



January 7, 2013

William Mitchell  
Chief Financial Officer  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue NW  
Washington, DC 20551

Re: Funds Transfer Request, FY 2013 Quarter 2

Dear Mr. Mitchell:

Section 1017(a)(1) of the Consumer Financial Protection Act ("Act") requires the Board of Governors of the Federal Reserve System ("Board") to transfer to the Bureau of Consumer Financial Protection ("Bureau") each quarter the amount determined by the Director to be reasonably necessary to carry out the authorities of the Bureau under Federal consumer financial law and the Act. I have determined that \$108,000,000 is the amount necessary to carry out the authorities of the Bureau for FY 2013 Q2, and I request that the Board transfer this amount to the Bureau immediately. The Bureau's budget is available on its website, a copy of which is attached for your reference.

Please deposit the funds in the Bureau of Consumer Financial Protection Fund established at the Federal Reserve Bank of New York ("Bureau Fund"), as soon as possible after receipt of this letter. Disbursement instructions to transfer funding from the Bureau Fund into the Treasury General Account (ABA number 021030004 for credit to ALC number 9585000) will be made separately, as will investment direction.

Sincerely,

A handwritten signature in blue ink that reads "Richard Cordray".

Richard Cordray  
Director

cc: Craig Delaney  
Brenda Richards

Attachment: Print-out from [www.consumerfinance.gov](http://www.consumerfinance.gov) of CFPB budget

# **Consumer Financial Protection Bureau**

## **FY 2013 Budget Justification**

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## **Section 1 – Purpose**

### **1A – Mission Statement**

To help consumer financial markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives.

### **1.1 – Resource Detail Table<sup>1</sup>**

(Dollars in thousands)

	2011		2012		2013		% Change
	FTE	Actual Amount	FTE	Estimates Amount	FTE	Estimates Amount	
<b>Budgetary Resources:</b>							
Revenue/Offsetting Collections							
Transfers-in		161,850		340,300		447,688	32%
<b>Total Revenue/Offsetting Collections</b>	<b>161,850</b>		<b>340,300</b>		<b>447,688</b>	<b>32%</b>	
Unobligated Balances, Start of Year		9,200		47,720		31,646	-34%
Recoveries of Prior Year Obligations							
Net Transfers							
<b>Total Budgetary Resources Available</b>		<b>171,050</b>		<b>388,020</b>		<b>479,334</b>	<b>24%</b>
<b>Expenses/Obligations</b>							
Supervision, Enforcement, and Fair Lending & Equal Opportunity	101	59,632	635	214,053	873	261,119	22%
Consumer Education and Engagement/Consumer Response	41	43,339	196	84,585	345	126,025	49%
Research, Markets and Regulations	36	20,359	111	57,736	141	60,544	5%
<b>Total Expenses/Obligations</b>	<b>178</b>	<b>\$123,330</b>	<b>942</b>	<b>\$356,374</b>	<b>1,359</b>	<b>\$447,688</b>	<b>26%</b>

### **1B – Mission, Priorities, and Context**

The Consumer Financial Protection Bureau (“CFPB” or the “Bureau”) was established under Title X of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Act”).<sup>2</sup> To create a single point of accountability in the federal government for consumer financial protection, the Act consolidated many of the Federal consumer financial laws authorities previously shared by seven federal agencies<sup>3</sup> into the CFPB and provided the CFPB with additional authorities. Among the Bureau’s tools are authorities to:

- Conduct rulemaking, supervision and enforcement with respect to the Federal consumer financial laws;
- Handle consumer complaints and inquiries;
- Promote financial education;
- Research consumer behavior; and
- Monitor financial markets for risks to consumers.

<sup>1</sup> Estimates are based on the best available information at the time the Budget was prepared and are subject to revision. Consistent with the presentation of the CFPB’s audited financial statements, the resource estimates in this volume, including staffing allocations, are displayed across three budget activities, with funding for the Bureau’s operations and executive management functions allocated among the three activities.

<sup>2</sup> P.L. 111-203, 124 Stat. 1955 (July 21, 2010)

<sup>3</sup> As used throughout this document, the term “Federal consumer financial laws” has the meaning set forth in Section 1002(14) of the Act.

The CFPB is organized into six primary operating divisions:

1. Supervision, Enforcement, and Fair Lending & Equal Opportunity: Ensures compliance with and enforcement of the Federal consumer financial laws, including fair lending laws, by supervising market participants and bringing enforcement actions when appropriate.
2. Research, Markets and Regulations: Monitors consumer financial markets; improves understanding of consumer behavior and evaluates the benefits and costs of possible policy initiatives; as well as implements the Federal consumer financial laws through regulations, in coordination with the other parts of the Bureau where appropriate.
3. Consumer Education and Engagement: Empowers consumers to make financial decisions that are best for them through wide-ranging education efforts, including targeted outreach required by the Act to students, older Americans and servicemembers.
4. General Counsel: Responsible for the Bureau's compliance with all applicable laws and for providing legal advice to the Bureau's leadership and operating divisions.
5. External Affairs: Disseminates information about the Bureau's work and manages the Bureau's relationships with stakeholders in order to encourage understanding, participation, transparency and accountability.
6. Chief Operating Officer: Builds and sustains the CFPB's operational infrastructure to support the entire organization. The division also includes Consumer Response, which handles consumer complaints and inquiries related to consumer financial products and services.<sup>4</sup>

## **Strategic Goals & Priorities**

### **Build a Great Institution.**

The Bureau continues to build its operational capacity. As it does so, it must ensure that its internal infrastructure – ranging from its human capital operations to its technology and data infrastructure – will be able to support its work now and in the future. Key priorities in support of this strategic goal include:

- Recruit the most qualified employees;
- Build-out core supervision and enforcement capabilities;
- Coordinate supervision and other activities with federal and state agencies;
- Make critical investments in technology, data infrastructure and facilities;
- Expand the Bureau's capacity to receive and respond in a timely manner to consumer complaints for the full range of consumer financial products and services; and
- Build efficient and effective management processes.

