

FALL 2018

# Semi-Annual Report of the Bureau of Consumer Financial Protection



# Message from the Director

I am pleased to present the Consumer Financial Protection Bureau's Semi-Annual report to Congress for April 1, 2018 to September 30, 2018. This is the first Semi-Annual report published by the Bureau under my term as CFPB Director, which started in mid-December.



This report describes issues facing consumers, actions undertaken by the CFPB to protect them, and what the Bureau is doing internally to help it do its job better. While this reporting period took place before I started as Director, the activities described provide a backdrop and a launching pad for a fresh start at this agency.

Protecting consumers was a primary objective of the Dodd-Frank Act. Supervising financial entities to ensure they comply with the law in this area, and enforcing the law when they don't, are ways to meet that objective. While I am Director, the CFPB will vigorously and even-handedly enforce the law.

As I begin my stewardship of the CFPB, I will also be moving forward with the agency as a team to make sure the American people have access to the financial products and services that best suit their individual needs, the financial institutions that serve them are competing on a level playing field, and the marketplace is innovating in ways that enhance consumer choice.

In more than 20 years of public service, I have made it a point to view issues from as many facets as possible – especially by considering the perspective from outside the Beltway. To expand perspective, it is imperative to meet the Bureau's stakeholders, to experience the workforce's challenges in the field, and to truly listen. For that reason I have been engaged in a listening tour – meeting with consumer advocates, faith leaders, banks, credit unions, non-depository financial companies, Members of Congress, fellow regulators, state and local officials, and innovators. I am also reviewing the operations of the CFPB, and am in the process of visiting staff and seeing operations up close in regional offices in San Francisco, Chicago and New York, talking with Bureau examiners across the country, and meeting with and learning from those who work in the Washington D.C. headquarters.

The months ahead to be covered in the next report will be busy, as we take actions to protect all consumers, carefully examine the effects of our rules and regulations, promote financial education, monitor and encourage innovation in financial technologies, and remain watchful for financial scams targeting seniors and other consumers. I look forward to tackling these issues alongside the team at the CFPB in the days and years ahead.

Sincerely,

A handwritten signature in blue ink, appearing to read "Kathleen L. Kraninger".

Kathleen L. Kraninger

# Table of contents

<b>Message from the Director .....</b>	<b>2</b>
<b>Table of contents .....</b>	<b>4</b>
<b>1. Significant problems faced by consumers in shopping for or obtaining consumer financial products or services .....</b>	<b>6</b>
1.1 Credit Invisibility .....	6
1.2 Mortgage Shopping.....	7
<b>2. Justification of the budget request of the previous year .....</b>	<b>9</b>
<b>3. List of the 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.....</b>	<b>11</b>
3.1 Significant rules .....	11
3.2 Less significant rules .....	12
3.3 Significant initiatives .....	13
3.4 Plan for upcoming initiatives .....	15
3.5 Plan for upcoming rules .....	16
<b>4. 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 .....</b>	<b>18</b>
<b>5. 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 .....</b>	<b>21</b>
5.1 Supervisory activities.....	21
5.2 Enforcement activities.....	21

<b>6. Actions taken regarding rules, orders, and supervisory actions with respect to covered persons which are not credit unions or depository institutions .....</b>	<b>32</b>
<b>7. Assessment of significant actions by State attorneys general or State regulators relating to Federal consumer financial law .....</b>	<b>34</b>
<b>8. Analysis of the efforts of the Bureau to fulfill the fair lending mission of the Bureau.....</b>	<b>36</b>
8.1 Fair lending supervision .....	36
8.2 Fair lending enforcement .....	37
8.3 Fair lending outreach .....	38
8.4 Interagency coordination .....	39
<b>9. Analysis of the efforts of the Bureau to increase workforce and contracting diversity consistent with the procedures established by the Office of Minority and Women Inclusion (OMWI).....</b>	<b>40</b>
9.1 Increasing workforce diversity.....	41
9.2 Increasing contracting diversity .....	42
9.3 Diversity within the Bureau contractors' workforces.....	43

# 1. Significant problems faced by consumers in shopping for or obtaining consumer financial products or services

## 1.1 Credit Invisibility

Consumers can face difficulties accessing certain forms of credit if they lack a credit record that is treated as “scorable” by widely used credit scoring models. These consumers include those who are “credit invisible,” meaning that they do not have a credit record maintained by one of the three nationwide consumer reporting agencies (NCRAs). They also include those that have a credit record that contains either too little information (“insufficient unscorable”) or information that is deemed too old to be reliable (“stale unscorable”), though the exact definition of what makes a record insufficient or stale unscorable varies from one credit scoring model to another.

The Bureau published two previous Data Points about consumers with limited credit histories. The first, [Credit Invisibles](#), estimated the number and demographic characteristics of consumers who were credit invisible or had an unscorable credit record. The second, [Becoming Credit Visible](#), explored the ways in which consumers first establish a credit record and thus transition out of credit invisibility.

During the reporting period the Bureau released [The Geography of Credit Invisibility \(September 2018\)](#) which examined the relationship between geography and credit invisibility. The importance of geography in accessing credit has been a long-standing concern for policymakers, going at least as far back as early efforts to combat redlining. In recent years, additional interest has been paid to the problems faced by people in “credit deserts,” which generally are defined as areas with little access to traditional sources of credit. Because credit deserts have limited options for accessing credit, residing in those areas may inhibit the ability of consumers to establish an NCRA credit record. If so, the incidence of credit invisibility should be higher in credit deserts than in areas with better access to traditional credit. Key findings include:

- Focusing on the incidence of credit invisibility among adults 25 and older may better identify tracts where access to traditional sources of credit is more limited. The research

found that over 90 percent of consumers transition out of credit invisibility by their mid-to-late 20s. This observation may indicate that focusing on the population of consumers age 25 and older is most useful in identifying geographic areas where traditional sources of credit are scarce, sometimes referred to as “credit deserts.”

- Credit invisibility among adults 25 and older is concentrated in rural and highly urban geographies. The research found that, while credit invisibility is more common in rural areas as a percentage of the population, over two-thirds of adults 25 and older who are credit invisible reside in metropolitan areas because of the higher population within those areas. The Bureau also observed elevated likelihood of credit invisibility in rural areas regardless of the tract’s income level, in contrast to a strong relationship between neighborhood income and the likelihood of credit invisibility in highly urban areas.
- Consumers in rural and low-to-moderate income areas use credit cards as entry products less often than consumers residing in other geographies. Among consumers who successfully transition out of credit invisibility, the overall rate of using a credit card as an entry product is much lower for those living in rural areas. Additionally, among this same population, our research found that the rate of using a credit card as an entry product is also lower for consumers living in lower-income neighborhoods. This result is more pronounced in highly urban areas.
- Lack of internet access appears to have a stronger relationship to credit invisibility than does the presence of a bank branch. While younger adults residing near bank branches in highly urban areas used credit cards as entry products more often than those residing further away, overall we found little relationship between distance to the nearest branch and the incidence of credit invisibility. In contrast, our research did find that many credit products are originated through online means, causing credit invisibility to be more prevalent in areas with less internet access.

## 1.2 Mortgage Shopping

Mortgage interest rates and loan terms can vary considerably across lenders. Despite this fact, many homebuyers do not comparison shop for their mortgages. In recent studies, more than 30 percent of borrowers reported not comparison shopping for their mortgage, and more than 75 percent of borrowers reported applying for a mortgage with only one lender. Previous Bureau research suggests that even in the most competitive segment of the mortgage market, consumers who shop can save over \$700 per year on a \$200,000 mortgage and many thousands of dollars over the life of the loan.

There are a few possible reasons why consumers do not comparison shop. Rates change regularly, and it takes more than an online search to get reliable, up-to-date information. Also, getting an accurate rate quote generally requires sharing personal financial information, so homebuyers may be wary of sharing such information with several lenders. Another reason people don’t shop around for their mortgage is because most believe it doesn’t make a difference. According to the National Survey of Mortgage Originations (NSMO), a joint project by the Bureau and Federal Housing Finance Agency (FHFA), most consumers think that “prices are roughly the same” across lenders.

- To examine whether encouraging mortgage shopping benefits consumers, the Bureau published a [series of research briefs \(May 2018\)](#) on homebuying and mortgage shopping based on a study of prospective homebuyers in 2016. The study followed consumers who were in the market to purchase their home over a period of months and asked questions about their consideration of a mortgage. The questionnaires centered on basic understanding of mortgage loans, both in terms of actual knowledge and confidence in navigating the process. The study found, among other things, that relative to a control group, consumers who were encouraged to shop did in fact contact more lenders and receive more loan estimates. They also became more knowledgeable regarding the mortgage market and felt greater self-confidence in their ability to deal with mortgage-related issues. It also provided suggestive evidence that encouraging shopping may reduce the cost of consumers' mortgages.

# 2. Justification of the budget request of the previous year

The Bureau's Strategic Plan, Budget, and Performance Plan and Report, which is available online at [www.consumerfinance.gov/about-us/budget-strategy/budget-and-performance/](http://www.consumerfinance.gov/about-us/budget-strategy/budget-and-performance/), includes estimates of the resources needed for the Bureau to carry out its mission. The document also describes the Bureau's performance goals and accomplishments, supporting the Bureau's long-term Strategic Plan.

Fiscal year 2018 spending through the end of the fourth quarter of FY 2018

## BUREAU FUND

As of September 30, 2018, the end of the fourth quarter of FY 2018, the Bureau had spent<sup>1</sup> approximately \$553.0 million in FY 2018 funds to carry out the authorities of the Bureau under Federal financial consumer law. Approximately \$320.5 million was spent on employee compensation and benefits for the 1,510 Bureau employees who were on-board by the end of the quarter.

Table 1: FY 2018 SPENDING BY EXPENSE CATEGORY

Expense Category	Fiscal Year 2018
Personnel Compensation	232,228,000
Benefit Compensation	88,221,000
Travel	15,675,000
Transportation of Things	122,000
Rents, Communications, Utilities & Misc.	15,698,000
Printing and Reproduction	4,431,000

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<sup>1</sup>This amount includes new obligations and upward adjustments to previous year obligations. An obligation is a transaction or agreement that creates a legal liability and obligates the government to pay for goods and services ordered or received.

Expense Category	Fiscal Year 2018
Other Contractual Services	169,172,000
Supplies & Materials	5,195,000
Equipment	22,090,000
Land and Structures	149,000
<b>Total (as of September 30, 2018)</b>	<b>\$ 552,981,000</b>

## FY 2018 Funds Transfers Received from the Federal Reserve

The Bureau is funded principally by transfers from the Federal Reserve System, up to the limits set forth in the Dodd-Frank Act. Funding from the Federal Reserve System for FY 2018 is capped at \$663 million. As of September 30, 2018, the Bureau had received the following transfers for FY 2018. The amounts and dates of the transfers are shown below.<sup>2</sup>

Table 2: Fund Transfers

Funds Transferred	Date
\$217.1M	October 18, 2017
\$0	January 18, 2018
\$98.5M	April 2, 2018
\$65.7M	July 2, 2018
\$381.3M	Total

Additional information about the Bureau's finances, including information about the Bureau's Civil Penalty Fund and Bureau-Administered Redress programs, is available in the annual financial reports and the CFO quarterly updates published online at [www.consumerfinance.gov/about-us/budget-strategy/financial-reports/](http://www.consumerfinance.gov/about-us/budget-strategy/financial-reports/).

