Frank Act, Pub. L. No. 111-203, Sec. 1017(b).

[58] See id. Sec. 1017(e).

[59] See id. Sec. 1017(d).

In the first quarter of FY 2013, the CFPB also settled enforcement actions against American Express and PLDS, which resulted in the institutions entering into four separate consent orders. American Express agreed to pay a total of $14.1 million in civil penalties to CFPB and to provide relief directly to consumers identified in the action. PLDS agreed to pay a total of $5,000 in civil penalties to CFPB and provide $100,000 in redress for harmed consumers.

9.1.1 Fiscal Year 2013 Spending

As of December 31, 2012, the end of the first quarter of FY 2013, the CFPB had spent $85.9 million (including commitments, obligations, and outlays) for FY 2013. The CFPB spent approximately $45 million on employee compensation and benefits for the 1,073 CFPB employees who were on-board as of December 15, 2012.

In addition to payroll expenses, the largest obligations for the first quarter of FY 2013 were related to contractual services. Large obligations of $1 million and over made during the first quarter of FY 2013 to both government and non-government vendors included:

- $7.5 million to the Department of Treasury for cross-servicing of various human resource and financial management services, such as core financial accounting, transaction processing and reporting, travel and payroll;
- $3.5 million for maintaining ongoing operations of the CFPB’s consumer contact center and enhancements to the case management database;
- $3.5 million for facility operations and maintenance costs for the CFPB’s headquarters building;
- $1.5 million for electricity at CFPB headquarters;
- $1.4 million for security services at CFPB headquarters; and
- $1.2 million for management and consulting services for the CFPB’s Office of Consumer Response.

TABLE 4: BREAKS OUT YEAR-TO-DATE SPENDING BY EXPENSE CATEGORY

Expense Category	FY 2013 Spending to Date*
Personnel Compensation	$35,323,000
Benefit Compensation	9,605,000
Travel	2,569,000
Transportation of Things	15,000
Rents, Communications, Utilities & Misc.	3,635,000
Printing and Reproduction	72,000
Other Contractual Services	28,865,000
Supplies & Materials	836,000
Equipment	5,002,000
Total (as of 12/31/12)	**$85,922,000**

* Includes open commitments for procurements for which a vendor has not yet been determined and funds have not yet been obligated.

TABLE 5: TABLE 9 BREAKS OUT 2013 YEAR-TO-DATE SPENDING BY DIVISION/PROGRAM AREA

Division/Program Area	FY 2013 Spending to Date
Office of the Director	$1,231,000
Operations	29,791,000
Consumer Education & Engagement	2,585,000
Research, Markets & Regulations	7,910,000
Supervision, Enforcement, Fair Lending	22,857,000
Legal Division	2,521,000

External Affairs	1,066,000
Ombudsman	95,000
Centralized Services[60]	17,866,000
Total (as of 12/31/12)	**$85,922,000**

9.1.2 Fiscal Year 2012 Spending

In FY 2012, which ended on September 30, 2012, the CFPB incurred $299.76 million in obligations.[61] Approximately $134 million was spent on employee compensation and benefits for the 970 CFPB employees on-board by September 30, 2012.

In addition to payroll expenses, the largest obligations for FY 2012 were related to other contractual services, such as administrative services provided by other Federal agencies, including the Department of Treasury.

As required by the Dodd-Frank Act, the CFPB prepared financial statements for FY 2012. The Government Accountability Office (GAO) rendered an unqualified, or "clean" audit opinion on the CFPB's financial statements. GAO noted no material weaknesses or significant deficiencies in CFPB's internal controls and cited no instances of noncompliance with laws and regulations. The CFPB financial statements and GAO's opinion are available in the Financial Report of the CFPB for FY 2012.

[60] Centralized services include the cost of certain administrative and operational services provided centrally to other Divisions (e.g., building space, utilities, and IT-related equipment and services).

[61] Budget and spending information is available at consumerfinance.gov/budget.

TABLE 6: BREAKS OUT FINAL FY 2012 SPENDING BY EXPENSE CATEGORY

Expense Category	FY 2012 Spending
Personnel Compensation	$99,464,000
Benefit Compensation	34,727,000
Travel	10,117,000
Transportation of Things	166,000
Rents, Communications, Utilities & Misc.	1,514,000
Printing and Reproduction	1,693,000
Other Contractual Services	134,933,000
Supplies & Materials	2,556,000
Equipment	14,590,000
Total (as of 9/30/12)	**$299,760,000**

TABLE 7: BREAKS OUT FINAL FY 2012 SPENDING BY DIVISION/PROGRAM AREA

Division/Program Area	FY 2012 Spending
Office of the Director	$3,948,000
Operations	73,895,000
Consumer Education & Engagement	15,036,000
Research, Markets & Regulations	24,838,000
Supervision, Enforcement, Fair Lending	83,027,000
Legal Division	7,821,000
External Affairs	3,773,000

Centralized Services	87,422,000
Total (as of 9/30/12)	**$299,760,000**

Some of the Bureau's significant obligations that occurred during FY 2012 included:

- $19.8 million to Treasury for various administrative support services, including information technology and human resource systems support;
- $14.2 million for occupancy agreements with other federal agencies;
- $10.3 million for project and administrative management, as well as general consulting services, to support the Office of the Chief Information Officer through the end of FY 2013;
- $8.4 million to a contractor for the development and operation of the Consumer Response System;
- $7.6 million to the Bureau of the Public Debt for cross-servicing of various human resource and financial management services, such as core financial accounting, transaction processing and travel;
- $6.8 million to an information technology contractor for project management support services;
- $4.0 million to a contractor for hosting, cloud infrastructure, and system administration services; and
- $3.9 million to a contractor for human resource support services.

