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An Introduction to CFPB’s Exams of Financial Companies

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The CFPB has longstanding supervisory relationships with many institutions and their service providers, but we also commonly conduct exams or other supervisory activities at a company for the first time. Here, the CFPB provides information about what newly supervised institutions—who may not be familiar with our supervision program—can expect from the supervisory relationship, as well as resources that may be helpful. The Bureau’s goal is to work collaboratively with supervised entities to review entities’ processes for compliance and/or remedy existing problems. For additional information on how the CFPB approaches its supervisory work, please also review the [CFPB Humility in Supervision Pledge](#).

Statutory background

Under the Consumer Financial Protection Act of 2010, we conduct our supervisory activities for the purposes of: (A) assessing compliance with Federal consumer financial law; (B) obtaining information about a supervised institution’s activities and compliance systems and procedures; and (C) detecting and assessing risks to consumers and to markets for consumer financial products and services.

Prior to the Consumer Financial Protection Act, other federal supervisory agencies conducted consumer protection examinations of banks and credit unions. Many features of our supervision program are based on the longstanding supervisory traditions of our peer agencies.

Confidential back-and-forth communication

As with other supervisory agencies, CFPB supervisory activities are confidential. The confidential nature of supervision promotes candid communication between supervised entities and their regulators. The United States Court of Appeals for the District of Columbia Circuit has explained that because “bank supervision is relatively informal and more or less continuous, so too must be the flow of communication between the bank and the regulatory agency. Bank

management must be open and forthcoming in response to the inquiries of bank examiners, and the examiners must, in turn, be frank in expressing their concerns about the bank.” These considerations also apply to non-bank supervision.

Transparency about our supervision program

Quarterly, the CFPB publishes a list of banks and credit unions subject to our supervisory authority. In addition, our exam manual is available to the public. Bureau-supervised entities receive advance notice of scheduled examinations, providing entities with the opportunity to plan. Requests related to exams focus on Bureau priorities and hew to the defined scope of the exam and do not venture into areas outside the scope.

The role of examiners

The CFPB implements the Dodd-Frank Act’s requirement to conduct risk-based supervision through a “prioritization” approach to allocating our supervisory resources, which is described further in the overview section of our exam manual. In other words, not every firm subject to the CFPB’s supervision authority will get examined.

Examiners generally do the following:

- Collect and review available information from within the CFPB, other Federal and state agencies, and public sources, consistent with statutory requirements;
- Review documents and information obtained through information requests sent to supervised entities;
- Conduct exams to observe, conduct interviews, review additional documents and information, transaction test, and assess compliance management;
- Consult within the CFPB on legal issues arising from an examination, including legal violations;

- Draw preliminary conclusions about the regulated entity’s compliance management and its statutory and regulatory compliance after internal consultation;¹
- Consult within the CFPB about examination work product and any corrective actions that the institution should take;
- Send the supervisory communication to the supervised entity.

Exam manual as a resource

The exam manual is a resource for examiners to use in conducting exams and other supervisory activities. Among other topics, it includes background information about relevant statutes and regulations. However, legal discussions in the exam manual are not binding on examiners or other CFPB staff. A supervisory finding that an institution has violated the law is based on an application of the governing statute and regulations to that institution.

While the manual is intended as an internal resource for examiners, we post it on the CFPB website, in the interest of transparency about our program. Readers should keep in mind the disclaimer attached to the manual, which notes that it “should not be relied on as a legal reference.” Supervised institutions are bound by statutes and regulations, not by our manual.

Supervisory findings

At the end of an exam or other supervisory activities, examiners provide the supervised institution with a supervisory communication, such as an exam report or supervisory letter, which includes their findings.

Among other types of findings, examiners may find that an institution has violated a statute or regulation. These findings are normally reviewed by staff supporting the examiners at CFPB Headquarters. They are not final determinations by the CFPB or the CFPB Director. Instead, they are part of the supervisory process that aims to improve compliance and prevent violations.

Exam findings may include “matters requiring attention” (MRA). Examiners use MRAs to communicate specific goals to be accomplished to address violations of law or compliance management deficiencies. Bureau-issued MRAs will focus on pattern and practice violations of

¹ Examiners typically communicate preliminary conclusions to supervised entities during the examination or other supervisory activity.

law where there is substantive and identifiable consumer harm or clear violations of the disclosure requirements. Supervised entities can expect timely responses from the Bureau and appropriate follow-up on outstanding and open matters such as exams and MRAs.

Distinction between Supervision and Enforcement

Most supervisory activities do not result in a referral to the Enforcement Division for further investigation. Enforcement has many other sources of information that prompt investigations, such as consumer complaints, referrals from other agencies, whistleblowers, and market intelligence.

The CFPB seeks to collaborate with institutions to remedy legal violations voluntarily and make consumers whole for any harm they have suffered. Thus, the CFPB considers the decision to refer a matter to Enforcement for further investigation or instead continue to use the supervisory process very carefully. If a matter is referred for further investigation, Enforcement will take any additional investigative steps, consistent with the principles governing its work. [Learn about CFPB Enforcement.](#)

Conclusion

Most financial companies prefer the supervisory process to formal law enforcement investigations. This process may help to identify issues before they become systemic or cause significant harm. Effective supervision depends on cooperation by company staff with examiner's requests for information, collaboration between examiners and company staff, and clear communication on both sides. And this requires a solid understanding of the CFPB's supervisory process.