Copies of the Bureau's quarterly funds transfer requests are available online at [www.consumerfinance.gov/about-us/budget-strategy/funds-transfer-requests/](http://www.consumerfinance.gov/about-us/budget-strategy/funds-transfer-requests/).

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<sup>2</sup>Current year spending in excess of funds received is funded from the prior year unobligated balance.

### 3. List of the 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<sup>3</sup>

#### 3.1 Significant rules<sup>4</sup>

- Final Rule: Payday, Vehicle Title, and Certain High-Cost Installment Loans<sup>5</sup>

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<sup>3</sup> Separate from the Bureau’s obligation to include in this report “a list of the significant rules and orders adopted by the Bureau . . . during the preceding year,” 12 U.S.C. 5496(b)(3), the Bureau is required to “conduct an assessment of each significant rule or order adopted by the Bureau” under Federal consumer financial law “not later than 5 years after the effective date of the subject rule or order,” 12 U.S.C. 5512(d). The Bureau will issue separate notices as appropriate identifying rules and orders that qualify as significant for assessment purposes.

<sup>4</sup> This list includes significant final rules.

<sup>5</sup> [www.federalregister.gov/documents/2017/11/17/2017-21808/payday-vehicle-title-and-certain-high-cost-installment-loans](http://www.federalregister.gov/documents/2017/11/17/2017-21808/payday-vehicle-title-and-certain-high-cost-installment-loans). The Bureau announced in January 2018 that it intends to open a rulemaking to reconsider its 2017 rule. [www.consumerfinance.gov/about-us/newsroom/cfpb-statement-payday-rule//](http://www.consumerfinance.gov/about-us/newsroom/cfpb-statement-payday-rule/).

## 3.2 Less significant rules<sup>6</sup>

- Final Rule: Mortgage Servicing Rules under the Truth in Lending Act (Regulation Z)<sup>7</sup>
- Final Rule: Rules Concerning Prepaid Accounts Under the Electronic Fund Transfer Act (Regulation E) and the Truth in Lending Act (Regulation Z)<sup>8</sup>
- Interim Final Rule: Mortgage Servicing Rules under the Real Estate Settlement Procedures Act (Regulation X)<sup>9</sup>
- Final Rule: Equal Credit Opportunity Act (Regulation B) Ethnicity and Race Information Collection<sup>10</sup>
- Final Rule: Amendment to the Annual Privacy Notice Requirement Under the Gramm-Leach-Bliley Act (Regulation P)<sup>11</sup>
- Final Rule: Federal Mortgage Disclosure Requirements Under the Truth in Lending Act (Regulation Z)<sup>12</sup>

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<sup>6</sup> This list includes less significant rules, and it is not comprehensive. This list may exclude certain non-major rules, proposed rules, procedural rules, interpretive rules, and other miscellaneous routine rules such as annual threshold adjustments. More information about the Bureau's rulemaking activities is available in the Unified Agenda, at [www.reginfo.gov](http://www.reginfo.gov), and on the Bureau's public website, at [www.consumerfinance.gov/policy-compliance/rulemaking](http://www.consumerfinance.gov/policy-compliance/rulemaking).

<sup>7</sup> [www.federalregister.gov/documents/2018/03/12/2018-04823/mortgage-servicing-rules-under-the-truth-in-lending-act-regulation-z](http://www.federalregister.gov/documents/2018/03/12/2018-04823/mortgage-servicing-rules-under-the-truth-in-lending-act-regulation-z).

<sup>8</sup> [www.federalregister.gov/documents/2018/02/13/2018-01305/rules-concerning-prepaid-accounts-under-the-electronic-fund-transfer-act-regulation-e-and-the-truth](http://www.federalregister.gov/documents/2018/02/13/2018-01305/rules-concerning-prepaid-accounts-under-the-electronic-fund-transfer-act-regulation-e-and-the-truth).

<sup>9</sup> [www.federalregister.gov/documents/2017/10/16/2017-21912/mortgage-servicing-rules-under-the-real-estate-settlement-procedures-act-regulation-x](http://www.federalregister.gov/documents/2017/10/16/2017-21912/mortgage-servicing-rules-under-the-real-estate-settlement-procedures-act-regulation-x).

<sup>10</sup> [www.federalregister.gov/documents/2017/10/02/2017-20417/equal-credit-opportunity-act-regulation-b-ethnicity-and-race-information-collection](http://www.federalregister.gov/documents/2017/10/02/2017-20417/equal-credit-opportunity-act-regulation-b-ethnicity-and-race-information-collection).

<sup>11</sup> [www.federalregister.gov/documents/2018/08/17/2018-17572/amendment-to-the-annual-privacy-notice-requirement-under-the-gramm-leach-bliley-act-regulation-p](http://www.federalregister.gov/documents/2018/08/17/2018-17572/amendment-to-the-annual-privacy-notice-requirement-under-the-gramm-leach-bliley-act-regulation-p).

<sup>12</sup> [www.federalregister.gov/documents/2018/05/02/2018-09243/federal-mortgage-disclosure-requirements-under-the-truth-in-lending-act-regulation-z](http://www.federalregister.gov/documents/2018/05/02/2018-09243/federal-mortgage-disclosure-requirements-under-the-truth-in-lending-act-regulation-z).

### 3.3 Significant initiatives

- Notice of Proposed Policy Guidance: Policy to Encourage Trial Disclosure Programs<sup>13</sup>
- Symposium on Building a Bridge to Credit Visibility<sup>14</sup>
- Call for Evidence<sup>15</sup>
  - Request for Information Regarding the Bureau’s Consumer Complaint and Consumer Inquiry Handling Processes<sup>16</sup>
  - Request for Information Regarding Bureau Financial Education Programs<sup>17</sup>
  - Request for Information Regarding Bureau Guidance and Implementation Support<sup>18</sup>
  - Request for Information Regarding the Bureau’s Inherited Regulations and Inherited Rulemaking Authorities<sup>19</sup>
  - Request for Information Regarding the Bureau’s Adopted Regulations and New Rulemaking Authorities<sup>20</sup>
  - Request for Information Regarding Bureau Rulemaking Processes<sup>21</sup>
  - Request for Information Regarding Bureau Public Reporting Practices of Consumer Complaint Information<sup>22</sup>

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<sup>13</sup> [www.federalregister.gov/documents/2018/09/10/2018-19385/policy-to-encourage-trial-disclosure-programs](http://www.federalregister.gov/documents/2018/09/10/2018-19385/policy-to-encourage-trial-disclosure-programs).

<sup>14</sup> <https://www.consumerfinance.gov/about-us/events/archive-past-events/building-bridge-credit-visibility>

<sup>15</sup> <https://www.consumerfinance.gov/policy-compliance/notice-opportunities-comment/archive-closed/call-for-evidence/>

<sup>16</sup> [www.federalregister.gov/documents/2018/04/17/2018-07943/request-for-information-regarding-the-bureaus-consumer-complaint-and-consumer-inquiry-handling](http://www.federalregister.gov/documents/2018/04/17/2018-07943/request-for-information-regarding-the-bureaus-consumer-complaint-and-consumer-inquiry-handling).

<sup>17</sup> [www.federalregister.gov/documents/2018/04/09/2018-07222/request-for-information-regarding-bureau-financial-education-programs](http://www.federalregister.gov/documents/2018/04/09/2018-07222/request-for-information-regarding-bureau-financial-education-programs).

<sup>18</sup> [www.federalregister.gov/documents/2018/04/02/2018-06674/request-for-information-regarding-bureau-guidance-and-implementation-support](http://www.federalregister.gov/documents/2018/04/02/2018-06674/request-for-information-regarding-bureau-guidance-and-implementation-support).

<sup>19</sup> [www.federalregister.gov/documents/2018/03/26/2018-06027/request-for-information-regarding-the-bureaus-inherited-regulations-and-inherited-rulemaking](http://www.federalregister.gov/documents/2018/03/26/2018-06027/request-for-information-regarding-the-bureaus-inherited-regulations-and-inherited-rulemaking).

<sup>20</sup> [www.federalregister.gov/documents/2018/03/21/2018-05612/request-for-information-regarding-the-bureaus-adopted-regulations-and-new-rulemaking-authorities](http://www.federalregister.gov/documents/2018/03/21/2018-05612/request-for-information-regarding-the-bureaus-adopted-regulations-and-new-rulemaking-authorities).

<sup>21</sup> [www.federalregister.gov/documents/2018/03/09/2018-04824/request-for-information-regarding-bureau-rulemaking-processes](http://www.federalregister.gov/documents/2018/03/09/2018-04824/request-for-information-regarding-bureau-rulemaking-processes).

<sup>22</sup> [www.federalregister.gov/documents/2018/03/06/2018-04544/request-for-information-regarding-bureau-public](http://www.federalregister.gov/documents/2018/03/06/2018-04544/request-for-information-regarding-bureau-public)

- Request for Information Regarding Bureau External Engagements<sup>23</sup>
    - Request for Information Regarding the Bureau’s Supervision Program<sup>24</sup>
    - Request for Information Regarding Bureau Enforcement Processes<sup>25</sup>
    - Request for Information Regarding Bureau Rules of Practice for Adjudication Proceedings<sup>26</sup>
    - Request for Information Regarding Bureau Civil Investigative Demands and Associated Processes<sup>27</sup>
  - Other Requests for Information:
    - Request for Information Regarding Consumers’ Experience With Free Access to Credit Scores<sup>28</sup>
    - Request for Information Regarding Bureau Data Collections<sup>29</sup>
  - Guidance Documents: The Bureau issued the following bulletins and other guidance documents over the past year:<sup>30</sup>
    - Summer 2018 Supervisory Highlights<sup>31</sup>

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[reporting-practices-of-consumer-complaint.](#)

<sup>23</sup> [www.federalregister.gov/documents/2018/02/26/2018-03788/request-for-information-regarding-bureau-external-engagements](https://www.federalregister.gov/documents/2018/02/26/2018-03788/request-for-information-regarding-bureau-external-engagements).

<sup>24</sup> [www.federalregister.gov/documents/2018/02/20/2018-03358/request-for-information-regarding-the-bureaus-supervision-program](https://www.federalregister.gov/documents/2018/02/20/2018-03358/request-for-information-regarding-the-bureaus-supervision-program).

<sup>25</sup> [www.federalregister.gov/documents/2018/02/12/2018-02710/request-for-information-regarding-bureau-enforcement-processes](https://www.federalregister.gov/documents/2018/02/12/2018-02710/request-for-information-regarding-bureau-enforcement-processes).

<sup>26</sup> [www.federalregister.gov/documents/2018/02/05/2018-02208/request-for-information-regarding-bureau-rules-of-practice-for-adjudication-proceedings](https://www.federalregister.gov/documents/2018/02/05/2018-02208/request-for-information-regarding-bureau-rules-of-practice-for-adjudication-proceedings).

<sup>27</sup> [www.federalregister.gov/documents/2018/01/26/2018-01435/request-for-information-regarding-bureau-civil-investigative-demands-and-associated-processes](https://www.federalregister.gov/documents/2018/01/26/2018-01435/request-for-information-regarding-bureau-civil-investigative-demands-and-associated-processes).