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<sup>4</sup>While Consumer Response is a function under the Bureau's Chief Operating Officer, for the purpose of budget presentation, funding for Consumer Response is grouped with the Bureau's Consumer Education and Engagement division, as Consumer Response is a generally regarded as a program rather than an operations function.

### **Deliver Tangible Value.**

The Act endowed the Bureau with wide-ranging policy tools, and the Bureau must coordinate the use of those tools in a way to promote a consumer financial marketplace that works for consumers, responsible providers and the economy as a whole. Key priorities in support of this strategic goal include:

- Monitor and enforce compliance with the Federal consumer financial laws through supervision in order to protect consumers from illegal acts or practices;
- Protect honest businesses from competitors who use unscrupulous practices to gain an unfair advantage by using enforcement authority to address violations of Federal consumer financial laws in a range of markets;
- Promote fair lending compliance and education by working with federal agencies, State regulators, private industry, and fair lending, civil rights, and consumer and community advocates;
- Engage consumers in a timely way through innovative initiatives to educate them about financial issues and use consumer input, including consumer complaint and inquiry data, to identify needed policy changes with particular impact on students, older Americans and servicemembers, as required by the Act;
- Address challenges in the mortgage market and evaluate potential policy problems in a range of consumer finance markets;
- Simplify or update regulations that have become unnecessary, outmoded, overly burdensome, or are otherwise unduly difficult to understand and comply with;
- Produce original research to improve understanding of consumer behavior and market operations and practices to support the CFPB's policymaking and the general functioning of the market;
- Monitor various consumer financial markets for emerging risks, technological advances and other important developments; and
- Issue regulations that promote a fair, transparent, and competitive marketplace for consumer financial products and services after proper consideration of benefits and costs.

### **Accomplishments**

Many consumer financial protection authorities transferred to the CFPB on July 21, 2011 (the "transfer date"). In the year leading up to the transfer date and since, Treasury and CFPB staff successfully completed projects critical to establishing key operations of the Bureau, including:

- Started on-site target reviews and examinations of the largest banks;
- Began investigating possible violations of the Federal consumer financial laws;
- Issued interim final rules governing adjudications and investigations and developed a policy to give subjects of an investigation notice and an opportunity to respond prior to the commencement of formal enforcement proceedings;
- Began accepting and facilitating the resolution of consumer complaints and inquiries concerning credit cards and residential mortgage loans;
- Initiated a referral process for troubled homeowners who contact the CFPB's Consumer Response Center;
- Launched the CFPB website, including a blog and interactive tools designed to support specific policy initiatives, and web pages for students, older Americans, and servicemembers;

- Developed the Supervision Manual, including specific mortgage servicing and examination procedures;
- Launched *Know Before You Owe*, a three-part campaign to improve the quality of information given to consumers who seek residential mortgages, credit cards and student loans;<sup>5</sup>
- Published a Notice and Request for Comment as a prelude to the Office of Nonbank Supervision's effort to define "larger participants" in certain nonbank markets;
- Held a conference to assess the impact of the Credit Card Accountability Responsibility and Disclosure Act (the CARD Act) and released related data from issuers and consumers;
- Gathered information via Notices and Requests for Information on (1) financial products and services tailored to servicemembers and their families and (2) a series of issues relating to private student loans from origination to servicing to collection;
- Released reports: "Building the CFPB"; "The Impact of Differences between Consumer- and Creditor-Purchased Credit Scores"; and a "Report on Remittance Transfers";
- Hired 663 employees by the end of FY 2011, many of whom transferred from the consumer protection divisions of the prudential regulators and other transferor agencies;
- Established the financial management and human resource infrastructure necessary to support the organization's administrative processes;
- Received positive performance ratings in the independent performance audit of CFPB operations and budget;
- Received an unqualified "clean" opinion from the Government Accountability Office on the Bureau's first annual audit of financial statements and an opinion that the Bureau maintained effective internal controls over financial reporting for FY 2011; and
- As required by Section 1067(b) of the Act, the Bureau developed and released three human capital plans in FY 2011: (1) "Recruitment and Retention Plan"; (2) "Training and Workforce Development Plan"; and (3) "Workforce Flexibilities Plan".

### **Challenges**

While the CFPB's accomplishments are important, challenges the Bureau will face as it seeks to achieve its goals, include:

- Continuing to recruit the most qualified individuals over the next two years to support the diverse requirements of the Bureau; and
- Building processes the correct way so that strategies can be implemented effectively and priorities can be accomplished within established timeframes.

### **Funding Mechanism**

Funding required to support CFPB operations is obtained primarily through transfers from the Board of Governors of the Federal Reserve System (the "Board of Governors"). The Act requires the CFPB to maintain an account with the Federal Reserve – "Bureau of Consumer Financial Protection Fund" (the "Bureau Fund"). Upon request from the CFPB, the Board of Governors transfers the funds into the Bureau Fund, which is maintained at the Federal Reserve

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<sup>5</sup> For further information, including links to many of the reports discussed herein, go to <http://www.consumerfinance.gov>.

Bank of New York (the “FRBNY”). The Act provides that these funds are not to be considered government funds or appropriated monies. Bureau funds that are not needed to finance the Bureau’s current operations are invested in Treasury securities on the open market. Earnings from the investments are also deposited into this fund. The CFPB anticipates requesting funds on a quarterly basis.

