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CFPB Supervisory Highlights Spring 2022 (26th) Edition CENTER for REGULATORY STRATEGY AMERICAS

## Overview of the CFPB's Supervisory Highlights

In its latest and now 26th edition of Supervisory Highlights (May 2, 2022), the Consumer Financial Protection Bureau (CFPB) published its key supervisory findings from recent examinations of financial institutions. The CFPB's goal is to help institutions better understand how the CFPB examines, and what it is finding, relative to compliance with Federal consumer financial laws and regulations. Our summary provides insights and considerations for institutions to help focus compliance risk management efforts.

**Items of note** 

bulletin released this past February. Student Loan Servicing: Servicers failed to make incentive payments they offered in advertisements and agreed to make in the relevant

Auto Servicing: Wrongful repossessions deemed unfair, deceptive, or abusive acts or practices (UDAAPs) prohibited by the Consumer Financial Protection Act of 2010 (CFPA), particularly were previously described in multiple issues including Issue 23 (Winter 2021), Issue 17 (Summer 2018), and Issue 16 (Summer 2017). Increased concern and supervisory emphasis on repossessions is reflected in the agency's

consumer contracts. Student loan issues were previously described in multiple issues including Issue 24 (Summer 2021), Issue 23 (Winter 2021), and Issue 21 (Winter 2020). Increased concern and supervisory emphasis on public service loan forgiveness is reflected in the agency's bulletin released this past February, as well as assessment of civil money penalties against a student loan servicer.

Consumer Reporting: Reasonable investigations were not performed by furnishers and consumer reporting companies of disputed information and providing written notices response to consumer credit report disputes, which are repetitions of issues documented in prior editions of Supervisory Highlights. Consumer Reporting issues were previously described in multiple issues including Issue 24 (Summer 2021) Issue 23 (Winter 2021) Issue 22 (Summer 2020) Issue 20 (Fall 2019) and Issue 19 (Summer 2019). Increased supervisory emphasis is reflected in the agency's bulletin released this past January focusing particularly on medical debt collection and credit reporting.

**Enforcement** actions

Recent enforcement actions by the CFPB highlight repeat violations of consumer protection law, violation of a consent order, and deceptive statements to student loan borrowers.

**Supervisory** developments Since its last issuance of Supervisory Highlights, the CFPB has invoked dormant authority to examine nonbank companies posing risks to consumers, targeted unfair discrimination in consumer finance, moved to thwart illegal auto repossessions, stepped up scrutiny of student loan servicers that deceive borrowers about the Public Service Loan Forgiveness program, and issued a bulletin to prevent unlawful medical debt collection and credit reporting.

<sup>&</sup>lt;sup>1</sup> Source: Consumer Financial Protection Bureau (CFPB), "Supervisory Highlights," May 2022. Copyright @ 2022 Deloitte Development LLC. All rights reserved.

### Previously identified issues



### **Auto Servicing**

- 2 previously identified issues



### **Consumer Reporting**

- 13 previously identified issues



### Credit Card Account Management

- 6 previously identified issues

Supervisory **Observations** 



#### **Debt Collection**

- 6 previously identified issues



### **Deposits**

- 3 previously identified issues



### Mortgage Origination

- 4 previously identified issues



### **Prepaid Accounts**

- 2 previously identified issues



### Remittances

- 4 previously identified issues



### **Student Loan Servicing**

- 6 previously identified issues

### How to use this guide

01

For each observation area (e.g., Fair Lending, Mortgage Origination), review the root cause and description to find commonly observed issues at financial institutions.

- Root causes are broken into two potential issues:
  - Process describes a root cause related to policies, procedures, and automated issues such as coding.
  - **People** describes a root cause related to training or incentives.

02

Review the thematic issues highlighted in the Appendix from previous issues three years' issues of Supervisory Highlights. Examiners will likely provide less leeway for issues that have been previously raised by the CFPB, as it is expected that root causes for commonly identified issues should be remediated.