<sup>28</sup> [www.federalregister.gov/documents/2017/11/13/2017-24555/request-for-information-regarding-consumers-experience-with-free-access-to-credit-scores](https://www.federalregister.gov/documents/2017/11/13/2017-24555/request-for-information-regarding-consumers-experience-with-free-access-to-credit-scores).

<sup>29</sup> <https://www.federalregister.gov/documents/2018/09/28/2018-21162/request-for-information-regarding-bureau-data-collections>

<sup>30</sup> The Bureau posts many documents relating to compliance and guidance on its website at [www.consumerfinance.gov/guidance](https://www.consumerfinance.gov/guidance).

<sup>31</sup> [https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/bcfp\\_supervisory-highlights\\_issue-17\\_2018-09.pdf](https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/bcfp_supervisory-highlights_issue-17_2018-09.pdf).

- BCFP Bulletin 2018-01: Changes to Types of Supervisory Communications<sup>32</sup>
- Statement on Supervisory Practices regarding Financial Institutions and Consumers Affected by a Major Disaster or Emergency<sup>33</sup>
- Interagency Statement Clarifying the Role of Supervisory Guidance<sup>34</sup>
- BCFP Supervision and Examination Process<sup>35</sup>
- Exam Scope Summary Template<sup>36</sup>
- Real Estate Settlement Procedures Act (RESPA) Examination Procedures<sup>37</sup>
- Truth in Lending Act (TILA) Examination Procedures<sup>38</sup>

## 3.4 Plan for upcoming initiatives

- Proposed upcoming initiatives, as reflected in the Bureau’s Fall 2018 Unified Agenda:
  - Policy Statement: Public Release of Home Mortgage Disclosure Act Data<sup>39</sup>
  - Pre-Rule Activity: Threshold Adjustment to Escrow Provision for Higher Priced Mortgage Loans

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<sup>32</sup> [https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/bcfp\\_bulletin-2018-01\\_changes-to-supervisory-communications.pdf](https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/bcfp_bulletin-2018-01_changes-to-supervisory-communications.pdf).

<sup>33</sup> [https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/bcfp\\_statement-on-supervisory-practices\\_disaster-emergency.pdf](https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/bcfp_statement-on-supervisory-practices_disaster-emergency.pdf).

<sup>34</sup> [https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/interagency-statement\\_role-of-supervisory-guidance.pdf](https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/interagency-statement_role-of-supervisory-guidance.pdf).

<sup>35</sup> [https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/032017\\_cfpb\\_examination-process\\_supervision-and-examination-manual.pdf](https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/032017_cfpb_examination-process_supervision-and-examination-manual.pdf).

<sup>36</sup> [https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201703\\_cfpb\\_Scope-Summary-Template.pdf](https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201703_cfpb_Scope-Summary-Template.pdf)

<sup>37</sup> [https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/cfpb\\_supervision-and-examination-manual\\_respa-exam-procedures.pdf](https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/cfpb_supervision-and-examination-manual_respa-exam-procedures.pdf).

<sup>38</sup> [https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/cfpb\\_supervision-and-examination-manual\\_respa-exam-procedures.pdf](https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/cfpb_supervision-and-examination-manual_respa-exam-procedures.pdf).

<sup>39</sup> <https://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-announces-policy-guidance-disclosure-home-mortgage-data/>

- Pre-Rule Activity: Proposed Assessed Clean Energy Loans

## 3.5 Plan for upcoming rules

- Proposed rules for the upcoming period, as reflected in the Bureau's Fall 2018 Unified Agenda:
  - Payday, Vehicle title, and Certain High-Cost Installment Loans: the Bureau announced in January 2018 that it intends to open a rulemaking to reconsider its 2017 rule titled Payday, Vehicle Title, and Certain High-Cost Installment Loans.
  - Debt Collection Rule: The Bureau will work towards releasing a proposed rule concerning FDCPA collectors' communications practices and consumer disclosures.
  - The Expedited Funds Availability Act (Regulation CC): The Bureau will work with the Board of Governors of the Federal Reserve System to issue jointly a rule that includes provisions within the Bureau's authority.<sup>40</sup>
  - Home Mortgage Disclosure (Regulation C): The Bureau announced in December 2017 that it intends to engage in a rulemaking to reconsider various aspects of the Bureau's 2015 rule under the Home Mortgage Disclosure Act (Regulation C), which could involve issues such as the institutional and transactional coverage tests and the rule's discretionary data points.
  - Partial Exemptions from the Requirements of the Home Mortgage Disclosure Act under the Economic Growth, Regulatory Relief, and Consumer Protection Act (Regulation C): The Bureau will incorporate into Regulation C interpretations and procedures set forth in an interpretive and procedural rule issued to implement and clarify the requirements of section 104(a) of the Economic Growth, Regulatory Relief, and Consumer Protection Act, which amended certain provisions of the Home Mortgage Disclosure Act.<sup>41</sup>

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<sup>40</sup> <https://www.federalregister.gov/documents/2018/12/10/2018-25746/availability-of-funds-and-collection-of-checks-regulation-cc>

<sup>41</sup> <https://www.federalregister.gov/documents/2018/09/07/2018-19244/partial-exemptions-from-the-requirements-of-the-home-mortgage-disclosure-act-under-the-economic>.

- Final rules for the upcoming period as reflected in the Bureau’s Spring 2018 Unified Agenda:
  - Amendments Relating to Disclosure of Records and Information: This rule will include procedures used by the public to obtain information from the Bureau under the Freedom of Information Act, the Privacy Act of 1974, and in legal proceedings.<sup>42</sup>
  - Summaries of Rights under the Fair Credit Reporting Act (Regulation V): The Bureau is seeking comment on an interim final rule that adjusts certain model forms under the Fair Credit Reporting Act in light of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRCPA) amendments to strengthen consumers’ ability to protect themselves from identity theft.<sup>43</sup>
  - Technical Specifications for Submissions to the Prepaid Account Agreements Database: The Bureau will publish technical specifications prescribing the form and manner in which issuers are to submit prepaid agreements, any amendments or withdrawals thereof, and related information to the Bureau pursuant to the requirements in the prepaid accounts rule.

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<sup>42</sup> This rule has since become final and gone into effect.

<https://www.federalregister.gov/documents/2018/09/12/2018-19384/disclosure-of-records-and-information>.

<sup>43</sup> <https://www.federalregister.gov/documents/2018/09/18/2018-20184/summaries-of-rights-under-the-fair-credit-reporting-act-regulation-v>.

# 4. 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

During the period October 1, 2017, through September 30, 2018, the Bureau received approximately 329,000 consumer complaints.<sup>44</sup> Consumers submitted approximately 82% of these complaints through the Bureau's website and 5% via telephone calls. Referrals from other state and federal agencies accounted for 8% of complaints. Consumers submitted the remainder of complaints by mail, email, and fax. The Bureau does not verify all the facts alleged in complaints, but gives companies the opportunity to confirm a commercial relationship with the consumer before providing a substantive response. The Bureau sent approximately 263,200 (or 80%) of complaints received to companies for review and response.<sup>45</sup> Companies responded to approximately 93% of complaints that the Bureau sent to them for response during the period. Five percent of complaints were pending response from the company at the end of the period. Company responses include descriptions of steps taken or that will be taken in response to the consumer's complaint, communications received from the consumer, any follow-up actions or planned follow-up actions, and a categorization of the response. Companies' responses describe a range of relief. Examples of relief include: mortgage foreclosure alternatives that help consumers keep their home; stopping unwanted calls from debt collectors; ceasing collection activity on debts not owed; correcting consumers' credit reports; correcting account information; and addressing formerly unmet customer service issues. Companies did not provide timely responses to 2% of the complaints sent to them for response.

When consumers submit complaints by web or phone they are prompted to select the consumer financial product or service with which they have a problem as well as the type of problem they

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<sup>44</sup> All data are current through October 1, 2018. This analysis excludes multiple complaints submitted by a given consumer on the same issue and whistleblower tips. For more information on our complaint process refer to our website, [www.consumerfinance.gov/complaint/process](http://www.consumerfinance.gov/complaint/process).

<sup>45</sup> The Bureau referred 15% of the complaints it received to other regulatory agencies and found 4% to be incomplete. At the end of this period, 0.3% of complaints were pending with the consumer and 0.6% were pending with the Bureau. Percentages in this section of the report may not sum to 100% due to rounding.

are having with that product or service. The Bureau uses these consumer selections to group the financial products and services about which consumers complain to the Bureau for public reports. As shown in Table 3, credit or consumer reporting, and debt collection, are the most-complained-about consumer financial products and services followed by mortgages, credit cards, and checking or savings accounts.

TABLE 3: CONSUMER COMPLAINTS BY PRODUCT

<b>Consumer complaints by product</b>	<b>%</b>
Credit or consumer reporting	37%
Debt collection	25%
Mortgage	10%
Credit card	9%
Checking or savings	7%
Student loan	3%
Money transfer or service, virtual currency	3%
Vehicle loan or lease	3%
Personal loan	1%
Payday loan	0.7%
Prepaid card	0.7%
Credit repair	0.3%
Title loan	0.2%
<b>Total consumer complaints by product</b>	<b>100%</b>

The Bureau's Office of Consumer Response analyzes consumer complaints, company responses, and consumer feedback to assess the accuracy, completeness, and timeliness of company responses. Consumer Response uses a variety of approaches to analyze consumer complaints, including cohort and text analytics, to identify trends and possible consumer harm.

The Bureau uses insights gathered from complaint data and analyses to scope and prioritize examinations and ask targeted questions when examining companies' records and practices, to help understand problems consumers are experiencing in the marketplace, to provide access to

information about financial topics and opportunities to build skills in money management that can help them avoid future problems, and to inform enforcement investigations to help stop unfair, deceptive, or abusive acts or practices. The Bureau shares consumer complaint information with prudential regulators, the Federal Trade Commission, other federal agencies, and state agencies,<sup>46</sup> to ensure other regulators have the complaint information needed to regulate the functioning of the consumer financial markets for such products and services. The Bureau also publishes complaint data to provide transparency into its operations and remain accountable to consumers and the marketplace.<sup>47</sup>

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<sup>46</sup> Dodd-Frank Act § 1013(b)(3)(D).

<sup>47</sup> During the reporting period, the Bureau published complaint reports about student loans, complaints submitted by servicers, and debt collection. The Bureau also publishes the Consumer Response Annual Report, which provides a more detailed analysis of complaints. These reports can be viewed at [www.consumerfinance.gov/data-research/research-reports](http://www.consumerfinance.gov/data-research/research-reports).

# 5. 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

## 5.1 Supervisory activities

The Bureau's supervisory activities with respect to individual institutions are non-public. The Bureau has, however, issued numerous supervisory guidance documents and bulletins during the preceding year. These documents are listed under section 3.3 of this Report as issued guidance documents undertaken within the preceding year.

## 5.2 Enforcement activities<sup>48</sup>

The Bureau was a party in the following public enforcement actions from October 1, 2017, through September 30, 2018, detailed as follows. This section also identifies those actions involving Office of Administrative Adjudication Orders with respect to covered persons that are not credit unions or depository institutions.