10. Diversity and Excellence

10.1 Recruiting and Hiring

Over the past year, the CFPB has pursued a strategic imperative to recruit and hire highly qualified individuals. These efforts have focused on filling vacancies at its headquarters in Washington, DC, and in its examiner workforce distributed across the country. The Bureau's examiners are organized by regions and anchored by key strategic satellite offices in three of the nation's financial hubs – Chicago, IL; New York, NY; and San Francisco, CA. As of December 15, 2012, there were 1,073 staff on-board and working to carry out the CFPB's mission. These include approximately 230 highly qualified regulators, researchers, lawyers, and market practitioners who transferred to the CFPB from consumer protection divisions of the prudential regulators and other federal agencies.

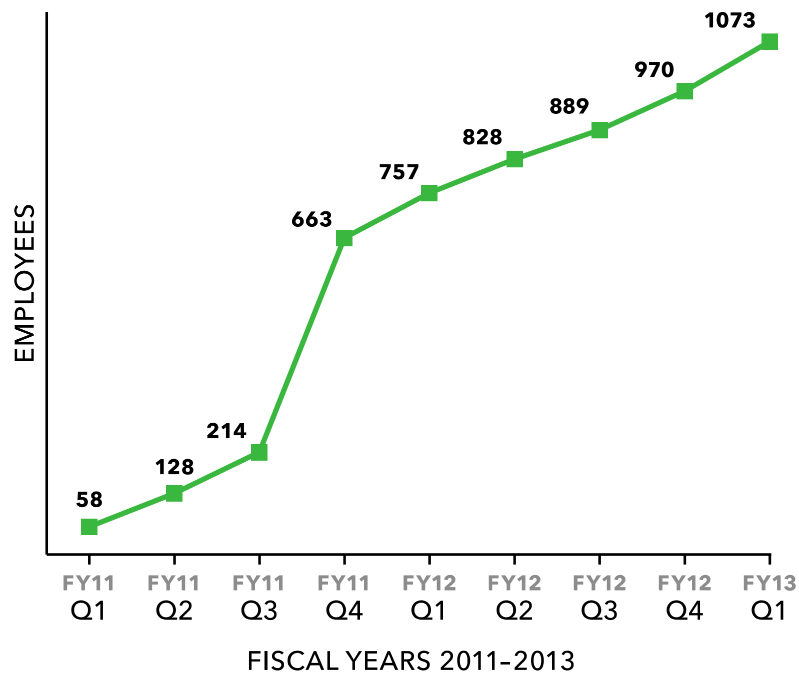
As the Bureau continues to grow, the CFPB has implemented a strategic recruiting plan that enhances formal recruiting efforts[62] to ensure a sustainable pipeline of diverse candidates for occupations across the Bureau. This strategy includes:

- Conducting significant and broad outreach at over 60 universities and affinity group events to introduce potential employees to the mission, vision, and values of the CFPB;
- Establishing a flagship jobs website to provide candidates with information about employment opportunities across CFPB divisions;
- Utilizing over 200 existing staff as recruiters to share their experiences with potential employees;

[62] These include utilizing USA Jobs and the posting of job announcements on the CFPB website at consumerfinance.gov/jobs/.

- Using social media to connect with potential employees and spread information about employment opportunities at the CFPB;
- Enlisting senior leadership to host outreach events to attract people to the CFPB as a "best place to serve";
- Creating professional development programs to build a robust pipeline of talent to meet current and emerging workforce needs, such as the Presidential Management Fellows, Director's Financial Analysts and Honors Attorney programs, as well as a 51-person summer intern program;
- Partnering with diversity and professional groups such as the Hispanic National Bar Association and the Partnership for Public Service to conduct online and in person information sessions about applying for careers with the CFPB and other federal agencies;
- Employing a novel strategy of reaching candidates through focused social media and relevant print and online publications;
- Working closely with our colleagues to help prospective employees get a sense for the CFPB culture and employee experience; and
- Working closely with our colleagues in design, technology, and consumer engagement to develop an employer identity that invites people to learn more about the work of the CFPB.

FIGURE 8: QUARTERLY GROWTH OF CFPB POSITIONS FILLED THROUGH DECEMBER 15, 2012



10.2 Staff Education, Training and Engagement

Since its creation, the CFPB has focused on strong engagement with existing and potential Bureau staff, successfully utilizing education, training, and engagement programs. As the CFPB matures, it continues to build and offer:

- Robust programs that aim to keep its employees current on the latest skills they need to conduct their work and be successful;
- Vehicles for full participation in a vibrant culture that adheres to the CFPB's values of Serve, Lead, and Innovate, and that fosters the successful achievement of its mission;
- Management training and process support for performance management to provide employees with clear performance plans and objectives, and meaningful feedback on their performance; and
- Programs and methods to ensure that the CFPB attracts the best, brightest, and most diverse group possible to carry out its mission.

The CFPB is developing a learning environment tailored to meet the specific needs of the Bureau's divisions and the individuals within them.

In addition, the Bureau's Office of Human Capital (OHC) is working to identify, cultivate, and sustain a diverse workforce and inclusive work environment. OHC is committed to a culture that encourages collaboration and fairness, and leverages diversity throughout the organization so that all individuals are equipped to Serve, Lead, and Innovate.

10.3 Diversity

Diversity has been a cornerstone of the CFPB's foundation, its strategic workforce planning programs, and its contracting since its establishment. In January 2012, the Bureau formally established The Office of Minority and Women Inclusion (OMWI) to ensure that inclusion continues to inform its work, and in April 2012 hired the first Director for this office.

The OMWI focuses on developing and refining standards for:

- Equal employment opportunity, workforce diversity, and inclusion at all levels of the Bureau;
- Increased participation of minority-owned and women-owned businesses in the CFPB's programs and contracts; and
- Assessing the diversity policies and practices of entities that the CFPB regulates.

10.3.1 Diversity in the CFPB's Workforce

As of December 15, 2012, the CFPB's workforce is 48% women and 52% men. Minorities comprise 34% of the CFPB workforce.