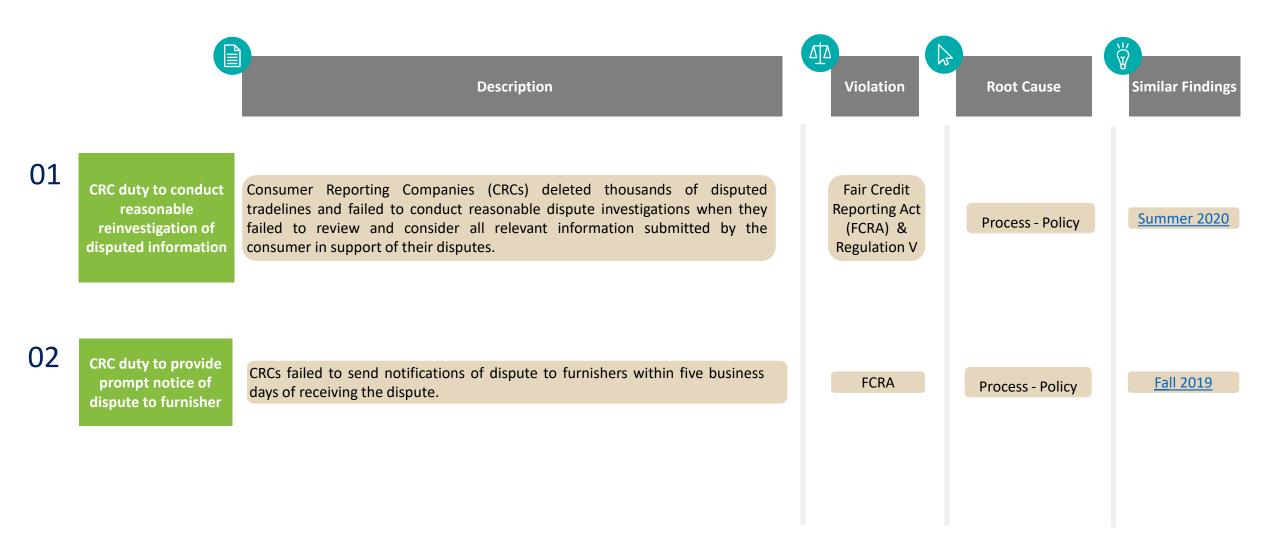
03

After reviewing root causes and previously identified issues, consider areas of potential improvement in your compliance program.