Transfers to the Bureau Fund are capped as follows (Sec. 1017 of the Act):

*...the amount that shall be transferred to the Bureau in each fiscal year shall not exceed a fixed percentage of the total operating expenses of the Federal Reserve System, subject to an annual inflation adjustment, as reported in the Annual Report, 2009, of the Board of Governors, equal to:*

1. *10 percent of such expenses in fiscal year 2011 [approximately \$498 million];*
2. *11 percent of such expenses in fiscal year 2012 [approximately \$548 million];*
3. *12 percent of such expenses in fiscal year 2013 [approximately \$598 million], and in each year thereafter.<sup>6</sup>*

If the Director were to determine that these non-appropriated funds authorized under the Act are insufficient to carry out the CFPB’s responsibilities, the Act provides the authority for the CFPB to also request appropriated funds, up to \$200 million, in FYs 2010-2014. Any request to secure funding through discretionary appropriations under this provision would be subject to the Congressional appropriations process.

The CFPB also collects filing fees from developers under the Interstate Land Sales Full Disclosure Act (“ILSA”).<sup>7</sup> On July 21, 2011, this program was transferred to the CFPB from the Department of Housing and Urban Development pursuant to the Act. The CFPB continues to study the legal effects of the legislation on the transfer of these functions under the ILSA. The fees collected may be retained and are available until expended to cover all or part of the costs that the Bureau incurs for ILS program operations.

Pursuant to the Act, the CFPB is also authorized to collect civil penalties in any judicial or administrative action under the Federal consumer financial laws. The Act requires the CFPB to maintain a separate fund, known as the Consumer Financial Civil Penalty Fund (“Civil Penalty Fund”). Collections of civil penalties will be deposited into the Civil Penalty Fund, which will be maintained at the FRBNY. Per the Act, such funds will be available for payments to victims of Federal consumer financial laws violations, and, if victims cannot be located or payments are not practicable, the Bureau may use such funds for consumer education and financial literacy programs.

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<sup>6</sup> Pursuant to the Act, the maximum amount that can be transferred from the Board of Governors in FY 2013 shall be adjusted annually using the percent increase in the employment cost index for total compensation for State and local government workers for the 12-month period ending on September 30 of the year preceding the transfer.

<sup>7</sup> In 1968, Congress enacted this statute, which is patterned after the Securities Law of 1933 and requires land developers to register subdivisions of 100 or more non-exempt lots and to provide each purchaser with a disclosure document called a Property Report. The Property Report contains relevant information about the subdivision and must be delivered to each purchaser before the signing of the contract or agreement. The ILS program protects consumers from fraud and abuse in the sale or lease of land.

## **Section 2 – Budget Adjustments and Appropriations Language**

**Table 2.1 Budget Adjustments Table**

(Dollars in thousands)

	<b>FTE</b>	<b>Amount</b>
<b>FY 2011 Actual</b>	178	123,330
<b>FY 2012 Estimate</b>	942	356,374
Net FY 2013 Program Changes:		
Supervision, Enforcement, and Fair Lending & Equal Opportunity	238	47,066
Consumer Education and Engagement/Consumer Response	149	41,440
Research, Markets and Regulations	30	2,808
<b>Subtotal FY 2013 Net Program Changes</b>	<b>417</b>	<b>91,314</b>
<b>Total FY 2013 Estimate</b>	<b>1,359</b>	<b>447,688</b>

Note: Consistent with the presentation of the CFPB's audited financial statements, resource estimates, including staffing allocations, are displayed across three budget activities, with funding for the Bureau's operations and executive management functions allocated among the three activities.

### **2A – Budget Increases and Decreases Description**

**Net Program Increases.....\$91,314,000/ +417 FTE**

#### **Supervision, Enforcement, and Fair Lending & Equal Opportunity +47,066,000/ +238 FTE**

The CFPB will make critical investments in core supervisory and enforcement capabilities to ensure that the Bureau is positioned to monitor compliance with and enforce the Federal consumer financial laws. Resources will support continued hiring, professional development and travel of field examination, Enforcement and Fair Lending & Equal Opportunity staff; the build-out of core infrastructure necessary to manage the examination process (i.e. risk monitoring, examination scoping, report generation); and the initiation of investigations and enforcement actions. Funding will also allow the CFPB to continue the use of technology that supports a more targeted, risk-based review of loans and entities, which promotes compliance and the efficient use of limited resources. The Budget also supports the CFPB's work to design and implement a system to collect and analyze demographic data about small business loans as required by amendments to the Equal Credit Opportunity Act, and provides for the continued collection and analysis of demographic data as required by the Home Mortgage Disclosure Act.

#### **Consumer Education and Engagement/Consumer Response.....+41,440,000/ +149 FTE**

The Act established several offices within the CFPB to support targeted outreach, including Financial Education, Older Americans, Servicemember Affairs, and Students. The Budget provides funding to support additional staff and outreach activities within these and other consumer engagement offices, which will allow the Bureau to comply with several statutory mandates. These mandates include the development and implementation of work consistent with the National Strategy for Financial Literacy; initiatives for servicemembers and their families; activities to facilitate the financial literacy of older Americans; and initiatives to assist student loan borrowers in resolving complaints related to private student loans and to collect and analyze

information on the private student loan marketplace.<sup>8</sup> The Budget also includes funding to continue building the organization's capacity to handle consumer complaints related to credit cards, mortgages and other financial products regulated by the Bureau in a timely manner, as required by the Act.<sup>9</sup>

**Research, Markets and Regulations.....+2,808,000/ +30 FTE**

The Budget provides resources to expand expertise in research, markets and regulation offices, and support the use of data assets that allow the Bureau to comply with research, rulemaking, supervision and education mandates, including statutory requirements to analyze and report on the following: (1) developments in markets for consumer financial products or services; (2) access to fair and affordable credit; (3) consumer awareness, understanding and use of disclosures and communications regarding consumer financial products and services; (4) consumer awareness and understanding of costs, risks, and benefits of consumer financial products and services; (5) consumer behavior with respect to consumer financial products and services; and (6) experiences of traditionally underserved consumers.<sup>10</sup> Resources will also support the Bureau's consideration of the potential benefits and costs to consumers and covered persons, including the potential reduction of access by consumers to consumer financial products or services in its rulemakings.<sup>11</sup> The CFPB is coordinating with other federal agencies, including through the Financial Stability Oversight Council, to ensure the most efficient use of data and avoid duplication.

