



Executive Summary:

The CFPB Should Reassess Its Approach to Integrating Enforcement Attorneys Into Examinations and Enhance Associated Safeguards

2013-AE-C-021

December 16, 2013

Purpose

The Office of Inspector General conducted an evaluation of the Consumer Financial Protection Bureau's (CFPB) integration of enforcement attorneys into its examinations of depository and nondepository institutions' compliance with applicable laws and regulations. Our objectives were to assess (1) the potential risks associated with this approach to conducting examinations and (2) the effectiveness of any safeguards that the CFPB adopted to mitigate the potential risks associated with this examination approach.

Background

Title X of the Dodd-Frank Wall Street Reform and Consumer Protection Act established the CFPB to "regulate the offering and provision of consumer financial products or services under the Federal consumer financial laws." The CFPB has both supervisory and enforcement authorities with respect to examinations of depository and nondepository institutions.

Findings

The CFPB should determine the appropriate level of enforcement attorney integration into examinations by reassessing the potential risks associated with the practice against the potential benefits and document the results of the assessment. Our evaluation results indicated that the CFPB's February 2012 policy describing the general principles of the integrated approach did not sufficiently detail how the approach should be implemented and was not uniformly distributed to CFPB supervision and enforcement staff. As a result, CFPB supervision and enforcement staff's awareness, understanding, and execution of the policy, as well as their messaging to supervised institutions concerning the role of enforcement attorneys in examinations, varied considerably. During our evaluation, we also learned that enforcement attorneys did not receive formal training on the CFPB's examination process and that the CFPB lacked a policy on enforcement attorneys' access to institutions' systems during examinations. We believe that opportunities exist to enhance awareness of management's expectations regarding the integrated approach and the procedural safeguards associated with the practice.

In addition, we learned that the CFPB reorganized its supervision function in December 2012 and established points of contact within the Office of Supervision Policy to address legal questions that arise during examinations, in part to ensure more consistent interpretations of applicable laws or regulations. As of the end of our fieldwork, August 2013, the CFPB had not updated its February 2012 policy describing the integrated approach to reflect changes to the process for resolving legal questions.

When we commenced our evaluation, the CFPB informed us that it had initiated an internal review to evaluate its approach to integrating enforcement attorneys into examinations. During our evaluation, we routinely met with senior CFPB officials and shared our preliminary observations concerning the integrated approach, including its potential risks. In October 2013, when our draft report was nearing completion, senior CFPB officials informed us that the agency had finalized its internal review and had reconsidered its approach regarding integrating enforcement attorneys into examinations. According to CFPB senior officials, new policies and procedures reflecting the revised approach became effective in November 2013, which was outside the scope of this evaluation. Thus, our report reflects our assessment of the CFPB's February 2012 policy related to the integrated approach.

Recommendations

Our report contains seven recommendations. As outlined in this report, the CFPB indicated that it has taken actions or has planned activities to address our recommendations. We intend to conduct future follow-up activities to determine whether the CFPB's actions are responsive to our recommendations.

Access the full report: http://www.federalreserve.gov/oig/files/CFPB_Enforcement_Attorneys_Examinations_full_Dec2013.pdf

For more information, contact the OIG at 202-973-5000 or visit <http://www.consumerfinance.gov/oig>.