In the Matter of Triton Management Group, Inc., TMS Group, Inc. (File No. 2018-CFPB-0005) (not a credit union or depository institution). The Bureau entered a consent order against Triton and TMS Group on July 19, 2018, finding that Triton deceived Mississippi consumers in violation of the Dodd-Frank Wall Street Reform and Consumer Protection Act (CFPA), and violated the disclosure requirements of the Truth in Lending Act (TILA) by failing to disclose properly the finance charges associated with their auto title loans. The Bureau also found that Triton used advertisements that failed to disclose the annual percentage rate (APR) and other information required by TILA. Under the terms of the consent order, Triton and its subsidiaries are barred from misrepresenting the costs and other terms of their loans. The order enters a

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<sup>48</sup> Enforcement activity summaries are current as of September 30, 2018, and do not include activities that occurred after the reporting period.

judgment of \$1,522,298 against Triton, which represents the undisclosed finance charges consumers paid on their Triton loans. Full payment of this amount is suspended subject to Triton's paying \$500,000 to affected consumers. The order also imposes a \$1 civil money penalty.

In the Matter of National Credit Adjusters, LLC and Bradley Hochstein (File No. 2018-BCFP-0004) (not a credit union or depository institution). On July 13, 2018, the Bureau entered into a consent order with National Credit Adjusters, LLC and its former CEO and part-owner, Bradley Hochstein. The Bureau found that National Credit Adjusters and Hochstein engaged in unfair and deceptive acts and practices in the collection and sale of consumer debt and provided substantial assistance to the unfair and deceptive acts and practices of others in violation of the CFPB. The Bureau also found that National Credit Adjusters engaged in unfair and deceptive acts and practices in violation of the Fair Debt Collection Practices Act (FDCPA). The Bureau's order imposes a judgment for civil money penalties of \$3 million against National Credit Adjusters and \$3 million against Hochstein. Full payment of those amounts is suspended subject to compliance with other requirements and National Credit Adjusters paying a \$500,000 civil money penalty and Hochstein paying a \$300,000 civil money penalty. The Bureau's order also imposes injunctive relief and prohibits Hochstein from working for, or providing certain services to, any individual or business that collects, buys, or sells consumer debt.

In the Matter of Citibank N.A. (Annual Percentage Rates) (File No. 2018-BCFP-0003). On June 29, 2018, the Bureau entered into a consent order with Citibank, N.A. The Bureau found that Citibank violated TILA, as implemented by Regulation Z, by failing to reevaluate and reduce the annual percentage rates for certain consumer credit card accounts consistent with the requirements of Regulation Z, and by failing to have reasonable written policies and procedures in place to conduct APR reevaluations consistent with the requirements of Regulation Z. The Bureau's order requires injunctive relief and for Citibank to pay \$335 million in restitution to consumers.

In the Matter of Security Group Inc. (File No. 2018-CFPB-0002) (not a credit union or depository institution). On June 13, 2018, the Bureau issued a consent order against installment lender Security Group Inc. (SGI). The Bureau found that SGI engaged in unfair debt collection acts and practices, including with respect to in-person collection visits and collection calls to consumers' workplaces and references. The Bureau also found that SGI's furnishing practices violated the Fair Credit Reporting Act (FCRA). The Bureau's order requires SGI to cease in-person collection visits, comply with the FCRA, and pay a civil penalty of \$5 million.

In the Matter of Wells Fargo Bank, N.A. (File No. 2018-BCFP-0001). On April 20, 2018, the Bureau entered into a consent order with Wells Fargo Bank, N.A. The Bureau found that Wells Fargo engaged in unfair acts and practices in the way it administered a mandatory insurance program related to its auto loans and in how it charged certain borrowers for mortgage interest rate-lock extensions, in violation of the CFPB. The Bureau's order required Wells Fargo to remediate harmed consumers and undertake certain activities related to its risk management and compliance management. The Bureau also assessed a \$1 billion civil money penalty against the bank and credited the \$500 million penalty collected by the Office of the Comptroller of the Currency (OCC) toward the satisfaction of its fine.

Citibank, N.A. (File No. 2017-CFPB-0021). On November 21, 2017, the Bureau entered into a consent order with Citibank, N.A. The Bureau found that Citibank engaged in deceptive acts or practices likely to mislead borrowers into believing they had not paid student loan

interest that was eligible for a tax deduction. The Bureau also found that Citibank engaged in unfair acts or practices by providing borrowers misleading information regarding the student loan interest the borrowers had paid. The Bureau found that Citibank also incorrectly terminated borrowers' in-school deferments, resulting in late fees and added interest. The Bureau also found that Citibank overstated the minimum amount the borrowers had to pay in their monthly bills and failed to disclose required information after denying borrowers' requests to release loan cosigners. The Bureau's order requires injunctive relief and for Citibank to pay \$3.75 million in redress to consumers and a \$2.75 million civil money penalty.

Consumer Financial Protection Bureau v. Federal Debt Assistance Association, LLC, Financial Document Assistance Administration, Inc., Clear Solutions, Inc., Robert Pantoulis, David Piccione, and Vincent Piccione (D. Md. No. 17-cv-2997). The Bureau filed suit in federal court against two companies operating under the name "FDAA," a service provider, and their owners for allegedly falsely presenting FDAA as being affiliated with the federal government. The Bureau also alleges that FDAA's so-called "debt validation" programs violated the law by falsely promising to eliminate consumers' debts and improve their credit scores in exchange for thousands of dollars in advance fees. The court entered default judgment against all of the defendants on May 22, 2018, after they failed to respond to the Bureau's lawsuit. The court's order bans the defendants from providing debt-relief or credit-repair services to consumers, requires them to pay \$4.9 million in redress to consumers, and imposes a civil penalty of \$16 million.

Consumer Financial Protection Bureau v. Tempo Venture, Inc., d/b/a Culpeper Pawnbroker (W.D. Va. No. 17-cv-0075). The Bureau filed a complaint in federal court against Tempo Venture, Inc., doing business as Culpeper Pawnbroker, alleging that the company misstated the APR associated with pawn loans, in violation of federal law. The Bureau also filed a consent order, which was entered by the court. The consent order imposes injunctive relief and requires Culpeper Pawnbroker to pay a \$2,500 penalty.

Consumer Financial Protection Bureau v. Freedom Debt Relief, LLC and Andrew Housser (N.D. Cal. No. 17-cv-6484). The Bureau filed a complaint against Freedom Debt Relief, the nation's largest debt-settlement services provider, and its co-CEO Andrew Housser for allegedly deceiving consumers and charging unlawful advance fees. The Bureau alleges that Freedom misleads consumers about its ability to negotiate settlements with all creditors, misleads consumers about the circumstances under which it charges fees and in some cases, charges fees in the absence of a settlement. The Bureau is seeking compensation for harmed consumers, civil penalties, and an injunction against Freedom and Housser to halt their unlawful conduct.

Consumer Financial Protection Bureau v. Think Finance, LLC formerly known as Think Finance, Inc., et al. (D. Mont. No. 17-cv-0127); In re Think Finance, LLC, et al., (Bankr. N.D. Tex. No. 17-33964). The Bureau filed a complaint against Think Finance and its wholly owned subsidiaries for allegedly collecting debts that were not legally owed. In a suit filed in federal court, the Bureau alleges that Think Finance collects on loans that are void ab initio under state laws governing interest rate caps or the licensing of lenders. The Bureau alleges that Think Finance made deceptive demands and took money from consumers' bank accounts for debts that were not legally owed, in violation of federal law. The Bureau seeks restitution, injunctive relief, and a civil money penalty. On April 24, 2018, the defendants filed a motion to dismiss, which the court denied on August 3, 2018. Defendants filed an answer on August 31, 2018. The Bureau also filed a proof of claim in the Think Finance bankruptcy case. Both matters remain pending.

Conduent Business Services, LLC (File No. 2017-CFPB-0020) (not a credit union or depository institution). The Bureau entered a consent order against Conduent Business Services, which previously conducted business as Xerox Business Services, LLC, for software errors that led to incorrect consumer information about more than one million borrowers being sent to credit reporting agencies. The company also failed to notify all of its auto lender clients about known flaws in its software that led to the errors. The consent order requires Xerox to pay a \$1.1 million civil penalty, explain its mistakes to its lender clients, and correct the errors in its software.

Consumer Financial Protection Bureau v. Nationwide Biweekly Administration, Inc., et al. (N.D. Cal. No. 3:15-cv-2106). On May 11, 2015, the Bureau filed a complaint against Nationwide Biweekly Administration, Inc., Loan Payment Administration LLC, and Daniel S. Lipsky alleging that they engaged in abusive and deceptive acts and practices in violation of the CFPB and the Telemarketing Sales Rule (TSR) regarding a mortgage payment product known as the “Interest Minimizer Program,” or IM Program. The Bureau alleged that the defendants misrepresented their affiliation with consumers’ mortgage lenders; the amount of interest savings consumers would realize, and when consumers would achieve savings on the IM Program, consumers’ ability to attain the purported savings on their own or through a low- or no-cost option offered by the consumers’ servicer; and fees for the program. The Bureau sought a permanent injunction, consumer redress, and civil money penalties. A trial was held beginning on April 24, 2017, and on September 8, 2017, the court issued an opinion and order finding that the defendants had engaged in deceptive and abusive conduct in violation of the CFPB and TSR. The court imposed a \$7.93 million civil money penalty, but denied the Bureau’s request for restitution and disgorgement. On November 9, 2017, the court reduced the previous order to a judgment that included permanently enjoining defendants from engaging in specified acts or practices. The court denied defendants’ post-trial motions on March 12, 2018, and both parties have filed a notice of appeal. The parties’ appeals are currently pending before the United States Court of Appeals for the Ninth Circuit.

Consumer Financial Protection Bureau v. Navient Corporation, Navient Solutions, Inc., and Pioneer Credit Recovery, Inc. (M.D. Pa. No. 17-cv-0101). On January 18, 2017, the Bureau filed a complaint against Navient Corporation and its subsidiaries, Navient Solutions, Inc., and Pioneer Credit Recovery, Inc. The Bureau alleges that Navient Solutions and Navient Corporation steered borrowers toward repayment plans that resulted in borrowers paying more than other options; misreported to credit reporting agencies that severely and permanently disabled borrowers who had loans discharged under a federal program had defaulted on the loans when they had not; deceived private student loan borrowers about requirements to release their co-signer from the loan; and repeatedly incorrectly applied or misallocated borrower payments to their accounts. The Bureau also alleges that Pioneer and Navient Corporation misled borrowers about the effect of rehabilitation on their credit reports and the collection fees that would be forgiven in the federal loan rehabilitation program. The Bureau seeks consumer redress and injunctive relief. On March 24, 2017, Navient moved to dismiss the complaint. On August 4, 2017, the court denied Navient’s motion. The case remains pending.