## 2.2 – Operating Levels Table

(Dollars in thousands)

	FY 2011 Actual	FY 2012 Estimate	FY 2013 Estimate
FTE	178	942	1,359
<b>Object Classification</b>			
11 Personnel Compensation	22,225	105,988	163,055
12 Personnel Benefits	26,154	37,096	57,069
21 Travel	2,180	20,814	32,167
22 Transportation of Things	316	785	828
23 Rent, Communications, and Utilities	160	18,965	16,587
24 Printing and Reproduction	8	499	864
25 Other Services	68,703	130,074	124,090
26 Supplies and Materials	1,180	4,712	4,121
31 Equipment	2,405	22,440	8,907
32 Land and Structures	0	15,000	40,000
<b>Total</b>	<b>123,330</b>	<b>356,374</b>	<b>447,688</b>

<sup>8</sup> Sections 1013 and 1035 of the Act.

<sup>9</sup> Section 1013 of the Act.

<sup>10</sup> *Ibid.*

<sup>11</sup> Section 1022 of the Act.

**2B – Appropriations Language and Explanation of Changes –**  
The CFPB is not requesting any appropriations from Congress.

**2C – Appropriations Language and Explanation of Changes –**  
The CFPB currently has no legislative proposals.

## **Section 3 – Performance Plan and Report<sup>12</sup>**

The CFPB's priority for FY 2011 was to build its staff and capacity to the point where it could begin formal operations on the transfer date. That priority was consistent with Section 1061 of the Act, which provided for the transfer of certain consumer financial protection responsibilities from seven existing agencies to the Bureau on that date. Some of the CFPB's first operating activities included:

- The CFPB sent introductory letters to the CEOs of the depository institutions – generally large banks and their affiliates as defined in the Act – that are subject to CFPB supervision. These letters marked the beginning of the CFPB's regular communications with the institutions it supervises and outlined the Bureau's approach to supervision.
- Consumer Response began accepting credit card complaints through a toll-free number and a web portal. The CFPB also began referring distressed homeowners to housing counselors via the Homeowner's HOPE hotline.
- The CFPB published interim final rules in the following areas: implementing the Act's amendments to the Alternative Mortgage Transactions Parity Act; creating records and information procedures to implement the Privacy Act and the Freedom of Information Act; establishing the CFPB's rules for investigations and adjudications of potential violations of the Federal consumer financial laws; and establishing a process by which parties may seek testimony or records from the CFPB for use in litigation.

The CFPB is now in the process of developing a robust set of performance measures to track the Bureau's progress toward achieving its strategic goals in FY 2012 and beyond. In the discussion below, the Bureau is reporting performance results from FY 2011 and preliminary measures that have been informed by the practices of the prudential regulators and the strategic goals of the Bureau. The CFPB will use FY 2012 to collect baseline data that will inform target-setting in the future. The CFPB will continue to modify and develop additional measures during FYs 2012 and 2013.

### **3A: Supervision, Enforcement, and Fair Lending & Equal Opportunity**

#### Budget Activity

The CFPB's Supervision, Enforcement, and Fair Lending & Equal Opportunity Division oversees depository and non-depository institutions for compliance with the Federal consumer financial laws and brings enforcement actions against those institutions, where appropriate, in order to protect consumers from illegal acts or practices and to protect honest businesses from unscrupulous competitors. The division is comprised of the following offices:

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<sup>12</sup> The goal owner for all three CFPB budget activities is Richard Cordray, CFPB Director.

- The Offices of Large Bank and Nonbank Supervision are responsible for examining both depository institutions and non-depository institutions, and addressing adverse findings through supervisory oversight.
- The Office of Enforcement investigates potential violations of Federal consumer financial laws and, where appropriate, pursues enforcement actions against those who violate these laws.
- The Office of Fair Lending & Equal Opportunity leads the Bureau's efforts to ensure fair, equitable, and nondiscriminatory access to credit for both individuals and communities through supervisory oversight and enforcement of federal fair lending laws, and outreach to civil rights, community, and industry groups.

### **3.1.1- Performance Plan and Report Table**

<b>Measures/Indicators</b>	<b>FY 2012</b>	<b>FY 2013</b>
Supervision activities (examinations, target reviews, or horizontal reviews) opened during the fiscal year	Baseline	TBD
Enforcement matters (investigations or cases) opened during the fiscal year	Baseline	TBD
Fair lending matters (examinations, target reviews, horizontal reviews, investigations or cases) opened during the fiscal year	Baseline	TBD

#### Measures/Indicators

##### **1. Supervision activities (examinations, target reviews, or horizontal reviews) opened during the fiscal year**

The CFPB will conduct examinations, target reviews or horizontal reviews of the entities over which it has supervisory authority. Included in this figure are a number of entities that will be under a continuous supervision program due to the size and complexity of the entity. The results of these activities will be subject to a rigorous internal review process to ensure consistent, fair, and balanced outcomes that protect consumers. As a new indicator in FY 2012, the Bureau will collect information on the number of supervisory activities throughout the fiscal year in order to assess performance against strategic goals.

##### **2. Enforcement matters (investigations or cases) opened during the fiscal year**

The CFPB aims to consistently enforce the Federal consumer financial laws and support consumer protection efforts nationwide by investigating alleged violations both independently and in conjunction with other federal and state law enforcement agencies. This indicator will track the historical number of matters opened by the Office of

Enforcement in furtherance of that effort. The total number of matters does not necessarily correlate with impact, efficiency or performance of the Office; therefore additional metrics will be developed based on the information learned over the Office's first years of operations.