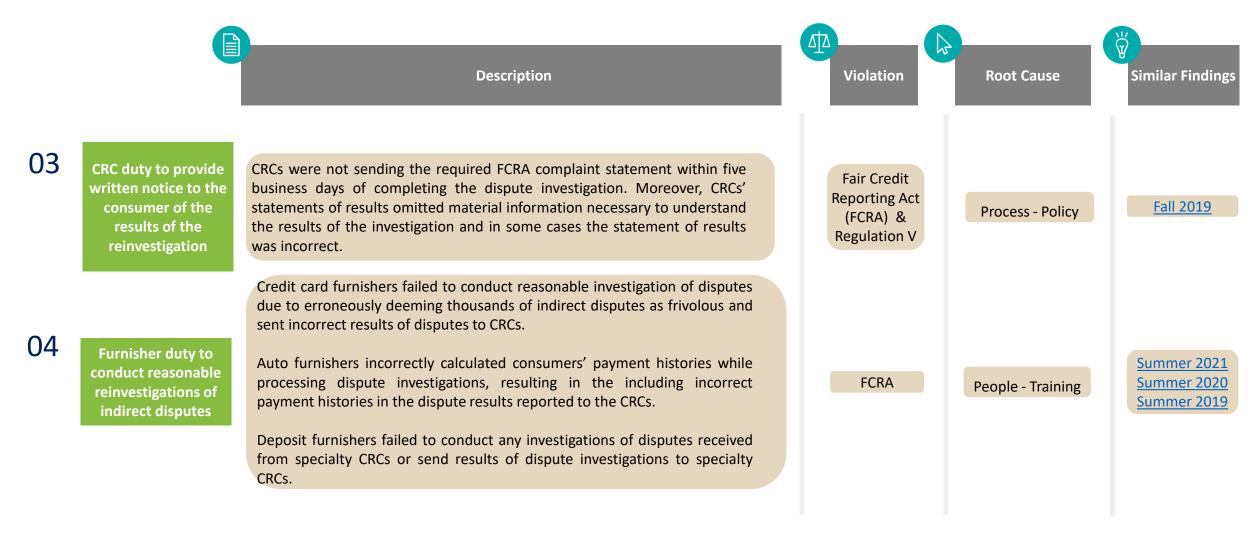


		Description	Violation	Root Cause	Similar Findings
01	Wrongful Repossessions	Servicers wrongfully repossessed vehicles after consumers took action that should have prevented the repossession. This caused substantial injury to consumers by depriving them of the use of their vehicles. Consumers experienced consequences such as missed work, expenses for alternative transportation, repossession-related fees etc.	Unfair Acts or Practices	Process- Procedures	<u>Summer 2021</u> <u>Winter 2021</u>
02	Misleading consumers about the final loan payment amount after deferral	Servicers misled consumers about the final loan payment amount after a deferral. Servicers sent consumers notices about their final payment amounts that included only imprecise conditional statements without additional information about the magnitude of the final payment. This misled the consumers to believe that payment would only increase somewhat, whereas the final payment increased dramatically.	Unfair Acts or Practices	Process- Procedures	<u>Summer 2021</u> <u>Winter 2021</u>
03	Overcharging for add- on products	Servicers failed to request refunds from the third-party administrators for "unearned" fees related to guaranteed asset protection (GAP) products and failing to apply the applicable refunds to the accounts after repossession and cancellation of the contracts which resulted in inaccurate deficiency balances.	Unfair Acts or Practices	Process- Procedures	<u>Summer 2021</u> <u>Winter 2019</u>

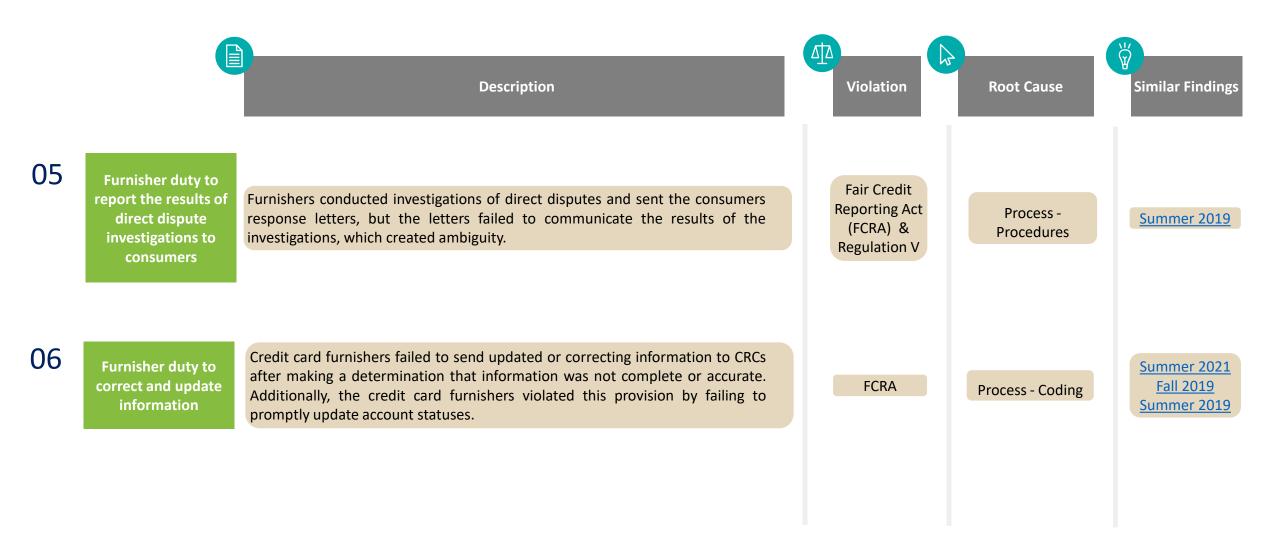














filing.