Consumer Financial Protection Bureau v. Ocwen Financial Corporation, Ocwen Mortgage Servicing, Inc., and Ocwen Loan Servicing, LLC (S.D. Fla. No. 17-cv-90495). On April 20, 2017, the Bureau filed a complaint against mortgage loan servicer Ocwen Financial Corporation and its subsidiaries alleging they used inaccurate and incomplete information to service loans, misrepresented to borrowers that their loans had certain amounts due, illegally foreclosed on homeowners that were performing on agreements on loss mitigation options, enrolled and charged consumers for add-on products without their consent, failed to adequately investigate and respond to borrower complaints, and engaged in other conduct in violation of the CFPB,

TILA, FDCPA, Real Estate Settlement Procedures Act (RESPA), and Homeowners Protection Act (HPA). On June 23, 2017, Ocwen moved to dismiss. The court has not yet ruled on that motion. The case remains pending.

Consumer Financial Protection Bureau v. TCF National Bank (D. Minn. No. 17-cv-0166). On January 19, 2017, the Bureau filed a complaint against TCF National Bank alleging TCF misled consumers about overdraft services in violation of Regulation E and the CFPA. Specifically, the Bureau alleged that TCF designed its application process to obscure the overdraft fees on one-time debt purchases and ATM withdrawals and make overdraft services seem mandatory for new customers to open an account. On September 8, 2017, the court granted TCF's motion to dismiss the Bureau's Electronic Fund Transfer Act (EFTA) claims, but denied the motion to dismiss the Bureau's claims for deceptive and abusive acts or practices. On August 1, 2018, the court accepted a settlement between the Bureau and TCF. TCF agreed to pay \$25 million in restitution to customers who were charged overdraft fees and also agreed to an injunction to prevent future violations. The settlement also imposed a civil money penalty of \$5 million. The penalty was adjusted to account for a \$3 million penalty imposed by the OCC.

Consumer Financial Protection Bureau v. Top Notch Funding II, LLC, Rory Donadio, and John "Gene" Cavalli (S.D.N.Y. No. 17-cv-7114). On September 19, 2017, the Bureau filed a complaint alleging that Top Notch Funding and two individuals associated with the company made misrepresentations in loan offerings to consumers who were awaiting payment from settlements in legal cases or from victim-compensation funds. On January 30, 2018, the court entered a stipulated final judgment and order. The order prohibits the defendants from offering or providing such products in the future and requires them to pay \$75,000 in civil money penalties.

Consumer Financial Protection Bureau v. The National Collegiate Master Student Loan Trust, et al. (D. Del. No. 17-cv-1323) (not a credit union or depository institution). On September 18, 2017, the Bureau filed a complaint and proposed consent judgment against several National Collegiate Student Loan Trusts (collectively, "NCSLT"), alleging they brought debt collection lawsuits for private student loan debt that the companies couldn't prove was owed or was too old to sue over; that they filed false and misleading affidavits or provided false and misleading testimony; and that they falsely claimed that affidavits were sworn before a notary. The proposed consent judgment against the NCSLT would require an independent audit of all 800,000 student loans in the NCSLT portfolio. It would also prohibit the NCSLT, and any company it hires, from attempting to collect, reporting negative credit information, or filing lawsuits on any loan the audit shows is unverified or invalid. In addition, it would require the NCSLT to pay at least \$19.1 million, which would include redress to consumers, disgorgement, and a civil money penalty. Soon after the Bureau's filing, several entities moved to intervene to object to the proposed consent judgment. The case remains pending.

Consumer Financial Protection Bureau v. Weltman, Weinberg & Reis Co., L.P.A. (N.D. Ohio No. 1:17-cv-0817). On April 17, 2017, the Bureau filed a complaint against the debt collection law firm Weltman, Weinberg & Reis Co., L.P.A., alleging it sent collection letters that misrepresented that attorneys were meaningfully involved in collecting the debt. A trial with an advisory jury was held beginning May 1, 2018. The advisory jury found that the Bureau had proved by a preponderance of the evidence that the law firm's collection letter contained false, deceptive, or misleading representations in connection with the collection of a debt, but found that the Bureau had not proved that the law firm's lawyers were not meaningfully involved in the debt collection process. The court declined to adopt the advisory jury's first finding, accepted the advisory jury's second finding, and entered judgment in favor of the law firm on July 25, 2018.

Consumer Financial Protection Bureau v. RD Legal Funding, LLC, RD Legal Finance, LLC, and RD Legal Funding Partners, LP, and Roni Dersovitz S.D.N.Y. No. 1:17-cv-0890). On February 7, 2017, the Bureau and the New York Attorney General filed a complaint against RD Legal Funding, LLC, two related entities, and the companies' founder and owner, Roni Dersovitz, alleging that they made misrepresentations to potential borrowers, and engaged in abusive practices in connection with cash advances on settlement pay outs from victim-compensation funds and lawsuit settlements. The lawsuit seeks monetary relief, disgorgement, and civil money penalties. On May 15, 2017, the defendants filed a motion to dismiss the Bureau's complaint, which the Bureau opposed. On June 21, 2018, the court issued an opinion concluding that the defendants are subject to the CFPAs prohibitions and that the complaint properly pleaded claims against all of them. The court held, however that the for-cause removal provision that applies to the Bureau's Director violates the constitutional separation of powers and cannot be severed from the remainder of Title X of the Dodd-Frank Act. Based on that conclusion, the court ultimately dismissed the entire case. The case is now on appeal.

Consumer Financial Protection Bureau v. Vincent Howard, Lawrence W. Williamson, Howard Law, P.C., The Williamson Law Firm, LLC, and Williamson & Howard, LLP (C.D. Cal. No. 17-cv-0161). On January 30, 2017, the Bureau filed a complaint against a number of law firms and attorneys alleging that they violated the TSR by: (1) charging consumers upfront fees for debt relief services; (2) misrepresenting that consumers would not be charged upfront fees for debt relief services when, in fact, they were; and (3) providing substantial assistance to Morgan Drexen and Walter Ledda while knowing or consciously avoiding knowing that Morgan Drexen and Ledda were engaging in these violations. The Bureau alleges that Howard Law, P.C., the Williamson Law Firm, LLC, and Williamson & Howard, LLP, as well as attorneys Vincent Howard and Lawrence Williamson, ran this debt relief operation along with Morgan Drexen, Inc., which shut down in 2015 following the Bureau's lawsuit against that company. The complaint seeks injunctive relief, restitution, and the imposition of civil money penalties. The defendants filed a motion to dismiss, which the court denied on March 30, 2017. The defendants then asserted two counterclaims. The court dismissed those claims with prejudice on December 19, 2017. Since that time, the court has also denied two other substantive motions by the defendants: a motion for summary judgment on statute of limitations grounds and a motion for sanctions. The case remains pending.

Consumer Financial Protection Bureau v. Access Funding, LLC, Access Holding, LLC, Reliance Funding, LLC, Lee Jundanian, Raffi Boghosian, Michael Borkowski, and Charles Smith (D. Md. No. 1:16-cv-3759). On November 21, 2016, the Bureau filed a complaint against Access Funding, LLC, Access Holding, LLC, Reliance Funding, LLC, three of the companies' principals—Lee Jundanian, Raffi Boghosian, and Michael Borkowski—and a Maryland attorney, Charles Smith, alleging that they deceptively induced individuals to enter into settlement funding agreements, in which the individuals agreed to receive an immediate lump sum payment in exchange for significantly higher future settlement payments. The Bureau also alleges that the companies and their principals steered consumers to receive "independent advice" from Smith, who was paid directly by Access Funding and indicated to consumers that the transactions required very little scrutiny. The Bureau further alleges that Access Funding advanced money to some consumers and represented to those consumers that the advances obligated them to go forward with transactions even if they realized that the transactions were not in their best interests. On September 13, 2017, the court granted defendants' motions to dismiss counts I–IV, arising out of Smith's conduct, on the grounds that he had attorney-client relationships with the consumers in question. The court denied the defendants' motions to dismiss the Bureau's claim relating to the advances Access Funding offered consumers. The court granted the Bureau's motion to file an amended complaint alleging Smith did not have attorney-client relationships with the

consumers in question. Defendants again filed motions to dismiss, which the court denied. The defendants have filed a motion for partial summary judgment, which the Bureau has opposed, and on which the court has not yet ruled. The case remains pending.

Consumer Financial Protection Bureau v. Northern Resolution Group (W.D.N.Y. No. 16-cv-0880). On November 2, 2016, the Bureau, in partnership with the New York Attorney General, filed a complaint alleging that Douglas MacKinnon and Mark Gray operate a network of companies that harass, threaten, and deceive consumers across the nation into paying inflated debts or amounts they may not owe. The complaint seeks injunctive relief, restitution, and the imposition of penalties against the companies and partners. The defendants asserted counterclaims against the Bureau and New York, which the court dismissed on January 8, 2018. The case remains pending.

Consumer Financial Protection Bureau v. All American Check Cashing, Inc., Mid-State Finance, Inc., and Michael E. Gray (S.D. Miss. No. 16-cv-0356). On May 11, 2016, the Bureau filed a complaint against two companies, All American Check Cashing, Inc. and Mid-State Finance, Inc., which offer check-cashing services and payday loans, and their president and sole owner, Michael Gray. The Bureau alleges that All American tried to keep consumers from learning how much they would be charged to cash a check and used deceptive tactics to stop consumers from backing out of transactions. The Bureau also alleges that All American made deceptive statements about the benefits of its high-cost payday loans and failed to provide refunds after consumers made overpayments on their loans. The Bureau's lawsuit seeks injunctive relief, restitution, and the imposition of a civil money penalty. On July 15, 2016, the court denied defendants' motion for a more definite statement. The defendants moved for judgment on the pleadings on May 24, 2017, and the Bureau moved for summary judgment on August 4, 2017. The court has not yet ruled on the Bureau's summary judgment motion. On March 21, 2018, the court denied the defendants' motion for judgment on the pleadings. On March 26, 2018, the defendants moved to certify that denial for interlocutory appeal. The next day, the court granted the defendants' motion in part, holding that interlocutory appeal was justified with respect to defendants' constitutional challenge to the Bureau's statutory structure. On April 24, 2018, the court of appeals granted the defendants' petition for permission to appeal the district court's interlocutory order. The district court action has been stayed pending the appeal, which is ongoing.

Consumer Financial Protection Bureau v. D and D Marketing, Inc., d/b/a T3Leads, Grigor Demirchyian, and Marina Demirchyian (C.D. Cal. No. 15-cv-9692); Consumer Financial Protection Bureau v. Dmitry Fomichev (C.D. Cal. No. 16-cv-2724); and Consumer Financial Protection Bureau v. Davit Gasparyan aka David Gasparyan (C.D. Cal. No. 16-cv-2725). On December 17, 2015, the Bureau filed a complaint against T3Leads and its current executives, Grigor Demirchyian and Marina Demirchyian, alleging that T3 engaged in unfair and abusive acts and practices in the sale of consumer-loan applications to small-dollar lenders and others acting unlawfully, and in operating a loan-application network that prevented consumers from understanding the material risks, costs, or conditions of their loans, and further alleging that the Demirchyans substantially assisted those acts and practices. On April 21, 2016, the Bureau filed two separate but related complaints against the company's past executives—Dmitry Fomichev and Davit Gasparyan—alleging that they substantially assisted T3's violations. The complaints seek monetary relief, injunctive relief, and penalties. On November 17, 2016, the court denied the defendants' motions to dismiss but found the Bureau unconstitutionally structured. The Ninth Circuit granted interlocutory appeal on that issue. That issue has not been decided. On September 8, 2017, the district court entered a stipulated final judgment and order against one of the defendants, Davit Gasparyan. The order imposed injunctive relief and required Gasparyan

to pay a \$250,000 penalty. The case remains pending in the district court against the remaining defendants and the interlocutory appeal remains pending in the Court of Appeals.