**3. Fair lending matters (examinations, target Reviews, horizontal reviews, investigations, or cases) opened during the fiscal year**

The CFPB is committed to ensuring fair, equitable, and nondiscriminatory access to credit for both individuals and communities. During its early operations, the CFPB will track the fair lending supervisory activities and enforcement matters opened during the fiscal year, and will use this metric to measure baseline capacity. Additional measures will be developed over time to reflect the outcomes of examinations, investigations, and cases and to assess performance against strategic goals.

Strategies

In FYs 2012 and 2013 the CFPB will continue to build its supervision and enforcement capacity. It will build this capacity by issuing various required rulemakings to support supervisory activities, refining its supervision and enforcement policies and procedures, establishing a framework for supervisory cooperation with fellow regulators and extending the reach of its supervisory and enforcement activities as capacity increases. This effort will be accomplished through strategic investments in staff, technology, internal processes such as project management, quality control and other operations infrastructure; partnerships with fellow regulators and law enforcement agencies; and continued hiring and training of CFPB staff.

Results

Examples of key accomplishments in support of supervision activities include:

- **Started on-site examinations.** The examination staff has begun on-site supervision activities at the largest institutions, and also begun examination of several other institutions in each of the Bureau's four operating regions. In addition, a review of a number of reports required from mortgage servicers is underway to assess risk of noncompliance.
- **Released the Supervision and Examination Manual.** To fulfill its statutory mandate to assess compliance with the Federal consumer financial laws, the CFPB released the first edition of the CFPB Supervision and Examination Manual, which outlines the Bureau's policies and procedures for supervising entities that offer consumer financial products or services. The Manual includes a separate section on policies and procedures for supervising mortgage servicers.
- **Published a Notice and Request for Comment as prelude to the Office of Nonbank Supervision's rulemaking to define "larger participants" in certain nonbank markets.** On June 29, 2011, the CFPB published a Notice and Request for Comment ("Notice"), requesting input on how its rulemaking should define a "larger participant." Public comments on the questions listed in the Notice will inform the definition of this term, which in turn will define generally the coverage of the CFPB's nonbank supervision in certain markets.

- **Enforcement Procedures and Investigations.** The CFPB has issued interim final rules setting forth its rules of investigation and adjudication, as well as the process for states to notify the CFPB of certain pending actions. In addition, the Bureau has established a process for handling tips from whistleblowers and for providing subjects of an investigation with notice and an opportunity to respond prior to the commencement of formal enforcement proceedings. Working collaboratively with supervision, fair lending and other Bureau staff, the Office of Enforcement has also begun investigating potential violations of Federal consumer financial laws in matters transferred from the prudential regulators and matters commenced by its own staff.
- **Fair Lending Procedures and Examinations.** The CFPB has started fair lending exams of the largest banks and is working on several fair lending investigations transferred from other agencies. As part of the Bureau's Supervision and Examination Manual, the CFPB released policies and procedures for examinations involving fair lending laws, including the Equal Credit Opportunity Act and the Home Mortgage Disclosure Act.

### **3B: Consumer Education and Engagement/Consumer Response**

#### Budget Activity

The Consumer Education and Engagement Division (CEE) and Consumer Response strive to enhance the ability of consumers to make financial decisions consistent with their personal financial goals. CEE has the following six offices:

- The Office of Consumer Engagement creates an interactive, informative relationship between consumers and the Bureau to link consumers to information targeted to particular types of financial decisions and to use consumer input to help inform the Bureau's policymaking.
- The Office of Financial Education educates and empowers consumers to make better-informed financial decisions through a variety of activities, including determining the most effective financial education practices, providing access to tools and information relevant to making particular financial choices, and enhancing access to services to improve financial literacy.
- The Office for Older Americans helps improve financial literacy among Americans 62 and over and protect them against illegal acts and practices through outreach, education and specific initiatives, such as monitoring certifications of financial advisors who advise seniors. The Office also monitors complaints submitted by older Americans to Consumer Response.
- The Office of Servicemember Affairs works to improve consumer financial protection measures for servicemembers and their families. This involves partnering with the Department of Defense to ensure that servicemembers and their families receive financial education that is relevant to their specific needs, monitoring complaints submitted by servicemembers and their families to Consumer Response and escalating certain

complaints for expedited resolution, and coordinating efforts of federal and state agencies on financial issues related to servicemembers and their families.

- The Office of Students works to enhance the financial decision-making capability of students by increasing awareness about the financial impact of borrowing to finance higher education. That includes providing information and tools to help students understand the risk from student loans and other financial products, identifying policy and marketplace issues with special impact on students and providing escalation for expedited resolution of complaints submitted by private student loan borrowers to Consumer Response.
- The Office of Financial Empowerment will work to improve the financial stability of lower-income consumers by providing opportunities to access financial products and services, promoting improved financial capability and enhancing opportunities to build assets.

Consumer Response, in accordance with statutory requirements, supports the capacity to receive consumer complaints relating to consumer financial products and services (“consumer complaints” or “complaints”) over the telephone or through a portal on its website. Consumer Response facilitates the resolution of consumer complaints according to the following process. After taking in a complaint, Consumer Response refers the complaint to the named financial institution. The financial institution provides a response to the consumer complaint. Consumer Response prioritizes for investigation complaints for which the financial institution offered no relief and complaints where the consumer has disputed some part of the relief offered by the institution.