Credit card furnishers policies and procedures failed to specify how particular data fields should be populated when furnishing information about credit card accounts. The Procedures failed to provide for the retention of records for a reasonable period of time, and failed to perform account level analyses to determine which accounts should be reported in bankruptcy status after a consumer informs the furnisher of a bankruptcy

Auto loan furnishers failed to incorporate content relating to the specific activities in which the furnishers engaged.

Deposit furnishers had no written policies or procedures for furnishing deposit account information to specialty CRCs and they did not consider and incorporate the guidelines in Appendix E to Regulation V.

**Similar Findings Violation Root Cause** Winter 2021 Regulation V Fall 2019 **Process - Policy** Summer 2019

Similar findings looks across the eight most recent versions of Supervisory Highlights (Winter 2019) to direct the reader to previously highlighted violations.

Furnisher duty to

establish and

implement reasonable

policies and

procedures

concerning the

accuracy and integrity

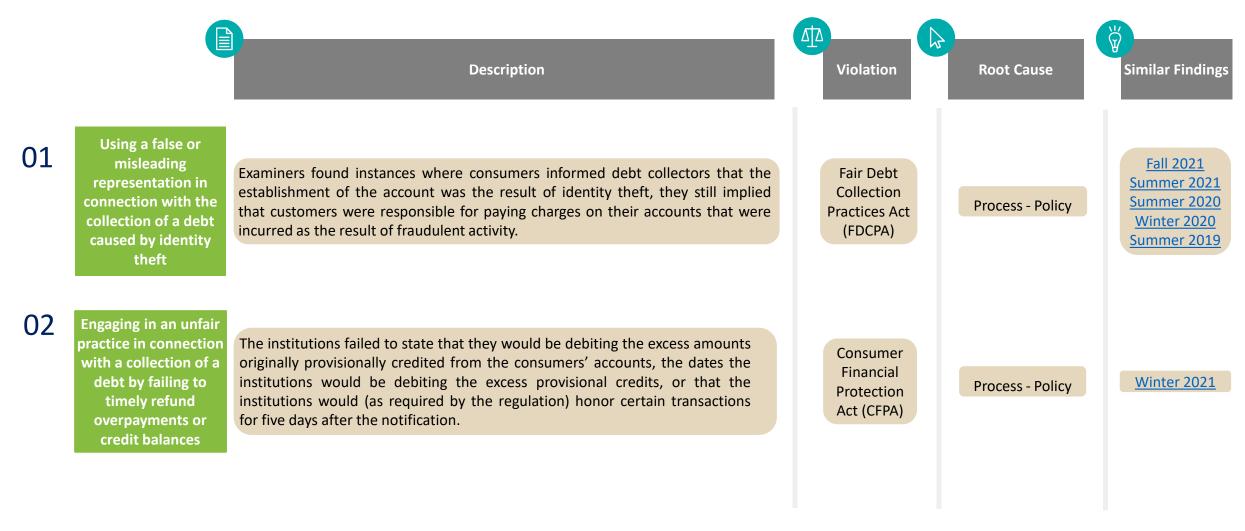
of furnished information

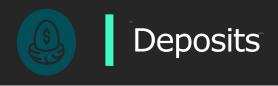


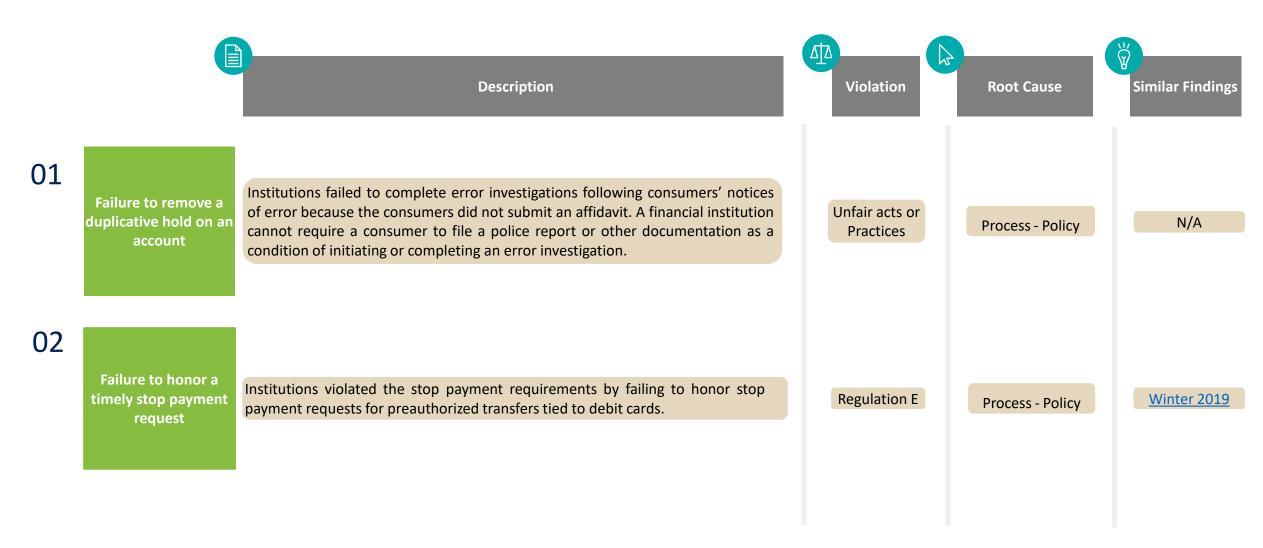
## Credit Card Account Management

		Description	Violation	Root Cause	Similar Findings
01	Billing error resolution violations	Creditors failed to reimburse consumers after billing errors were determined to have occurred as consumers asserted; to mail or deliver correction notices to consumers resolving billing errors in their favor; to conduct reasonable investigations after receiving billing error notices due to human errors and system weaknesses; and provide consumers with the evidence the creditor relied upon to determine no billing error occurred.	Regulation Z	Process - Policy	Fall 2021 Winter 2021
02	Rate re-evaluation violations	The creditors failed to conduct re-evaluations of rate increases once every six months after certain APR increases on acquired accounts and failed to consider appropriate factors when performing rate re-evaluations.	Card Accountability Responsibility and Disclosure (CARD) Act	Process - Coding	<u>Winter 2021</u>
03	Deceptive advertising of interest-free financing and failure to process refunds in accordance with account disclosures	Certain entities advertised the interest-free financing feature of their credit card without adequately disclosing the preconditions for obtaining the financing. Further, certain entities failed to process refunds in accordance with their credit card account holder agreements.	Consumer Financial Protection Act (CFPA)	Process - Policy	Fall 2021 Summer 2019