Consumer Financial Protection Bureau and Anthony J. Albanese, Acting Superintendent of Financial Services of the State of New York v. Pension Funding, LLC; Pension Income, LLC; Steven Covey; Edwin Lichtig; and Rex Hofelter (C.D. Cal. No. 8:15-cv-1329). On August 20, 2015, the Bureau and the New York Department of Financial Services (NYDFS) filed a complaint against two companies, Pension Funding, LLC and Pension Income, LLC, and three of the companies' individual managers, alleging that they deceived consumers about the costs and risks of their pension-advance loans. The Bureau and NYDFS alleged that from 2011 until about December 2014, Pension Funding and Pension Income offered consumers lump-sum loan payments in exchange for the consumers agreeing to redirect all or part of their pension payments to the companies for eight years. The Bureau and NYDFS also alleged that the individual defendants, Steven Covey, Edwin Lichtig, and Rex Hofelter, designed and marketed these loans and were responsible for the companies' operations. The Bureau and NYDFS alleged that all of the defendants violated the CFPB's prohibitions against unfair, deceptive, and abusive acts or practices.

On January 8, 2016, the court appointed a receiver over defendants Pension Funding and Pension Income. The receiver's responsibilities include taking control of all funds and assets of the companies and completing an accounting of all pension-advance transactions that are the subject of the action. On February 10, 2016, the court entered a stipulated final judgment and order as to two of the individual defendants, Lichtig and Hofelter. The order imposes bans on these individuals' participation in pension-advance transactions and requires them to pay money to the receivership estate. On July 11, 2016, the court granted a default judgment against the final individual defendant, Covey, who did not appear in the case. The court's order imposes a ban and requires Covey to pay disgorgement of approximately \$580,000. The court-appointed receiver's work with respect to the companies is ongoing.

In the Matter of Integrity Advance, LLC and James R. Carnes (File No. 2015-CFPB-0029) (not a credit union or depository institution). On November 18, 2015, the Bureau filed a notice of charges against an online lender, Integrity Advance, LLC, and its CEO, James R. Carnes, alleging they deceived consumers about the cost of short-term loans. The Bureau alleges that the company's contracts did not disclose the costs consumers would pay under the default terms of the contracts. The Bureau also alleges that the company unfairly used remotely created checks to debit consumers' bank accounts even after the consumers revoked authorization for automatic withdrawals. The Bureau is seeking injunctive relief, restitution, and the imposition of a civil money penalty. On September 27, 2016, the Administrative Law Judge issued a Recommended Decision finding liability and recommending injunctive and monetary relief. The Recommended Decision was appealed to the Director, but further activity on that appeal was held in abeyance pending a decision in *PHH Corp. v. CFPB*, No. 15-1177 (D.C. Cir.), and, subsequently, pending a decision in *Lucia v. SEC*, No. 17-0130 (S. Ct.). Subsequent to the Supreme Court's ruling in *Lucia*, the Acting Director ordered the parties to submit additional briefing regarding the implications of the Court's ruling. The case remains pending.

Consumer Financial Protection Bureau v. Global Financial Support, Inc., d/b/a Student Financial Resource Center, d/b/a College Financial Advisory; and Armond Aria a/k/a Armond Amir Aria, individually, and as owner and CEO of Global Financial Support, Inc. (S.D. Cal. No. 15-cv-2440). On October 29, 2015, the Bureau filed a complaint alleging that Global Financial Support, Inc., which operates under the names Student Financial Resource Center and College Financial Advisory, issued marketing letters instructing students to fill out a form and pay a fee

in exchange for the company conducting extensive searches to target or match them with individualized financial aid opportunities. The Bureau alleges that consumers who paid the fee received nothing or a generic booklet that failed to provide individualized advice. The Bureau also alleges that the defendants misrepresented their affiliation with government and university financial aid offices and pressured consumers to enroll through deceptive statements. The complaint seeks injunctive relief, restitution, and the imposition of a civil money penalty. This matter has been stayed since May 17, 2016, based on an ongoing criminal prosecution of one of the defendants. The case remains pending.

Consumer Financial Protection Bureau v. Borders & Borders, PLC, et al. (W.D. Ky. No. 13-cv-1047). On October 24, 2013, the Bureau filed a complaint alleging that Borders & Borders, a law firm specializing in real estate closings, violated RESPA by paying local real estate and mortgage brokers in exchange for referrals of settlement service business to the defendants. The Bureau sought injunctive and other equitable relief. On February 12, 2015, the court denied the defendants' motion for judgment on the pleading, but on July 13, 2017, granted defendants' motion for summary judgment, finding the arrangements qualified as affiliated business arrangements under section 8(c)(4) of RESPA. On March 21, 2018, the court denied a motion for reconsideration filed by the Bureau, holding that the arrangements did not violate section 8(a) of RESPA and, even if they did, were entitled to protection under section 8(c)(2) of RESPA. On June 18, 2018, the court denied the defendants' motion for costs. The Bureau did not file a Notice of Appeal, and the case is closed.

Consumer Financial Protection Bureau v. NDG Financial Corp., et al. (S.D.N.Y. No. 15-cv-5211). On July 6, 2015, the Bureau filed a complaint against the NDG Financial Corporation and nine of its affiliates alleging they engaged in unfair, deceptive, and abusive practices relating to its payday lending enterprise. The Bureau alleges that the enterprise, which has companies located in Canada and Malta, originated, serviced, and collected pay day loans that were void under state law, represented that U.S. federal and state laws did not apply to the defendants or the pay day loans, and used unfair and deceptive tactics to secure repayment, all in violation of the CFPB. On December 2, 2016, the court denied the defendants' motions to dismiss. On December 6, 2017, the clerk entered default against the Maltese defendants. On February 5, 2018, the court voluntarily dismissed the former owners and their holding corporations as defendants and relief defendants. The Bureau moved for the sanction of default judgment against the remaining defendants, which the court granted on March 29, 2018. The case remains pending.

Consumer Financial Protection Bureau v. Universal Debt & Payment Solutions, LLC, et al. (N.D. Ga. No. 15-cv-0859). On March 26, 2015, the Bureau filed a complaint against a group of seven debt collection agencies, six individual debt collectors, four payment processors, and a telephone marketing service provider alleging unlawful conduct related to a phantom debt collection operation. Phantom debt is debt consumers do not actually owe or debt that is not payable to those attempting to collect it. The Bureau alleges that the individuals, acting through a network of corporate entities, used threats and harassment to collect "phantom" debt from consumers. The Bureau alleges the defendants violated the FDCPA and the CFPB's prohibition on unfair and deceptive acts and practices, and provided substantial assistance to unfair or deceptive conduct. The Bureau is seeking permanent injunctive relief, restitution, and the imposition of a civil money penalty. On April 7, 2015, the Bureau obtained a preliminary injunction against the debt collectors that froze their assets and enjoined their unlawful conduct. In September 1, 2015, the court denied the defendants' motion to dismiss. On August 25, 2017, the court dismissed the Bureau's claims against the payment processors as a discovery sanction against the Bureau. On November 15, 2017, the Bureau, and two remaining defendants moved for summary judgment. The court has not yet ruled on those motions. On January 29, 2018, the

court granted the Bureau's motion for contempt against one of the defendants for violating the court's preliminary injunction. The Bureau has filed additional motions for contempt against several defendants. The court has not ruled on those motions. The case remains pending.

Consumer Financial Protection Bureau v. Richard F. Moseley, Sr., et al. (W.D. Mo. No. 14-cv-0789). On September 8, 2014, the Bureau filed a complaint against a confederation of online payday lenders known as the Hydra Group, its principals, and affiliates, alleging that they used a maze of interrelated entities to make unauthorized and otherwise illegal loans to consumers. The Bureau alleged that the defendants' practices violated the CFPB, TILA, and EFTA. On September 9, 2014, the court issued an ex parte temporary restraining order against the defendants, ordering them to halt lending operations. The court also placed the companies in temporary receivership, appointed a receiver, granted the Bureau immediate access to the defendants' business premises, and froze their assets. On October 3, 2014, the court entered a stipulated preliminary injunction against the defendants pending final judgment in the case. On March 4, 2016, the court stayed the Bureau's case until criminal proceedings against Moseley, Sr. were resolved. In November 2017, Moseley was convicted on multiple counts after a jury trial in the Southern District of New York and in June 2018, sentenced to 120 months in prison. The court entered a stipulated final judgment against one individual defendant on July 23, 2018, and a stipulated final judgment against Moseley and the remaining defendants on August 10, 2018. Under the terms of the orders, one individual defendant Randazzo is banned from the industry and required to pay a \$1 civil penalty, and the remaining defendants are be banned from the industry, and must forfeit approximately \$14 million in assets, and pay a \$1 civil money penalty. The civil penalty amount is based in part on the defendants' limited ability to pay. The August 10 order also imposes a judgment for \$69 million in consumer redress, but, in light of the defendants' limited ability to pay, the judgment will be suspended upon compliance with other requirements.

Consumer Financial Protection Bureau v. The Mortgage Law Group, LLP, d/b/a The Law Firm of Macey, Aleman & Searns; Consumer First Legal Group, LLC; Thomas G. Macey; Jeffrey J. Aleman; Jason E. Searns; and Harold E. Stafford (W.D. Wis. No. 3:14-cv-0513). On July 22, 2014, the Bureau filed a lawsuit in federal district court against The Mortgage Law Group, LLP (TMLG), the Consumer First Legal Group, LLC, and attorneys Thomas Macey, Jeffrey Aleman, Jason Searns, and Harold Stafford. The Bureau alleges that the defendants violated Regulation O, formerly known as the Mortgage Assistance Relief Services Rule, by taking payments from consumers for mortgage modifications before the consumers signed a mortgage modification agreement from their lender, by failing to make required disclosures, by directing consumers not to contact lenders, and by making deceptive statements to consumers when providing mortgage assistance relief services. A trial was held on April 24, 2017 through April 28, 2017. On June 21, 2017, the district court entered a stipulated judgment against the bankruptcy estate of TMLG, which sought Chapter 7 bankruptcy. The court enjoined TMLG from operating, and ordered TMLG to pay \$18,331,737 in redress and \$20,815,000 in civil money penalties. On May 29, 2018, the Bureau filed an unopposed motion to increase the redress amount ordered by the court to \$18,716,725.78, based on newly discovered information about additional advance fees paid by consumers. The case remains pending.

Consumer Financial Protection Bureau v. ITT Educational Services, Inc. (S.D. Ind. No. 14-cv-0292). On January 6, 2014, the Bureau filed a lawsuit in federal district court against for-profit college chain ITT Educational Services, Inc. The Bureau alleges that ITT encouraged new students to enroll by providing them funding for the tuition gap that was not covered by federal student loan programs with a zero-interest loan called "Temporary Credit." This loan typically had to be paid in full at the end of the student's first academic year. The Bureau alleges that ITT

knew from the outset that many students would not be able to repay their Temporary Credit balances or fund their second-year tuition gap and that ITT illegally pushed its students into repaying their Temporary Credit and funding their second-year tuition gaps through high-cost private student loan programs, on which ITT knew students were likely to default. In September of 2016, ITT closed all of its schools and filed for bankruptcy. On September 8, 2017, the court entered an order administratively closing the case without prejudice to the right of either party to move to reopen it within sixty days of the approval of a settlement by the bankruptcy court overseeing ITT's Chapter 7 case.