FIGURE 9: BUREAU-WIDE GENDER AND MINORITY STATISTICS TO FIRREA COMPARISONS

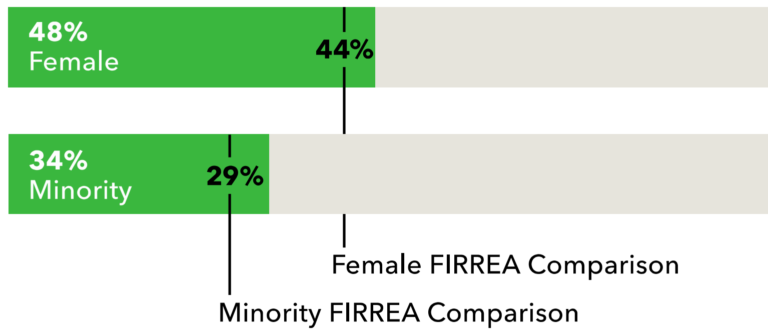


Figure 9[63] compares CFPB's workforce to the FIRREA community with respect to diversity by gender, race, and ethnicity.

10.3.2 OMWI'S Role at the CFPB

OMWI helps all parts of the Bureau bring diverse perspectives to their work and promotes inclusive hiring and contracting practices.

EMPLOYMENT

OMWI is responsible for promoting diverse and inclusive employment practices at the Bureau. OMWI is collaborating with OHC to develop long-term plans that focus on active participation at recruitment and outreach events in order to attract a diverse pool of qualified candidates emphasizing diversity from a wide range of American society.

OMWI is assisting with the development of internal systems and processes that will continually support the capability to attract applicants and ensure that the CFPB has the benefit of a diverse and qualified pool of candidates for all job openings. To support this effort, OMWI is developing

[63] FIRREA numbers as of September 2012. Figure 9 compares the CFPB with other FIRREA agencies with respect to the percentage of women and racial and ethnic minorities in the workforce.

strategic partnerships with colleges, universities, professional organizations and affinity groups from across the country. OMWI is working with hiring managers at the CFPB to create internship opportunities and entry-level positions that target diverse groups of students around the country.

OMWI is also collaborating with OHC and the Office of Equal Employment Opportunity (OEEO) to develop baseline metrics and reporting systems to monitor and analyze the diversity of applicants and hires. OMWI is involved in developing the applicant assessment process, including exploring the use of methods that will enhance the qualifications review process.

OMWI is working with OHC to ensure that employees and supervisors receive diversity training to expand awareness, knowledge and cultural competencies that aid in the understanding and management of a diverse workforce and its value to the CFPB mission.

OMWI is collaborating with OHC and division heads to promote policies, practices, and procedures to ensure that all employees are developed to their maximum potential. This is accomplished through a comprehensive workforce planning strategy centered around training and developmental opportunities, mentoring programs, rotations, lateral moves, and details that enhance the skills and key competencies necessary for advancement and success. OMWI works closely with OHC, OEEO, and department heads in analyzing annual employee survey results, exit interview trends and workforce analytics to determine retention issues and areas of opportunity to maintain and grow an inclusive workforce at the CFPB. OMWI also supports affinity group development for the CFPB's workforce to further foster collaboration and inclusion within the Bureau.

DIVERSITY AND INCLUSION AT REGULATED ENTITIES

Under the Dodd Frank Act, OMWI is required to create standards for assessing the diversity and inclusion policies and practices of the entities regulated by the CFPB. OMWI is coordinating with fellow OMWI Directors at the FDIC, the Federal Reserve, the NCUA, the OCC, and the SEC to create these standards. The OMWIs have met with stakeholders from the banking and finance community, as well as with advocacy and community organizations to discuss methods to develop the standards.

EXTERNAL AFFAIRS AND COMMUNICATION

In collaboration with External Affairs, OMWI conducts outreach to consumer groups, advocacy organizations and other stakeholders to develop strong and productive partnerships. These meetings serve as forums to discuss concerns and issues such as those related to minority and women-owned business contracting opportunities with the Bureau, as well as opportunities within the regulated entities. OMWI and the Procurement Office will continue to develop productive relationships with the representatives of the communities that we serve.

PROCUREMENT

The Procurement Office is currently measuring obligations for certain small business contracts awarded to minority-owned small disadvantaged businesses and women-owned small businesses. During FY 2012, the Bureau awarded 27% of contract dollars to small businesses.[64] As shown in Table 8, of the total contract dollars awarded in FY 2012, 9%[65] went to small disadvantaged businesses, with a substantial majority of that 9%[66] being awarded to certified 8(a) minority-owned firms. Additionally, 6.5%[67] of total contract dollars went to woman-owned small businesses.

TABLE 8: CONTRACT DOLLARS AWARDED TO SMALL BUSINESS BY TYPE

	Obligated dollars*
Small disadvantaged business	$7 M
Woman-owned small business	$5 M
Service disabled veteran owned small business	$4 M
HubZone small business	$1 M

*Dollars may apply to multiple socio-economic categories.

64 Approximately $21 million.

65 Approximately $7 million.

66 85% of contract dollars awarded to small disadvantaged businesses, or approximately $6 million, were awarded to certified 8(a) minority-owned firms.

67 Approximately $5 million.

Coordinating with OMWI, the Procurement Office is developing an external website presence with a forecast of procurement opportunities. Many small and minority-owned businesses may find trying to do business with the Federal Government difficult and unclear. In an effort to increase transparency, both offices are working together to provide a forum for Frequently Asked Questions, and are partnering with our fellow FIRREA partners in developing a joint training event on “how to do business with the Federal Government,” targeting small, minority and woman-owned businesses.