### **Debt Collection**

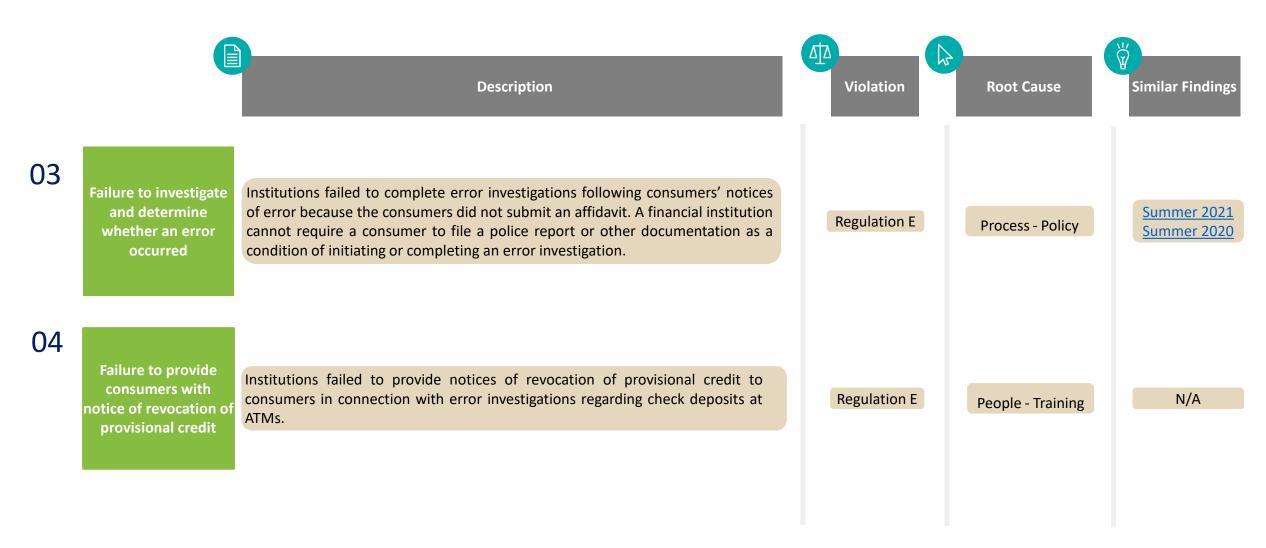






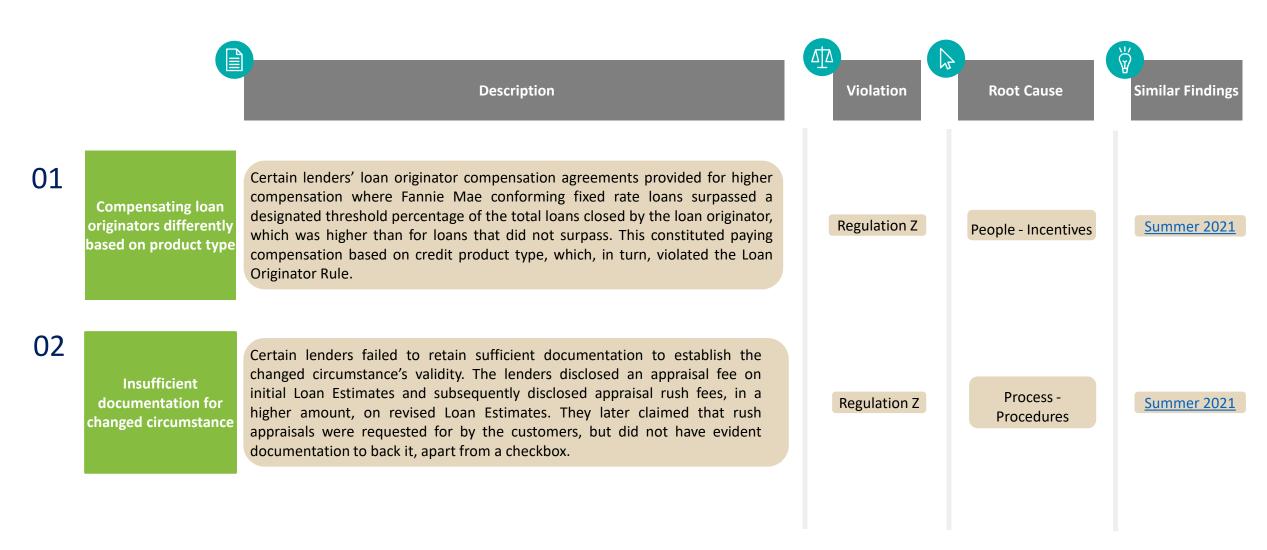


## Deposits (Cont'd)