Consumer Financial Protection Bureau v. CashCall, Inc., et al. (C.D. Cal. No. 15-cv-7522). On December 16, 2013, the Bureau filed a complaint against online lender CashCall Inc., its owner, a subsidiary, and an affiliate, alleging that they violated the CFPB's prohibition against unfair, deceptive, and abusive acts and practices by collecting and attempting to collect consumer-installment loans that were void or partially nullified because they violated either state caps on interest rates or state licensing requirements for lenders. The Bureau alleged that CashCall serviced loans it made in the name of an entity, Western Sky, which was located on the Cheyenne River Sioux Tribe's land. On August 31, 2016, the court granted the Bureau's motion for partial summary judgment, concluding that CashCall was the true lender on the Western Sky loans. Based in part on that finding, the court concluded that the choice-of-law provision in the loan agreements was not enforceable, found that the law of the borrower's state applied, and that the loans were void. Because the loans were void, the court found that the defendants engaged in deceptive acts or practices by demanding and collecting payment on debts that consumers did not owe. A trial was held from October 17 to 18, 2017, on the issue of appropriate relief. On January 19, 2018, the court issued findings of fact and conclusions of law imposing a \$10.28 million civil penalty but denying the Bureau's request for restitution and an injunction. The Bureau filed a Notice of Appeal on March 27, 2018, and the defendants filed a Notice of Cross-Appeal two weeks later. The appeal remains pending.

# 6. Actions taken regarding rules, orders, and supervisory actions with respect to covered persons which are not credit unions or depository institutions

The Bureau's *Supervisory Highlights* publications provide general information about the Bureau's supervisory activities at banks and nonbanks without identifying specific companies. The Bureau published one issue of *Supervisory Highlights* between October 1, 2017, and September 30, 2018.<sup>49</sup>

All public enforcement actions are listed in section 5 of this Report. Those actions taken with respect to covered persons which are not credit unions or depository institutions are noted within the summary of the action.

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<sup>49</sup> Summer 2018, [https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/bcfp\\_supervisory-highlights\\_issue-17\\_2018-09.pdf](https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/bcfp_supervisory-highlights_issue-17_2018-09.pdf).

# 7. Assessment of significant actions by State attorneys general or State regulators relating to Federal consumer financial law<sup>50</sup>

For purposes of the section 1016(c)(7) reporting requirement, the Bureau determined that any actions asserting claims pursuant to section 1042 of the Dodd-Frank Act are “significant.” The Bureau is aware of the following State Attorney General actions that were initiated during the reporting period and that asserted Dodd-Frank Act claims. The reporting period for this information is October 1, 2017, through September 30, 2018.

State of Alabama et al. v. PHH Mortgage Corporation, No. 18-cv-0009 (D.D.C. Jan. 3, 2018). On January 3, 2018, the Attorneys General for 49 states and the District of Columbia filed a complaint and agreed consent judgment against PHH Mortgage Corporation in the United States District Court for the District of Columbia. The complaint alleged that PHH engaged in mortgage servicing and foreclosure processing practices that were unfair and deceptive under state law. In addition, the states and the District of Columbia alleged that these mortgage servicing and foreclosure processing practices were unfair and deceptive under the Consumer Financial Protection Act (CFPA), 12 U.S.C. 5531(a)(1)(B). A consent judgment was approved by the court on May 10, 2018.

Navajo Nation v. Wells Fargo & Company, Wells Fargo Bank, N.A., and Does 1-10, No. 17-cv-1219 (D.N.M. Dec. 12, 2017). On December 12, 2017, the Navajo Nation filed a complaint against Wells Fargo & Company, Wells Fargo Bank, and Does 1-10 in the United States District Court for the District of New Mexico. The Navajo Nation alleged that Wells Fargo & Company and Does 1-10 engaged in, or provided substantial assistance to Wells Fargo Bank in, opening unauthorized accounts for consumers. This activity was alleged to violate the prohibition on unfair, deceptive, and abusive acts or practices in the CFPA, 12 U.S.C. 5536(a)(1)(B). The Navajo Nation also alleged that Wells Fargo & Company and Does 1-10 violated the CFPA, 12 U.S.C. 5536(a)(1)(A), by violating the Equal Credit Opportunity Act (ECOA), 15 U.S.C. 1691(a), and its implementing regulation, 12 C.F.R. 1002.4, the Electronic Fund Transfer Act (EFTA), 15 U.S.C. 1693i(b), and its implementing regulation, 12 C.F.R. 1005.5(a), the Truth in Lending Act (TILA), 15 U.S.C. 1642, and its implementing regulation, 12 C.F.R. 1026.12(a), the Fair Credit Reporting Act (FCRA), 15 U.S.C. 1681(b) and 16181q, and the implementing regulation for the Truth in Savings Act, 12 C.F.R. 1030.4(a)(1)(i). The Navajo Nation alleged that all defendants engaged in activity

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<sup>50</sup> State Attorneys General action summaries are current as of September 30, 2018, and do not include activities that occurred after the reporting period.

that was a violation of the FCRA, ECOA, EFTA, TILA, and their respective implementing regulations, the New Mexico Unfair Practices Act, N.M. Stat. 57-12-1 *et seq.*, the Arizona Consumer Fraud Act, A.R.S. 44-1522 *et seq.*, and the Navajo Nation Consumer Practices Act, N.N.C. 1101 *et seq.* The Navajo Nation also alleged that the defendants' activity constituted fraud, conversion, or unjust enrichment.

Commonwealth of Pennsylvania v. Navient Corporation and Navient Solutions, L.L.C., No. 17-cv-1814 (M.D. Pa. Oct. 5, 2017). On October 5, 2017, the Commonwealth of Pennsylvania filed a complaint against Navient Corporation and Navient Solutions, L.L.C. in the United States District Court for the Middle District of Pennsylvania. Pennsylvania alleged that the companies engaged in unfair methods of competition and unfair acts or practices in the course of originating private student loans and servicing federal and private student loans, in violation of Pennsylvania Consumer Protection Law, 73. P.S. 201-3. Pennsylvania's complaint also included allegations that the companies' student loan servicing practices violated the prohibition on unfair and deceptive acts or practices under the CFPB, 12 U.S.C. 5531(a)(1)(B).

# 8. Analysis of the efforts of the Bureau to fulfill the fair lending mission of the Bureau

This Semi-Annual Report update is focused on highlights from the Bureau’s fair lending enforcement<sup>51</sup> and rulemaking<sup>52</sup> activities from October 1, 2017, through September 30, 2018, and continued efforts to fulfill the fair lending mission of the Bureau, through, supervision, interagency coordination, and outreach, from April 1, 2018, through September 30, 2018.<sup>53</sup>

## 8.1 Fair lending supervision

The Bureau’s Fair Lending Supervision program assesses compliance with Federal fair lending consumer financial laws and regulations at banks and nonbanks over which the Bureau has supervisory authority. As a result of the Bureau’s efforts to fulfill its fair lending mission in this reporting period, the Bureau’s Fair Lending Supervision program initiated 13 supervisory events at financial services institutions under the Bureau’s jurisdiction to determine compliance with federal laws intended to ensure the fair, equitable, and nondiscriminatory access to credit for both individuals and communities, including the Equal Credit Opportunity Act (ECOA) and Home Mortgage Disclosure Act (HMDA).

For exam reports issued by Fair Lending Supervision during the reporting period, the most frequently cited violations of Regulation B and Regulation C were:

- Section 1003.4(a): Failure by a financial institution to collect and accurately report data regarding applications for covered loans that it receives, originates, or purchases in a calendar year, or, failure to collect and accurately report data regarding certain requests under a preapproval program in a calendar year;
- Section 1002.5(d)(2): Improperly requesting information about an applicant’s source of income;
- Section 1002.6(b)(2): Improperly considering age or whether income is derived from any public assistance program;
- Section 1002.9(a)(1), (a)(2), (b): Failure to provide notice to the applicant 30 days after receiving a completed application concerning the creditor’s approval of, counteroffer or adverse action on the application; failure to provide appropriate notice to the applicant

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<sup>51</sup> Dodd-Frank Act § 1016(c)(5).

<sup>52</sup> Dodd-Frank Act § 1016(c)(3).

<sup>53</sup> Dodd-Frank Act § 1016(c)(8).

- 30 days after taking adverse action on an incomplete application; failure to provide sufficient information in an adverse action notification, including the specific reasons for the action taken; and
- Section 1002.12(b)(1): Failure to preserve records of actions taken on an application or of incompleteness.

In the current reporting period, the Bureau initiated a higher number of fair lending supervisory events, and issued a greater number of matters requiring attention (MRAs) or memoranda of understanding (MOUs) than in the prior period. MRAs and MOUs direct entities to take corrective actions and are monitored by the Bureau through follow-up supervisory events. In the current period, however, the Bureau reviewed and found that entities satisfied a lower number of MRAs or MOU items from past supervisory events than in the prior period.

## 8.2 Fair lending enforcement<sup>54</sup>

The Bureau has the statutory authority to bring actions to enforce the requirements of HMDA and ECOA. In this regard, the Bureau has the authority to engage in research, conduct investigations, file administrative complaints, hold hearings, and adjudicate claims through the Bureau's administrative enforcement process. The Bureau also has independent litigating authority and can file cases in federal court alleging violations of fair lending laws under the Bureau's jurisdiction. Like other federal bank regulators, the Bureau is required to refer matters to the U.S. Department of Justice (DOJ) when it has reason to believe that a creditor has engaged in a pattern or practice of lending discrimination.<sup>55</sup>

Over the past year, the Bureau did not initiate or complete any fair lending public enforcement actions. In addition, during this reporting period<sup>56</sup> and pursuant to section 706(g) of ECOA, the Bureau did not refer any matters to the DOJ with regard to discrimination.

The Bureau continues to administer prior fair lending enforcement actions. On September 28, 2015, working in coordination with the DOJ, the Bureau ordered Fifth Third Bank (Fifth Third) to pay \$18 million in damages to harmed African-American and Hispanic borrowers for unlawful discrimination in auto lending.<sup>57</sup> On January 4, 2018, participation materials were mailed to potentially eligible borrowers whom Fifth Third overcharged for their auto loans notifying them how to participate in the settlement fund.

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<sup>54</sup> Section 1016(c)(5) of the Dodd-Frank Act requires the Bureau to include in the semi-annual report public enforcement actions the Bureau was a party to during the preceding year, which is October 1, 2017, through September 30, 2018, for this report.

<sup>55</sup> See 15 U.S.C. § 1691e(h).

<sup>56</sup> October 1, 2017, through September 30, 2018.

<sup>57</sup> On May 21, 2018, the President signed a joint resolution passed by Congress disapproving the Bureau's Bulletin titled "Indirect Auto Lending and Compliance with the Equal Credit Opportunity Act" (Bulletin), which had provided guidance about ECOA and its implementing regulation, Regulation B. Consistent with the joint resolution, the Bulletin has no force or effect. The ECOA and Regulation B are unchanged and remain in force and effect.