APPENDIX A:

More about the CFPB

GENERAL INFORMATION:

Email Address: info@consumerfinance.gov

Phone Number: (202) 435-7000

Mailing Address:
Consumer Financial Protection Bureau
ATTN: Employee Name, Division, and/or Office Number
1700 G Street, NW
Washington, DC 20552

CONSUMER RESPONSE:

Hours of Operation: 8 am - 8 pm EST

Toll Free Number: (855) 411-CFPB (2372)
Español: (855) 411-CFPB (2372)
TTY/TDD: (855) 729-CFPB (2372)
Fax Number: (855) 237-2392

MAILING ADDRESS:

Consumer Financial Protection Bureau
PO Box 4503
Iowa City, Iowa 52244

WHISTLEBLOWERS:

Email: whistleblower@consumerfinance.gov

Toll Free Number: 855-695-7974

PRESS & MEDIA REQUESTS:

Email: press@consumerfinance.gov

OFFICE OF LEGISLATIVE AFFAIRS:

Legislative Affairs: 202-435-7960

CFPB OMBUDSMAN'S OFFICE:

Email: CFPBOmbudsman@cfpb.gov

Webpage: consumerfinance.gov/ombudsman

Toll Free Number: (855) 830-7880

Fax Number: (202) 435-7888

APPENDIX B:

Statutory Reporting Requirements

This Appendix provides a guide to the Bureau's response to the reporting requirements of Section 1016(c) of the Dodd-Frank Act. The sections of the report identified below respond to Section 1016(c)'s requirements.

Statutory Subsection	Reporting Requirement	Section	Page
1	A discussion of the significant problems faced by consumers in shopping for or obtaining consumer financial products or services	Consumer Challenges in Obtaining Financial Products and Services – Shopping Challenges	36-39
2	A justification of the Bureau's budget request for the previous year	Building a Great Institution: Update – Budget; Appendix H – Financial and Budget Reports	76-82 109-10
3	A list of significant rules and orders adopted by the Bureau, as well as other significant initiatives conducted by the Bureau, during the preceding year, and the plan of the Bureau for rules, orders, or other initiatives to be undertaken during the upcoming period	Appendix C – Significant Rules, Orders, and Initiatives	95-100
4	An analysis of complaints about consumer financial products or services that the Bureau has received and collected in its central database on complaints during the preceding year	Consumer Challenges in Obtaining Financial Products and Services – Consumer Concerns	12-36

5	A list, with a brief statement of the issues, of the public supervisory and enforcement actions to which the Bureau was a party during the preceding year	Public Supervisory and Enforcement Actions	66-69
6	The actions taken regarding rules, orders, and supervisory actions with respect to covered persons which are not credit unions or depository institutions	Appendix D – Actions Taken Regarding Rules, Orders, and Supervisory Actions with Respect to Covered Persons Which Are Not Credit Unions or Depository Institutions	101-02
7	An assessment of significant actions by State attorneys general or State regulators relating to Federal consumer financial law	N/A[68]	N/A
8	An analysis of the Bureau's efforts to fulfill its fair lending mission	Delivering for American Consumers and Leveling the Playing Field – Fair Lending	70-73
9	An analysis of the Bureau's efforts to increase workforce and contracting diversity consistent with the procedures established by OMWI	Building a Great Institution: Update – Diversity and Excellence	83-90

[68] The Bureau has not learned of any such actions that have been filed between January 1, 2012 and December 31, 2012.

APPENDIX C:

Significant Rules, Orders, and Initiatives[69]

Section 1016(c)(3) requires "a list of significant rules and orders adopted by the Bureau, as well as other significant initiatives conducted by the Bureau, during the preceding year and the plan of the Bureau for rules, orders or other initiatives to be undertaken during the upcoming period."

In the past year, the Bureau proposed or adopted the following significant rules and orders and conducted the following significant initiatives[70]:

- Rules (proposed and final) to implement Dodd-Frank Act protections concerning consumer remittance transfers to foreign countries;
- Final rule temporarily delaying the effective date of the CFPB's final rule on remittance transfers;
- Rules to implement Dodd-Frank Act provisions on the following:
    - Ability to Repay/Qualified Mortgages (final rule);
    - Escrows (final rule);
    - Appraisal requirements for higher-risk mortgages (interagency) under TILA (proposed and final rules);
    - Appraisal requirements under ECOA (proposed and final rules);

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[69] Links to final rules, proposed rules and guidance documents are available from the CFPB's website, *available at*: consumerfinance.gov/regulations/.

[70] To provide a more complete description of the Bureau's work during this period, this Appendix also discusses rules issued in January 2013. In addition, to better inform the public, this Appendix contains a discussion of a broad range of rulemakings, orders, and initiatives, which may not be defined as "significant" for other purposes.

    - High-cost mortgage loans under HOEPA (proposed and final rules);
    - Loan originator compensation (proposed and final rules); and
    - Mortgage loan servicing (proposed and final rules).

- Proposed rule combining certain disclosures that consumers receive under TILA and RESPA in applying for and closing on a mortgage loan;
- Final rule delaying the implementation date for certain new mortgage disclosure requirements in order for those requirements to be implemented with the Bureau's final rule integrating mortgage disclosures under TILA and RESPA;
- Concurrently with issuing the final Ability to Repay/Qualified Mortgage rule, a proposed rule proposing amendments to the final rule, including exemptions for certain nonprofit creditors and certain homeownership stabilization programs, and an additional definition of a qualified mortgage for certain loans made and held in portfolio by small creditors. The Bureau also sought feedback on whether additional clarification is needed regarding the inclusion of loan originator compensation in the points and fees calculation;
- Proposed rule amending the rules implementing the credit card ability to pay provisions of TILA to address concerns that the current rule unduly limits the ability of spouses and partners not working outside the home to obtain credit cards based on the income of the other spouse or partner;
- Proposed rule amending the rules implementing TILA's limits on the total amount of fees that a credit card issuer may require a consumer to pay during the first year after account opening;
- Final rule defining "larger participants" in the debt collection market;
- Final rule defining "larger participants" in the consumer reporting market;
- Final rules defining procedures for investigations, rules of practice for adjudication proceedings;
- Final rule regarding confidential treatment of privileged information;
- Interim final rule ensuring nondiscrimination on the basis of disability in programs and activities undertaken by the Bureau;
- Interim final rule regarding supplemental ethics regulations for CFPB employees;
- Advance Notice of Proposed Rulemaking seeking comment, data and information about GPR prepaid cards;
- Appointed 25 consumer experts for the CFPB's Consumer Advisory Board;
- Began accepting complaints on bank products and services, private student loans, consumer loans, and credit reporting;

