



Mortgage Industry Bulletin

Just Another Day At The Bureau

January 6, 2012 — Imagine, if you will, the adrenalin rush when the call came from the White House to Richard Cordray informing him that D-Day had arrived. It was time to parachute behind enemy lines and try to catch the opposition by surprise. When that call actually took place is not known, but it is clear the new CFPB (Consumer Financial Protection Bureau) director wasted no time readying his troops for the mission ahead.

As soon as the appointment was official, the CFPB launched its Nonbank Supervision Program. On day two, Director Cordray was addressing The Brookings Institution [1] in Washington, D.C. and he clearly was ready to defend his appointment and let the world know he was prepared for the task. From the hastily re-written introductory biography that named him as the director to the media questions that relentlessly focused on the legality of his appointment, clearly Cordray relished the agency having the green light.

During his introduction, Cordray was presented as an undefeated five-time champion on Jeopardy and he showed composure and poise under fire from reporters. His speech targeted three issues: Why does the Bureau matter? What has the Bureau been doing for the past six months? How will the Bureau use its full authority to protect consumers?

Stressing that consumer finance is a big part of the nation's economy and plays a large role in the daily life of almost every American, Cordray said the complexity and risk in consumer finance had increased substantially in recent years. It was the mission of the CFPB and every staff member to ensure consumers were treated fairly in the financial marketplace. He described the efforts already underway to reach out to people around the country to hear about people's experiences. In the end, the goal is to help buyers and sellers understand the terms of a deal and be able to compare alternatives.

"We will begin dealing face-to-face with payday lenders, mortgage servicers, mortgage originators, private student lenders, and other firms that compete with banks," said Cordray. He referenced the CFPB Supervision Program [2] that will immediately target mortgage lenders and servicers, payday lenders and private education lenders. A point made clear in the CFPB press release, was that the nonbank supervision examinations will be performed using the same approach and manual as examinations for banks.

Based on the risk posed to consumers, the CFPB will focus on the internal ability of a nonbank to detect, prevent and remedy violations that may harm consumers. Fully coordinated with state regulators, the Bureau has put in place agreements to share data and nonbank information with 42 states. CFPB examiners will cover the country from four field offices in New York, Chicago, San Francisco and Washington, D.C.

So what are the next steps? Look for the CFPB to extend the supervision program first to nonbank mortgage servicers. From the time Elizabeth Warren, the agency architect,

first breathed life into the regulator, this has been a primary agenda. In his Brookings delivery, Cordray was deliberate and decisive. He showed he was not concerned by the threat of possible legal challenges. There will be additional rules, according to Cordray, published soon that will propose extending CFPB oversight to at least six identified potential financial industry targets: debt collection, consumer reporting, prepaid cards, debt relief services, consumer credit and money transmitting/check cashing.

Outlined in the Mortgage Servicing Examination Procedures [3] previously released, the CFPB has indicated it will use a broad approach including evaluating reports describing nonbank operations, reviewing materials that offer products and services to consumers, analyzing compliance systems and procedures that protect consumers, and evaluating how firms deliver on what is promised to consumers. To accomplish these goals, the CFPB will also evaluate compliance with the Truth in Lending Act and the Equal Credit Opportunity Act that promote access and fairness for consumer financial products.

There were two final points offered by Cordray in the Brookings address that deserve mention. Director Cordray told the audience that the CFPB staff was passionate about consumers and their problems, and that he was inspired by their talent and dedication. That was reinforced a day later with the appointment of Raj Date as the CFPB Deputy Director. In his concluding remarks, Cordray noted it was not the community banks and credit unions that created the problems that led to the financial crisis. He praised the community-based business model that he said represented the best in customer relationships.

Now we know the CFPB had done their prep work and was just waiting for the starting gun. That shot has been fired and the game is on.

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[1] A link is provided below to The Brookings Institution website for the speech by Richard Cordray.

http://www.brookings.edu/~media/Files/events/2012/0105_cordray/20120105_consumer_protection.pdf

[2] A link is provided below to the CFPB website and Supervision Program announcement.

<http://www.consumerfinance.gov/pressrelease/consumer-financial-protection-bureau-launches-nonbank-supervision-program/>

[3] A link is provided below to the CFPB website with Mortgage Servicing Examination Procedures

<http://www.consumerfinance.gov/guidance/supervision/manual/mortgage-servicing-examination-procedures/>

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