### 3.1.2 – Performance Plan and Report Table

Measures	FY 2012	FY 2013
Targeted populations reached by digital content, decision tools, educational materials and resources, and outreach work	Baseline	TBD
Percentage of complaints closed within 60 days	Baseline	TBD

#### Measures

##### **1. Targeted populations reached by digital content, decision tools, educational materials and resources, and outreach work**

This measure assesses the Bureau’s ability to reach targeted populations, with a special focus on issues in the financial services marketplace for servicemembers and their families, students, older Americans, and traditionally underserved lower-income consumers. The CFPB engages consumers in four principal ways: (1) offerings in online or other digital

formats; (2) tools to provide needed information to consumers at relevant times; (3) educational materials and resources; and (4) raising awareness of the issues facing consumers through various approaches, including in person direct outreach to consumers and through partners and others.

## **2. Percentage of consumer complaints closed within 60 days**

This measure demonstrates Consumer Response's efficiency in investigating and closing out consumer complaints (following closure by the financial institution). Targets will be set in the future as the Bureau continues to collect baseline data on response times for credit card complaints, as well as other products and services that will be launched in FY 2012.

### Strategies

In FYs 2012 and 2013, the CFPB will continue to engage the public through outreach and events, including working groups, convenings, and military summits; education and engagement initiatives, including new financial education campaigns and the development of informational tools; and developing and disseminating timely and targeted information about specific financial decisions, with a particular focus on students, older Americans and servicemembers.

The CFPB will also continue to build the capacity of the Consumer Response function in order to receive and respond to consumer complaints and inquiries related to consumer financial products and services in a timely manner. At various intervals, the Bureau will expand the types of complaints and inquiries that it will receive until it is accepting complaints and inquiries for all consumer financial products and services.

### Results

In order to engage consumers, Bureau staff traveled throughout the country to listen to and learn from industry and consumer groups:

- **Consumer, Community and Civil Rights Advocates.** Between September and December 2011, through the efforts of the Office of Community Affairs, the CFPB hosted three major fair lending/consumer protection roundtables in Philadelphia, Minneapolis and Cleveland. The CFPB also hosted public town hall events in each of these cities to learn from consumers about their experiences. The CFPB staff has met consistently with advocates about access to credit in home lending and other types of lending, and the Mortgage Markets team hosted a one-day conference which brought together academics and other stakeholders to discuss these issues with respect to mortgage lending. The CFPB External Affairs staff has also led dozens of meetings, phone calls, and speaking engagements with stakeholders on a range of consumer protection, fair lending and access to credit issues.
- **Servicemembers and Military Families.** Since January 2011, senior staff from the Office of Servicemember Affairs have visited many military bases across the country to discuss with servicemembers and their families and financial counselors the unique financial circumstances and challenges that affect military communities. In addition, the Office of Servicemember Affairs has testified about these issues at several Congressional hearings. Working with other federal agencies, the Bureau successfully helped secure a streamlined mortgage foreclosure assistance process for servicemembers and helped

military consumers recoup thousands of dollars in fees and penalties from their credit card companies.

- **Students.** The Office of Students, along with other CFPB divisions including Research, Markets and Regulations, worked with the Department of Education to develop a proposed college financial aid assistance form that would help students and parents understand the debt burden that results from choosing a particular college. There were 14,083 unique visits to the proposed form on the Bureau's website, and 1,206 comments from the public on the content of the form.
- **Financial Education and Engagement.** The CFPB, through its Offices of Financial Education and Consumer Engagement, began developing educational content for its website, including content for the knowledge base system to provide consumers with an interactive Q and A platform. Also through the Office of Financial Education, the CFPB began work on a pilot program that will evaluate certain financial education programs in the field, provide feedback about the results to other program providers, and help inform and advance the field of financial literacy. Consumer Education and Engagement leadership spoke to community financial education and service providers at a variety of forums in Ohio, Montana, Massachusetts, and Illinois.
- **Older Americans.** Senior staff from the Office for Older Americans testified at the Senate Banking Subcommittee on Financial Institutions and Consumer Protection on senior lending issues, and have met with community educators and service providers at a variety of forums in Washington, DC, California, Florida, Maine, Massachusetts, and Minnesota.

On July 21, 2011, Consumer Response began operations with an exclusive focus on credit card inquiries and complaints and planned to expand the types of complaints it handled over time as its operating capacity increased.

- **Credit Card Complaints.** Inquiries and complaints are received by mail, fax, telephone, the Bureau website, the online chat function on the website, and referral from other agencies. The CFPB's United States-based call centers handle calls with little or no wait times, provide services for the hearing- and speech-impaired, and have the ability to assist the public in 187 languages.

The Consumer Response inquiry and complaint system has received thousands of credit card complaints since beginning operations. The Bureau released an initial report on the first three months of credit card complaints. The report, which is available on the CFPB's website, provides an analysis of the type of complaints received and how they were handled.

### **3C: Research, Markets and Regulations**

#### Budget Activity

The Research, Markets and Regulations (RMR) Division is responsible for monitoring consumer financial markets; improving understanding of consumer behavior and evaluating the benefits

and costs of possible policy initiatives; as well as implementing the Federal consumer financial laws through regulations, in coordination with the other parts of the Bureau where appropriate. Before the Bureau acts on its own initiative, it will carefully gather evidence about particular practices, products or trends from a wide variety of sources. The offices within this division are staffed with professionals selected for their strong analytic skills and subject matter expertise. The division includes the following offices:

- The Research Office supports policy, supervision, enforcement, and education functions of the Bureau with data analysis, conducts empirical research to shed new light on consumer behavior and market operations and practices, and evaluates benefits and costs of potential regulations.
- The Markets Teams provide the Bureau's other operating divisions with current market intelligence and analysis about major consumer financial markets. There are four market teams: Card and Prepaid; Deposit, Payment, and Credit Information; Installment Lending; and Mortgage.
- The Regulations Office works, in coordination with other parts of the Bureau, to ensure that rules implementing the Federal consumer financial laws are issued and interpreted in an informed, fair and efficient manner in accordance with the law.