- Continued to expand information sharing with state regulators; information sharing agreements are now in place with 61 state regulatory agencies in 49 states, the District of Columbia, and Puerto Rico;
- Entered into an MOU formalizing the CFPB's fair lending enforcement relationship with the Civil Rights Division of the Department of Justice;
- Entered into an MOU with the FTC to protect consumers and avoid duplication of federal law enforcement and regulatory efforts;
- Entered into an MOU with the prudential regulators to ensure the coordination of important aspects of the supervision of insured depository institutions with more than $10 billion in assets and their affiliates;
- In collaboration with the Department of Education, released a report to Congress with respect to private student loans;
- Issued Bulletin on third-party service providers to supervised entities;
- Issued Bulletin regarding marketing of credit card add-on products;
- Issued Bulletin regarding Remittance Rule implementation;
- Issued the Bureau's *Supervision and Examination Manual, Version 2.0;*
- Issued Examination Appeals Policy;
- Issued examination procedures for education loans;
- Issued Statement of Intent for sharing information with state banking and financial services regulators;
- Launched *Ask CFPB*, an interactive online tool that helps consumers find clear, unbiased answers to their financial questions;
- Launched the Consumer Complaint Database;
- Proposed policy to Encourage Trial Disclosure Programs;
- Launched an interactive online tool to allow students and families to compare financial aid offers to better understand future debt burdens and navigate paying for college. Based on feedback from consumers, institutions of higher education, and other stakeholders, new features and improvements have been implemented;
- Released a compliance bulletin regarding the enforcement of ECOA, and recognizing the disparate impact doctrine;
- Released a report and consumer guide about reverse mortgages;
- Released a report on the difference in "educational" credit scores sold to consumers and scores sold to and used by creditors;
- Released a white paper describing the credit reporting infrastructure at the three largest credit reporting agencies;
- Released and tested a draft periodic mortgage statement;

- Request for Comment on Payday Lending Hearing Transcript;
- Request for Information Regarding Complaints From Private Education Loan Borrowers;
- Request for Information Regarding Consumer Use of Reverse Mortgages;
- Request for Information Regarding Credit Card Market;
- Request for Information Regarding Impacts of Overdraft Programs on Consumers;
- Request for Information Regarding Scope, Methods, and Data Sources for Conducting Study of Pre-Dispute Arbitration Agreements;
- Request for Information Regarding Senior Financial Exploitation;
- With the U.S. Department of Defense, the FTC, and the National Association of Attorneys General, developed a database to combat consumer financial fraud directed at military members, veterans, and their families;
- With the FDIC, the Federal Reserve, the OCC, and the NCUA, released joint guidance to address mortgage servicer practices that may pose risks to homeowners who are serving in the military;

In 2013, the Bureau also plans to propose or adopt the following significant rules and orders, and conduct the following significant initiatives:

- Final rule addressing proposed amendments to the Bureau's Ability to Repay/Qualified Mortgage rule and Regulation Z (TILA) to exempt certain nonprofit creditors and certain homeownership stabilization programs and to add an additional definition of a qualified mortgage for certain loans made and held in portfolio by small creditors. The rule will also address whether there is a need for additional clarification regarding the inclusion of loan originator compensation in the points and fees calculation;
- Final rule (proposed in December 2012) amending the CFPB's remittance rule to provide additional clarity regarding disclosures and error resolution procedures;
- Rule finalizing a Bureau proposal amending the regulations implementing TILA's limits on the total amount of fees that a credit card issuer may require a consumer to pay during the first year after account opening;
- Rule finalizing a Bureau proposal to amend the regulations implementing the credit card ability to pay provisions of TILA to address concerns that the current rule unduly limits the ability of spouses and partners not working outside the home to obtain credit cards based on the income of the other spouse or partner;

- Rules finalizing the restatement of regulations implementing consumer financial protection laws transferred from other regulatory agencies to the Bureau by the Dodd-Frank Act;
- Rules concerning the Consumer Financial Civil Penalty Fund, which will establish procedures that the Bureau will follow when allocating funds in the Civil Penalty Fund to victims of activities for which civil penalties were imposed under federal consumer financial laws;
- Rules concerning debt collection, which will contain procedures for the Bureau's collection of debts owed to the United States;
- Continue to finalize integrated disclosures and accompanying rules for mortgage loans that satisfy the requirements of both TILA and RESPA;
- Continue work on possible regulatory streamlining and burden reduction efforts;
- Continue work toward a rulemaking to implement the Dodd-Frank Act amendments to HMDA;
- Continue work toward a rulemaking on GPR prepaid cards;
- Continued expansion of the Bureau's capacity to handle consumer complaints with respect to all products and services within its authority;
- Enforcement of Nondiscrimination on the Basis of Disability in Programs and Activities Conducted by the Bureau of Consumer Financial Protection;
- Enforcement of Nondiscrimination on the Basis of Disability in Programs Receiving Financial Assistance from the Bureau;
- Issue reports on private student loans and recommendations on best practices concerning financial advisors who work with older Americans, as directed in the Dodd-Frank Act;
- Issue reports on various aspects of the Bureau's work and operations, including reports on Consumer Response, Financial Education, Fair Lending, and Human Capital, among others,[71] as directed in the Dodd-Frank Act;
- Pilot program to evaluate certain financial education programs in the field;
- Procedures for Filing Claims against the Bureau under the Federal Tort Claims Act for loss of or damage to property or for personal injury or death;

[71] See Appendix E for reports.

- Propose additional rules to further define the scope of the Bureau's nonbank supervision program; and
- Working jointly with the Federal Reserve Board, rules finalizing a Board proposal regarding the Expedited Funds Availability Act as implemented by Regulation CC.

