Office of Inspector General
Board of Governors of the Federal Reserve System
Bureau of Consumer Financial Protection

Executive Summary, 2021-SR-C-017, December 8, 2021

The Bureau Can Further Enhance Certain Aspects of Its Approach to Supervising Nondepository Institutions

Findings

The Bureau of Consumer Financial Protection's Division of Supervision, Enforcement and Fair Lending (SEFL) applies consistent examination procedures to depository and nondepository institutions. Further, SEFL uses the same approach to follow up on Matters Requiring Attention. These approaches help to ensure that the Bureau consistently supervises these two types of financial institutions.

We found opportunities for SEFL to further improve its approach to supervising nondepository institutions. Specifically, we found that SEFL has issued consumer compliance ratings to nondepository institutions less frequently than depository institutions. Additionally, although SEFL uses a variety of data sources to identify and collect information on nondepository institutions, we found that SEFL faces challenges gathering information from these sources to identify the total population of nondepository institutions within the Bureau's jurisdiction. We also found that limited staffing levels in SEFL's Office of Supervision Examinations, resulting from a hiring freeze from 2017 to 2019 and an increase in the number of depository institutions within the Bureau's jurisdiction, constrain the Bureau's ability to examine nondepository institutions. Lastly, we found that SEFL's guidance lacked definitions for tracking certain examination data and we identified inconsistent and missing data in SEFL's system of record.

Recommendations

Our report contains recommendations designed to further enhance the Bureau's approach to supervising nondepository institutions. In its response to our draft report, the Bureau concurs with our recommendations and outlines actions that will be taken to address each recommendation. We will follow up to ensure that the recommendations are fully addressed.

Purpose

We conducted this evaluation to assess SEFL's approach to supervising nondepository institutions. We focused our review on SEFL's supervision of nondepository institutions from 2018 through 2020 as well as on data regarding SEFL's supervisory activities for depository and nondepository institutions dating back to 2011.

Background

SEFL is responsible for ensuring compliance with federal consumer financial laws by supervising market participants and initiating enforcement actions when appropriate. The Dodd-Frank Wall Street Reform and Consumer Protection Act authorizes the Bureau to supervise depository institutions and their affiliates with more than $10 billion in total assets and certain nondepository institutions.

The Dodd-Frank Act requires the Bureau to use a risk-based approach for its nondepository institution supervision program and to consistently enforce federal consumer financial law regardless of whether a financial service provider is a depository or nondepository institution.