### 3.1.3 – Performance Plan and Report Table

Measures	FY 2012	FY 2013
Percentage of the mortgage market monitored through data	Baseline	TBD
Percentage of the credit card market monitored through data	Baseline	TBD
Reports published about specific consumer financial products	4	5

#### Measures

##### **1. Percentage of the mortgage market monitored through data**

This measure reflects the CFPB's efforts to monitor trends and emerging risks in the mortgage markets. The Bureau is investing in data not just in aggregate but rather at the level of individual consumer transactions. To the extent the CFPB will be using sampling that is representative of the larger population, this measure and future targets will represent the larger population covered.

##### **2. Percentage of the credit card market monitored through data**

This measure reflects the CFPB's efforts to monitor trends and emerging risks in the consumer credit card market. The Bureau is investing in data not just in aggregate but rather at the level of individual consumer transactions. To the extent the CFPB will be using

sampling that is representative of the larger population, this measure and future targets will represent the larger population covered.

### **3. Reports published about specific consumer financial products**

This measure reflects the Bureau's work to inform its own policymaking and to improve the quality of public information about consumer and firm behavior and consumer financial products and services. In FYs 2012 and 2013, in addition to reports on important consumer finance subjects like prepaid card use and patterns, the CFPB will produce a report on private student lending, which is required by the Act<sup>13</sup>, as well as updates to reports published in FY 2011 on remittances<sup>14</sup> and credit information<sup>15</sup>, which were required by the Act. The Bureau has established a target of five reports in FY 2013.

#### Strategies

In FYs 2012 and 2013, the CFPB will continue to acquire the data necessary to properly monitor the mortgage and credit card markets for emerging risks, technological advances and other important developments, and to provide support to other functions within the Bureau.

The Bureau will produce original research in key areas related to consumer financial products and services, including consumer behavior and decision-making, the impact of regulation, and incentives for firms and consumers. These reports will improve understanding of consumer behavior and market operations and practices to support the CFPB's policymaking and the general functioning of the market.

#### Results

Accomplishments to support market monitoring include:

- **Established a process for collecting mortgage data.** The CFPB reached a memorandum of understanding with other regulatory agencies to continue the collection and processing of Home Mortgage Disclosure Act data. This loan-level mortgage data will inform the CFPB's understanding of the mortgage market and bolster the CFPB's fair lending oversight.

Key reports from FY 2011 include:

- **Report on Using Remittance History for Credit Scores and Remittance Exchange Rates.** On July 20, 2011, the CFPB fulfilled one of its statutory mandates under the Act by issuing a report analyzing remittance transfers. The report studied how exchange rates used in remittance transfers are disclosed to consumers and the potential for using remittance histories to enhance the credit scores of consumers. As a follow-up to the report, the CFPB has obtained additional data to evaluate the predictive value of using remittance history in credit scoring and will produce a second report on this subject.

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<sup>13</sup> Section 1077 of the Act.

<sup>14</sup> Section 1073 of the Act.

<sup>15</sup> Section 1078 of the Act.

- **Report on Credit Scores.** On July 19, 2011, the CFPB issued a report required by the Act that examines the differences between credit scores sold to consumers and scores used by lenders to make credit decisions. The CFPB's report covers the process of developing various credit scoring models, the differences among scoring models that may produce multiple scores for the same consumer, creditors' use of different scoring models in the marketplace, availability of certain types of scores for purchase by consumers, and the consumer impact of differences between the credit scores provided to creditors and those provided to consumers.

The report also discusses the general lack of information about credit scoring. As a follow-up to the report, the CFPB will obtain and analyze data that shed further light on differences in scores and the significance of related concerns. To help educate consumers, the CFPB also posted advice on its website about how to improve their credit score.

- **Analysis in connection with CARD Act Conference.** In February 2011, the CFPB held a conference on the first anniversary of the effective date of many provisions of the Credit Card Accountability Responsibility and Disclosure Act – the CARD Act. The CFPB's conference brought together industry representatives, consumer advocates, academics, government experts, and others for a review of data on how the CARD Act, coupled with the recession and its aftermath, have affected supply, demand and pricing within the credit card marketplace. To prepare for this event, the CFPB undertook a voluntary survey of the nine largest card issuers, representing approximately 90 percent of the market and a consumer survey. Prior to the event, data from the industry and consumer surveys were made public on the Bureau's website.

### **Verification and Validation of Performance Data**

As the CFPB collects baseline data for its measures in FY 2012, and develops additional measures to report on in the future, the Bureau will strive to ensure that the information reported in performance documents and the processes used to develop that information is complete and reliable. As an example of existing validation and verification processes, the Bureau is subject to an annual independent audit of operations and budget, as required by Sec. 1573 of Public Law 112-10, which includes a review of the CFPB's performance-based budgeting processes.

Additional information on the CFPB performance will be posted online at [consumerfinance.gov](http://consumerfinance.gov).