APPENDIX D:

Actions Taken Regarding Rules, Orders, and Supervisory Actions with Respect to Covered Persons which are not Credit Unions or Depository Institutions

Section 1016(c)(6) requires a report on "the actions taken regarding rules, orders and supervisory actions with respect to covered persons which are not credit unions or depository institutions." Between January 1, 2012 and December 31, 2012, the Bureau has taken the following actions with respect to such covered persons:

- Final rule defining "larger participants" in the debt collection market[72];
- Final rule defining "larger participants" in the consumer reporting market[73]; and
- Proposed rule regarding procedures for supervising nonbanks that pose risks to consumers.[74]

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[72] https://www.federalregister.gov/articles/2012/12/07/2012-29438/defining-larger-participants-of-the-consumer-debt-collection-market-correction.

[73] https://www.federalregister.gov/articles/2012/07/20/2012-17603/defining-larger-participants-of-the-consumer-reporting-market.

- In addition to these items, other Bureau rules issued in 2012 apply to both depository institutions and non-depository institutions.

[74] https://www.federalregister.gov/articles/2012/05/25/2012-12718/procedural-rules-to-establish-supervisory-authority-over-certain-nonbank-covered-persons-based-on.

APPENDIX E:

Reports

The CFPB published the following reports from January 1, 2012 through December 31, 2012, which may be found at consumerfinance.gov/reports/:

- **January 30, 2012**: Semi-Annual Report of the CFPB;
- **March 20, 2012**: Fair Debt Collection Practices Act;
- **March 31, 2012**: Consumer Response Annual Report;
- **April 13, 2012**: Plain Writing Compliance Report;
- **June 19, 2012**: Consumer Response: A Snapshot of Complaints Received;
- **June 28, 2012**: Reverse Mortgage Report;
- **July 30, 2012**: Semi-Annual Report of the CFPB;
- **July 31, 2012**: Annual Report to the Committee on Appropriations of the House of Representatives;
- **August 10, 2012**: Final Report of the Small Business Review Panel on CFPB's Proposals Under Consideration for Mortgage Servicing Rulemaking;
- **August 29, 2012**: Private Student Loans;
- **September 2012**: Analysis of Differences between Consumer and Creditor- Purchased Credit Scores;
- **October 10, 2012**: Consumer Response: A Snapshot of Complaints Received;
- **October 16, 2012**: Annual Report of the CFPB Student Loan Ombudsman;
- **October 18, 2012**: The Next Front? The Student Loan Servicing and the Cost to our Men and Women in Uniform;
- **October 31, 2012**: Supervisory Highlights: Fall 2012;
- **November 13, 2012**: Independent Performance Audit of CFPB Operations and Budget;
- November 15, 2012: Financial Report of the CFPB – Fiscal Year 2012;
- **December 6, 2012**: Fair Lending Report of the CFPB;
- December 7, 2012: 2012 CFPB Annual Employee Survey;
- December 13, 2012: Key Dimensions and Processes in the U.S. Credit Reporting System: A review of how the nation's largest credit bureaus manage consumer data; and
- **December 20, 2012**: Growing our Human Capital.

APPENDIX F:

Congressional Testimony

Senior CFPB staff has testified before Congress a total of 29 times in 2011 and 2012, including on the following 17 occasions between January 1, 2012 and December 31, 2012, which may be found at consumerfinance.gov/speeches:

- **January 24, 2012**: Richard Cordray before the House Oversight and Government Reform Subcommittee on TARP, Financial Services and Bailouts of Public and Private Programs;
- **January 31, 2012**: Richard Cordray before the Senate Banking Committee;
- **February 15, 2012**: Richard Cordray before the House Financial Services Subcommittee on Oversight and Investigations;
- **March 29, 2012**: Richard Cordray before the House Financial Services Committee;
- **April 26, 2012**: Camille Busette before the Senate Homeland Security and Governmental Affairs Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia;
- **June 6, 2012**: Richard Cordray before the Senate Banking Committee;
- **June 6, 2012**: Gail Hillebrand before the House Financial Services Subcommittee on Financial Institutions and Consumer Credit;
- **June 20, 2012**: Raj Date before the House Financial Services Subcommittee on Insurance, Housing, and Community Opportunity;
- **June 26, 2012**: Holly Petraeus before the Senate Committee on Banking, Housing and Urban Affairs;
- **July 19, 2012**: Raj Date before the House Financial Services Subcommittee on Financial Services and Consumer Credit;
- **July 24, 2012**: Rohit Chopra before the Senate Committee on Banking, Housing, and Urban Affairs;
- **July 24, 2012**: Richard Cordray before the House Oversight and Government Reform Subcommittee on TARP, Financial Services, and Bailouts of Public and Private Programs;
- **August 1, 2012**: Richard Cordray before the House Committee on Small Business;

- **September 13, 2012**: Richard Cordray before the Senate Committee on Banking, Housing, and Urban Affairs;
- **September 20, 2012**: Richard Cordray before the House Committee on Financial Services;
- **November 15, 2012**: Hubert H. "Skip" Humphrey before the Senate Special Committee on Aging; and
- **December 19, 2012**: Corey Stone before the Senate Banking Subcommittee on Financial Institutions and Consumer Protection.