On February 2, 2016, working with the DOJ, the Bureau ordered Toyota Motor Credit Corporation (Toyota Motor Credit), to pay up to \$21.9 million in damages to harmed African-American and Asian and/or Pacific Islander borrowers for unlawful discrimination.<sup>58</sup> On December 29, 2017, participation materials were mailed to potentially eligible borrowers whom Toyota Motor Credit overcharged for their auto loans notifying them how to participate in the settlement fund.

On May 28, 2015, working jointly with the DOJ, the Bureau and the DOJ filed a joint consent order against Provident Funding Associates (Provident). The consent order requires Provident to pay \$9 million in damages to harmed African-American and Hispanic borrowers for unlawful discrimination in mortgage lending. On November 2, 2017, participating African-American and Hispanic borrowers who were unlawfully overcharged on their mortgage loans were mailed checks compensating them for their harm.

On July 14, 2015, working in close coordination with the DOJ, the Bureau ordered American Honda Finance Corporation (Honda Finance) to pay \$24 million in damages to harmed African-American, Hispanic, and Asian or Pacific Islander borrowers.<sup>59</sup> On October 2, 2017, participating African-American, Hispanic, and Asian or Pacific Islander borrowers, whom Honda Finance overcharged for their auto loans were mailed checks compensating them for their harm.

On June 29, 2016, the Bureau and the DOJ announced a joint action against BancorpSouth Bank (BancorpSouth) for discriminatory mortgage lending practices that harmed African Americans and other minorities. The consent order, which was entered by the court on July 25, 2016, requires BancorpSouth to pay \$4 million in direct loan subsidies in minority neighborhoods<sup>60</sup> in Memphis, at least \$800,000 for community programs, advertising, outreach, and credit repair, \$2.78 million to African-American consumers who were unlawfully denied or overcharged for loans, and a \$3 million penalty.<sup>61</sup> The settlement administrator distributed participation packets to potentially eligible borrowers in June 2018.

## 8.3 Fair lending outreach

The Bureau is committed to hearing from and communicating directly with stakeholders on compliance and education relating to fair lending.<sup>62</sup> Outreach is accomplished through issuance of Reports to Congress, Interagency Statements, *Supervisory Highlights*, Compliance Bulletins, letters and blog posts, as well as through the delivery of speeches, meetings, and presentations addressing fair lending and access to credit matters. During the reporting period, Fair Lending staff participated in eight events where they worked directly with stakeholders to educate them

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<sup>58</sup> See supra note 57

<sup>59</sup> See supra note 57

<sup>60</sup> Majority-minority neighborhoods or minority neighborhoods refers to census tracts with a minority population greater than 50%.

<sup>61</sup> Consent Order, *United States v. BancorpSouth Bank*, No. 1:16-cv-00118-GHD-DAS (N.D. Miss. July 25, 2016), ECF No. 8, [http://files.consumerfinance.gov/f/documents/201606\\_cfpb\\_bancorpSouth-consent-order.pdf](http://files.consumerfinance.gov/f/documents/201606_cfpb_bancorpSouth-consent-order.pdf).

<sup>62</sup> Dodd-Frank Act § 1013(c)(2)(C).

about fair lending compliance and access to credit issues, heard stakeholder views on Fair Lending’s work to inform the Bureau, or provided speeches on fair lending topics. On Monday, September 17, 2018, the Bureau held a day-long symposium titled, [Building a Bridge to Credit Visibility](#). A diverse set of stakeholders—including those representing industry, academia, trade associations, government, community groups, research, and policy and think tank organizations—participated in the event, which explored challenges related to access to consumer and small business credit and potential innovations and strategies to expand credit access. The symposium dialogue covered innovations that assist consumers who have “invisible” credit profiles or live in geographies with limited access to mainstream credit; models of innovative “entry” credit products used to establish credit, such as secured credit cards, credit builder products, installment loans, and possibly retail credit; microenterprise credit products and services that promote the establishment and growth of small business enterprises; and the use of alternative data to establish a credit record. On the day of the symposium, the Bureau also released a [new research data point](#) on the geography of credit invisible consumers. This publication provides a closer look at the relationship between geography and credit invisibility.

## 8.4 Interagency coordination

The Bureau’s fair lending activity involves regular coordination with other federal and state regulatory and enforcement partners.<sup>63</sup> During the reporting period, Fair Lending staff continued to lead the Bureau’s fair lending interagency coordination and collaboration efforts by working with partners on the Interagency Task Force on Fair Lending, the Interagency Working Group on Fair Lending Enforcement, and chairing the FFIEC HMDA Data Collection Subcommittee.

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<sup>63</sup> Dodd-Frank Act § 1013(c)(2)(B).

# 9. Analysis of the efforts of the Bureau to increase workforce and contracting diversity consistent with the procedures established by the Office of Minority and Women Inclusion (OMWI).

The Bureau developed a Diversity and Inclusion Strategic Plan 2016-2020 to guide the Bureau's efforts to manage its diversity and inclusion goals, and objectives.<sup>64</sup> The Bureau also publishes an Annual OMWI report in the spring of each year; its 2017 report was issued on March 29, 2018.<sup>65</sup>

During the reporting period, the Bureau began executing on objectives and strategies outlined in the Bureau of Consumer Financial Protection Strategic Plan FY 2018-2022<sup>66</sup> (Bureau Strategic Plan), which complements and reinforces the Diversity and Inclusion Strategic Plan.

Objective 3.2 of the Bureau's Strategic Plan commits the Bureau to "maintain a talented, diverse, inclusive and engaged workforce." The plan requires the Bureau to achieve this objective with specific strategies, which are:

- Establish and maintain human capital policies and programs to help the Agency effectively and efficiently manage a talented, diverse, and inclusive workforce.
- Offer learning and development opportunities that foster a climate of professional growth and continuous improvement.

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<sup>64</sup> [www.consumerfinance.gov/data-research/research-reports/cfpb-diversity-and-inclusion-strategic-plan-2016-2020/](http://www.consumerfinance.gov/data-research/research-reports/cfpb-diversity-and-inclusion-strategic-plan-2016-2020/).

<sup>65</sup> [www.consumerfinance.gov/data-research/research-reports/2017-office-minority-and-women-inclusion-annual-report-congress/](http://www.consumerfinance.gov/data-research/research-reports/2017-office-minority-and-women-inclusion-annual-report-congress/).

<sup>66</sup> [www.consumerfinance.gov/about-us/budget-strategy/strategic-plan](http://www.consumerfinance.gov/about-us/budget-strategy/strategic-plan).

- Develop human capital processes, tools, and technologies that continue to support the maturation of the Bureau and the effectiveness of human resource operations.
- Build a positive work environment that engages employees and enables them to continue doing their best work.
- Maintain comprehensive equal employment opportunity (EEO) compliance and diversity and inclusion programs, including those focused on minority and women inclusion.

## 9.1 Increasing workforce diversity

As of September 2018, an analysis of the Bureau's current workforce reveals the following key points:

- Women represent 49% of the Bureau's workforce in 2018 with no change from 2017.
- Minorities represent 40% of the Bureau workforce in 2018 with a one percent increase of ethnic minority employees (Hispanic, Black, Asian, Native Hawaiian/Other Pacific Islander (NH/OPI), American Indian/Alaska Native (AI/AN) and employees of Two or More races) from 2017.
- As of September 30, 2018, 12.4% of Bureau employees (excluding interns) identified as an individual with a disability. Out of the workforce, 3.2% of employees (identified as an individual with a targeted disability. The Bureau has already exceeded the workforce goals of 12% for employees with disabilities and 2.0% for employees with targeted disabilities—exceeding in both salary categories as required in the EEOC's Section 501 regulations.

The Bureau engages in the following activities to increase workforce diversity:

- Staffing
  - The Bureau enhances diversity by recruiting, hiring, and retaining highly qualified individuals from diverse backgrounds to fill positions at the Bureau. During the reporting period, the Bureau was under a hiring freeze. The Bureau continued to utilize the student volunteer internship program and other professional development programs to assist in the Agency's workforce needs.
- Workforce engagement
  - To promote an inclusive work environment, the Bureau focuses on strong engagement with employees and utilizes an integrated approach to education, training, and engagement programs that ensures diversity and inclusion and

non-discrimination concepts are part of the learning curriculum and work environment.

- Strategic planning
  - The Bureau ensures senior leaders are aware of demographic trends of the Bureau's workforce. Planning is done to increase inclusion and retention of the diverse workforce.

## 9.2 Increasing contracting diversity

In accordance with the mandates in section 342(b)(2)(B) of the Dodd-Frank Act, Goal Four in the Bureau's Diversity and Inclusion Plan describes the efforts the Bureau takes to increase contracting opportunities for diverse businesses including Minority-owned and Women-owned Businesses (MWOBs). The OMWI office and the Office of Procurement collectively work to increase opportunities for participation by MWOBs.

### 9.2.1 Outreach to contractors

The Bureau increases opportunities for participation of MWOBs by:

- Creating and publishing a procurement forecast to assist contractors in better understanding upcoming business opportunities.
- Proactively making recommendations that promote the use of qualified MWOB contractors in Bureau contracts.
- Updating and distributing technical assistance guides for businesses including A Guide to Doing Business with the Bureau, in order to assist businesses understand the procurement process. These resources are also made available digitally on the Bureau website.<sup>67</sup>
- Publishing the Bureau's supplier diversity policy on the Bureau website.<sup>68</sup>
- Participating in four national supplier diversity conferences aimed at MWOBs and providing technical assistance meetings to businesses new to government contracting or doing business with the Bureau.

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<sup>67</sup> [www.consumerfinance.gov/about-us/doing-business-with-us/](http://www.consumerfinance.gov/about-us/doing-business-with-us/)

<sup>68</sup> [www.consumerfinance.gov/about-us/doing-business-with-us/small-minority-businesses/](http://www.consumerfinance.gov/about-us/doing-business-with-us/small-minority-businesses/)

As a result of these efforts, 32.6% of the \$139 million in contracts that the Bureau awarded during this time went to MWOBs.

Table 4: AMOUNT OBLIGATED TO MINORITY-OWNED AND WOMEN-OWNED BUSINESSES

Dollars Obligated	Percent of Total	MWOB Category
\$ 13,432,759	9.7	Women
\$ 2,535,740	1.8	Black American
\$ 3,829,184	2.8	Native American
\$ 24,512,953	17.7	Asian American
\$ 1,582,335	1.1	Hispanic American

## 9.3 Diversity within the Bureau contractors' workforces

In accordance with the mandates in section 342(c)(2) of the Dodd-Frank Act, Goal Six of the Bureau's Diversity and Inclusion Plan describes the efforts the Bureau takes to determine that a contractor will ensure, to the maximum extent possible, the fair inclusion of women and minorities in the contractor workforce, and as applicable, subcontractors workforce. To provide notice to contractors of this responsibility, the Bureau developed and inserted a contract clause, Good Faith Effort, into all Bureau contracts. During the reporting period, more than 200 Bureau contractors accepted awards containing the Good Faith Effort Clause to include minorities and women in their workplaces. These contractors will submit documentation detailing their workforce diversity practices in FY 2019.