## **Section 4 – Supplemental Information**

### **4A – Capital Investment Strategy**

The CFPB's capital investment strategy is focused on achieving the following goals:

- **Providing Meaningful Governance and Oversight.** The Investment Review Board (IRB) is the executive advisory body at the Bureau that provides the executive and technological leadership to ensure all capital investment decisions align with the CFPB's mission and strategic goals. The IRB reviews capital investments using best practices for assessing return on investment and alignment with strategic goals. Further, the CFPB uses a dashboard, modeled on the Federal IT Dashboard, to monitor and assess its key investments. The Bureau is in the process of developing a robust capital investment plan.
- **Building a 21<sup>st</sup> Century Infrastructure.** The CFPB's IT infrastructure strategy is focused on cloud-based solutions, open source solutions, and shared services wherever possible to balance risk, cost, and desired functionality. The CFPB will continue to migrate off of the Department of the Treasury infrastructure for network and desktop computing, establishing its own, independent technology and facilities infrastructure. Additionally, the CFPB will develop and acquire operations support systems to provide necessary capabilities to all divisions. The CFPB will also continue to remain compliant with all security requirements to protect its information assets and secure the public trust.
- **Creating Engaging Online Experiences.** The CFPB is reaching out to the public using 21<sup>st</sup> century tools. Whether collecting and responding to consumer complaints and inquiries, soliciting feedback on potential regulations, or empowering consumers through financial education, the CFPB is committed to designing and building a powerful consumerfinance.gov website. The CFPB will continue to build meaningful, engaging, and informative content, tools and experiences online to ensure that consumers are empowered to take more control of their financial lives. In addition, the CFPB will provide data, content, open source code and application programming interfaces for external use.
- **Enabling a Data Centric Organization.** The CFPB is focused on data-driven decision making and the use of advanced analytics to inform supervision and enforcement activities, market monitoring, and policy development. The CFPB will acquire a broad range of financial market data and will provide data-driven analysis, reporting and data sharing, to comply with statutory requirements.
- **Developing the Best IT team.** The success of the CFPB's technology investments is dependent on building a deep pool of IT talent within the Bureau. The CFPB's focus on innovative and industry leading technologies and practices will serve to attract and retain the high quality personnel necessary to design, build, and maintain critical technology assets.

- **Headquarters Modernization.** The CFPB is consolidating its staff in the DC Metro area into one headquarters building to ensure the most efficient use of space. The CFPB will initiate a capital improvement plan that upgrades the condition of the building, which has not undergone any major renovations since it was constructed in 1976, and in which most of the building systems have reached the end of their lifecycle. The Bureau is currently in the design and development phase of this rehabilitation project. Once a design plan is finalized, the Bureau will seek competitive proposals from industry. Improvements will likely include replacement of aging mechanical and electrical systems; installation of energy efficient lighting; elevator upgrades; repairs to the parking garage decks; updates to main lobby and office space; and repairs to the exterior courtyard and sidewalks.

## **4B – Human Capital Strategy**

As required by Section 1067(b) of the Act, the Bureau developed and released three human capital plans in FY 2011: (1) “Recruitment and Retention Plan”; (2) “Training and Workforce Development Plan”; and (3) “Workforce Flexibilities Plan”. The CFPB’s Chief Human Capital Office (CHCO) is responsible for leading the development and execution of the Bureau’s human capital strategy. This strategy includes the following goals:

- Build world-class expertise in competencies essential to the CFPB’s mission. These include, but are not limited to, financial and statistical data analyses, effective use of information technology, bank and nonbank supervision, financial education and outreach, business operations, research, law and administrative support.
- Develop a leadership culture that aligns with the CFPB’s mission and core organizational values, ensure effective development of the leadership skills required by that culture and prepare for the succession of leadership talent.
- Implement the CFPB Diversity Plan for hiring and retaining staff in groups that are underrepresented in particular occupational categories.
- Enrich the business, administrative, and leadership skills and capabilities needed throughout the Bureau to ensure successful mission accomplishment and sound management practices.
- Ensure the nationwide CFPB workforce has a strong organizational identity, is committed to the CFPB mission and strategic objectives and displays the principles and values central to the CFPB culture.
- Develop the core skills and attributes needed across the workforce to foster innovation and creativity in pursuit of the CFPB’s mission and goals, encourage the effective use of technology in business processes and ensure a cohesive and collaborative organizational culture.
- Establish policies that will provide all employees with the opportunities to move, as appropriate, across and within occupations in order to maximize their contributions to mission accomplishment based on personal commitment to developmental opportunities and to exceptional performance.
- Develop innovative hiring and outreach programs to attract talented and skilled candidates from diverse backgrounds.
- Build a culture and brand of “Best Place to Serve” that will enable the CFPB to recruit and retain employees committed to public service.

The CFPB will actively manage and improve upon these plans, using the following strategies:

- Refine goals and planned actions as the workforce comes on board, mission activities expand, and new needs and issues are identified;
- Define metrics and indicators for monitoring progress in achieving the human capital goals identified;
- Collect and analyze human capital data relevant to these metrics in order to understand the impact of initiatives and identify where adjustments are needed;
- Engage managers and employees in reacting to human capital data and in helping to refine plans to ensure the CFPB is building and implementing a successful organization;
- Continue to report to the Congress annually on progress made and refinements needed to human capital plans; and
- Integrate these plans into a complete Strategic Human Capital Plan and Human Capital Accountability Report for submission to the U.S. Office of Personnel Management.

### **Accomplishments**

The CFPB established the tools and processes needed to attract, hire, develop, and retain the human capital needed to build an agency responsible for protecting consumers of financial products and services, and to date has:

- Designed the CFPB organization and developed comprehensive job analyses;
- Established systems for job announcements and candidate screenings;
- Developed a compensation program, including job evaluation and classification systems;
- Acquired HR and payroll systems and services;
- Developed benefits policies and negotiated for provision of benefits services;
- Negotiated employee transfers with related agencies;
- Launched on-boarding and orientation training to engage new staff; and
- Provided comprehensive examination and consumer response training.

### **Challenges**

While the CFPB is proud of all of these accomplishments there will be challenges ahead, including:

- Maintaining the pace of the CFPB's recruitment strategies in order to hire the talented and diverse staff for the remaining positions needed to fulfill our responsibilities under the Act.
- Acquiring highly advanced skills in a number of specialized financial, statistical, legal, and business areas. Recruiting efforts to date have focused on building the core organizational leadership and infrastructure necessary to stand up the CFPB and begin operations. Longer-term recruiting efforts need to focus on acquiring the many specialized competencies necessary to fully round out the workforce and position the organization for success.