APPENDIX G:

Speeches

Director Richard Cordray or Deputy Director Raj Date spoke at the following public events between January 1, 2012 and December 31, 2012, which may be found at consumerfinance.gov/speeches:

- **January 5, 2012**: Remarks by Richard Cordray at The Brookings Institution in Washington, DC;
- **January 17, 2012**: Remarks by Richard Cordray at FDIC Board of Directors in Washington, DC;
- **January 18, 2012**: Remarks by Richard Cordray at U.S. Conference of Mayors in Washington, DC;
- **January 19, 2012**: Remarks by Richard Cordray at Payday Loan Field Hearing in Birmingham, AL;
- **February 15, 2012**: Remarks by Richard Cordray at League of United Latin American Citizens Conference in Washington, DC;
- **February 22, 2012**: Remarks by Richard Cordray at CFPB Roundtable on Overdraft Practices in New York, NY;
- **March 6, 2012**: Remarks by Richard Cordray at National Association of Attorneys General in Washington, DC;
- **March 14, 2012**: Remarks by Richard Cordray at Independent Community Bankers of America National Convention in Nashville, TN;
- **March 16, 2012**: Remarks by Richard Cordray at Society of American Business Editors and Writers in Indianapolis, IN;
- **March 19, 2012**: Remarks by Richard Cordray at Credit Union National Association Governmental Affairs Conference in Washington, DC;
- **March 21, 2012**: Remarks by Richard Cordray at Consumer Bankers Association in Austin, TX;
- **March 28, 2012**: Remarks by Richard Cordray at U.S. Chamber of Commerce in Washington, DC;
- **April 10, 2012**: Remarks by Richard Cordray at Operation Hope in Washington, DC;

- **April 11, 2012**: Remarks by Richard Cordray on the launch of the Financial Aid Comparison Shopper in Sioux Falls, SD;
- **April 18, 2012**: Remarks by Richard Cordray at the National Community Reinvestment Coalition in Washington, DC;
- **April 18, 2012**: Remarks by Richard Cordray at Jump$tart in Washington, DC;
- **April 20, 2012**: Remarks by Raj Date at Greenlining Institute Conference in Los Angeles, CA;
- **May 3, 2012**: Remarks by Richard Cordray at 2012 Simon New York City Conference in New York, NY;
- **May 7, 2012**: Remarks by Raj Date at Mortgage Bankers Association National Secondary Market Conference in New York, NY;
- **May 10, 2012**: Remarks by Richard Cordray at the White House Financial Summit in Washington, DC;
- **May 11, 2012**: Remarks by Richard Cordray at Michigan State University College of Law Commencement in East Lansing, MI;
- **May 23, 2012**: Remarks by Richard Cordray at CFPB Prepaid Cards Field Hearing in Durham, NC;
- **June 5, 2012**: Remarks by Richard Cordray at a White House press briefing on student loan transparency in Washington, DC;
- **June 11, 2012**: Remarks by Raj Date at American Bankers Association Conference in Orlando, FL;
- **June 14, 2012**: Remarks by Richard Cordray at World Elder Abuse Awareness Day Event in Washington, DC;
- **June 15, 2012**: Remarks by Richard Cordray at American Constitution Society Conference in Washington, DC;
- **June 21, 2012**: Remarks by Richard Cordray at a press conference on Military Permanent Change of Station (PCS) Guidance for Mortgage Servicers in Washington, DC;
- **June 27, 2012**: Remarks by Richard Cordray on Reverse Mortgages Study in Washington, DC;
- **July 9, 2012**: No Más: Remarks by Richard Cordray to the National Council of La Raza in Las Vegas, Nevada;
- **July 16, 2012**: Remarks by Richard Cordray on Credit Reporting at the Credit Reporting Field Hearing in Detroit, MI;
- **September 20, 2012**: Remarks by Richard Cordray at the Corporation for Enterprise Development Conference in Washington, DC;

- **September 21, 2012**: Remarks by Richard Cordray at the Congressional Black Caucus Foundation in Washington, DC;
- **September 27, 2012**: Remarks by Richard Cordray at the inaugural Consumer Advisory Board meeting in St. Louis, MO;
- **October 24, 2012**: Remarks by Richard Cordray at the Public Field Hearing on Debt Collection Practices in Seattle, WA;
- **October 25, 2012**: Remarks by Richard Cordray at the National Consumer Law Center Conference in Seattle, WA;
- **November 14, 2012**: Remarks by Richard Cordray on Project Catalyst: Stimulating Innovation in Financial Products and Services in Mountain View, CA;
- **December 5, 2012**: Remarks by Richard Cordray at a press conference with Mayor Rahm Emanuel in Chicago, IL; and
- **December 13, 2012**: Prepared remarks by Richard Cordray on a credit reporting white paper press call.

APPENDIX H:

Financial and Budget Reports

The CFPB has published the following financial reports from January 1, 2012 through December 31, 2012, which are all available at consumerfinance.gov/budget:

- **January 20, 2012**: CFO update for the first quarter of fiscal year 2012;
- **May 11, 2012**: CFO update for the second quarter of fiscal year 2012;
- **July 27, 2012**: CFO update for the third quarter of fiscal year 2012;
- **November 15, 2012:** Financial Report of the CFPB – Fiscal Year 2012; and
- **December 15, 2012**: CFO Update for the fourth quarter of fiscal year 2012

The CFPB has published the following Budget Documents, which are all available at consumerfinance.gov/budget:

- Fiscal Year 2013 Budget Justification;
- Fiscal Year 2013 Budget in Brief;
- Fiscal Year 2012 Congressional Budget Justification; and
- Fiscal Year 2012 Budget in Brief.

The CFPB has published the following funding requests to the Federal Reserve Board, from January 1, 2012 through December 31, 2012, which are all available at consumerfinance.gov/budget:

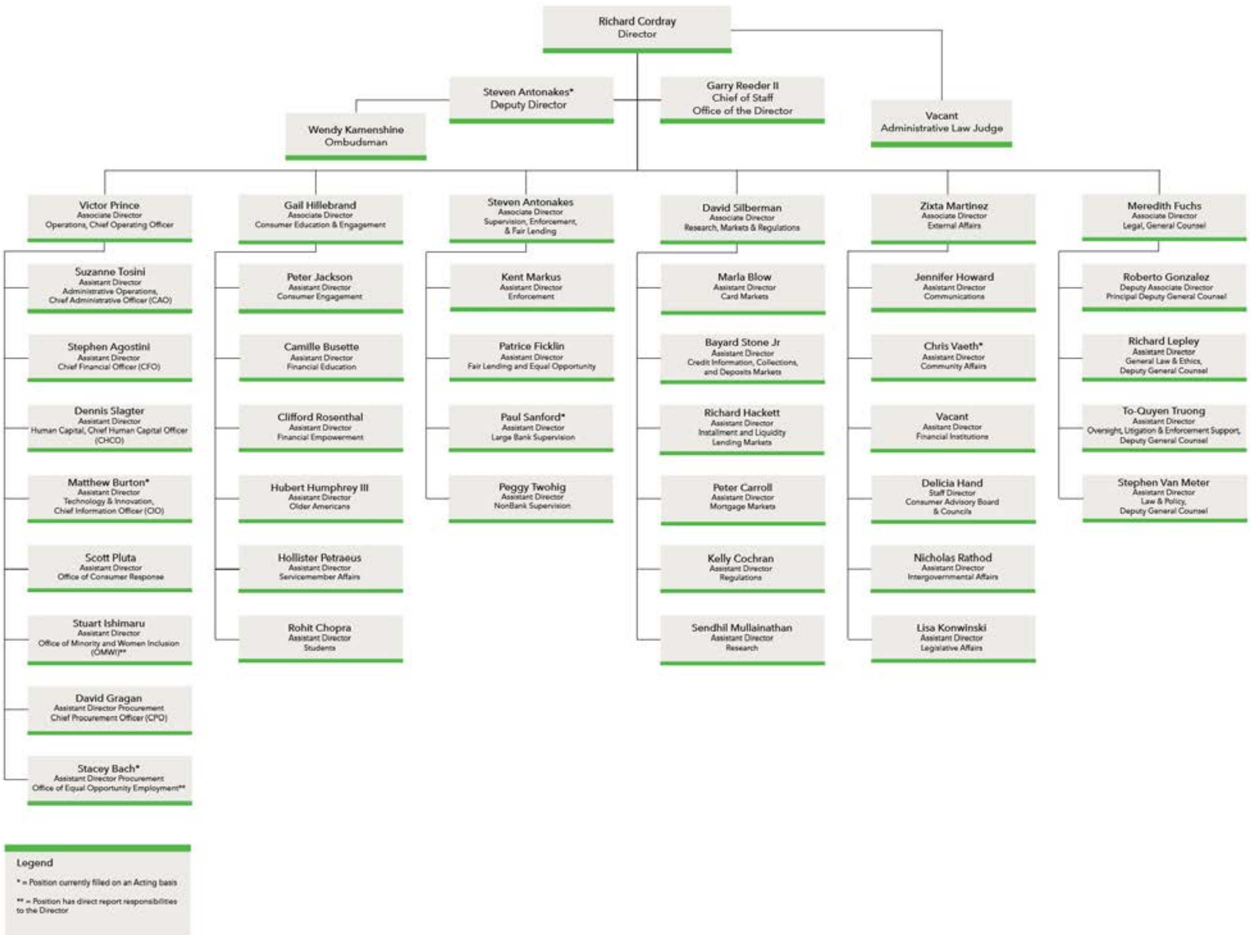
- **January 6, 2012:** Funding Acknowledgement from the Federal Reserve Board;
- **March 30, 2012:** Funding Request to the Federal Reserve Board;
- **April 5, 2012:** Funding Acknowledgement from the Federal Reserve Board;
- **July 2, 2012:** Funding Request to the Federal Reserve Board;
- **July 9, 2012:** Funding Acknowledgement from the Federal Reserve Board;
- **October 2, 2012:** Funding Request to the Federal Reserve Board; and

- **October 18, 2012:** Funding Acknowledgement from the Federal Reserve Board.[75]

[75] Additional quarterly funding requests to the Federal Reserve Board and the corresponding funding acknowledgements from the Federal Reserve Board will be made available at consumerfinance.gov/budget.

APPENDIX I:

CFPB Organizational Chart



APPENDIX J:

Defined Terms

ACRONYM	Defined Term
APR	Annual Percentage Rate
ARC	Academic Research Council
ATM	Automated Teller Machine
BUREAU	The Consumer Financial Protection Bureau
CAB	Consumer Advisory Board
CARD ACT	The Credit Card Act
CBAC	Community Bank Advisory Council
CE	The CFPB's Office of Consumer Engagement
CFPB	The Consumer Financial Protection Bureau
COO	Chief Operating Officer
CUAC	Credit Union Advisory Council
DEP	Delayed Entry Program
DODD-FRANK ACT	The Dodd-Frank Wall Street Reform and Consumer Protection Act
ECOA	Equal Credit Opportunity Act
EFTA	Electronic Fund Transfer Act
FCRA	Fair Credit Reporting Act

FDIC	The Federal Deposit Insurance Corporation
FEDERAL RESERVE BOARD	The Board of Governors of the Federal Reserve System
FHFA	The Federal Housing Finance Agency
FIRREA	The Financial Institutions Reform, Recovery, and Enforcement Act
FTC	The U.S. Federal Trade Commission
FY	Fiscal year
GAO	Government Accountability Office
GPR	General Purpose Reloadable
HMDA	Home Mortgage Disclosure Act
HOEPA	Home Ownership and Equity Protection Act
HUD	The U.S. Department of Housing and Urban Development
MOU	Memorandum of Understanding
NCUA	The National Credit Union Administration
OA	The CFPB's Office of Older Americans
OCA	The CFPB's Office of Community Affairs
OCC	The U.S. Office of the Comptroller of the Currency
ODEP	The U.S. Department of Labor's Office of Disability Employment Policy
OEEO	The CFPB's Office of Equal Employment Opportunity
OFE	The CFPB's Office of Financial Education
OHC	The CFPB's Office of Human Capital
OMWI	The CFPB's Office of Minority and Women Inclusion
OSA	The CFPB's Office of Service Member Affairs

PLDS	Payday Loan Debt Solutions
RESPA	Real Estate Settlement Procedures Act
RFI	Request for Information
SAFE ACT	The Secure and Fair Enforcement for Mortgage Licensing Act
SEC	The U.S. Securities and Exchange Commission
TARP	The Troubled Asset Relief Program
TILA	The Truth in Lending Act
TISA	The Truth in Savings Act
TREASURY	The U.S. Department of the Treasury