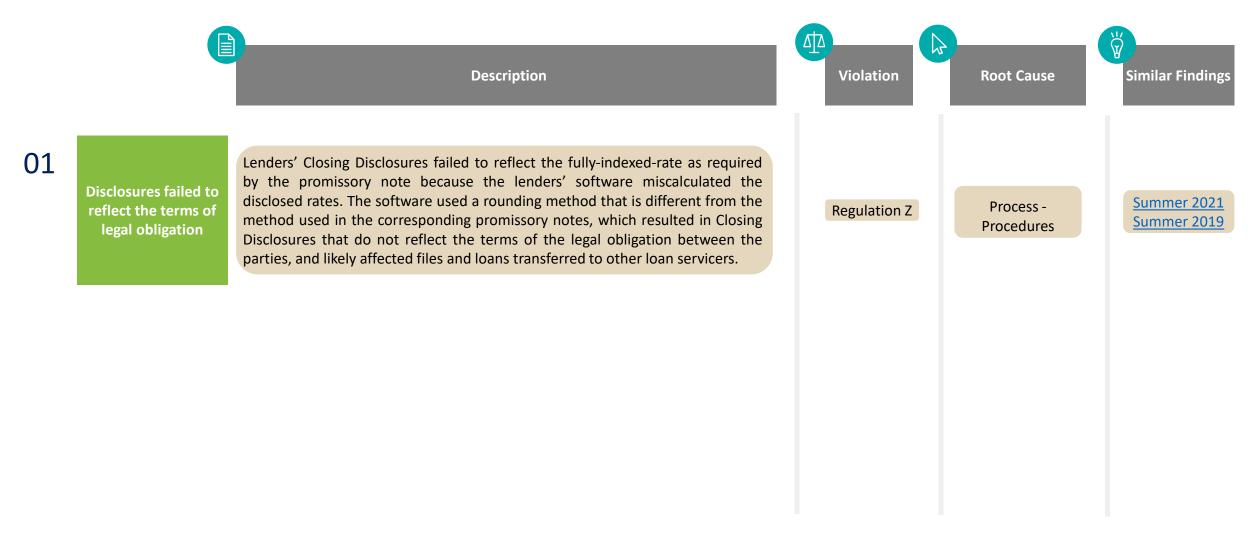


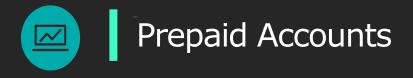
### Mortgage Origination

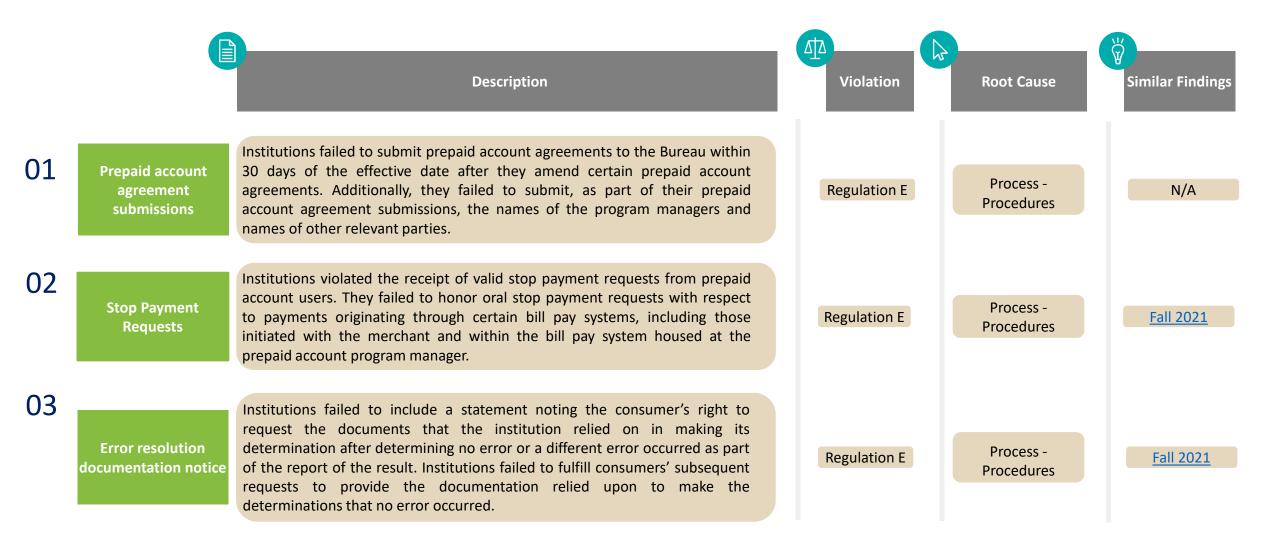




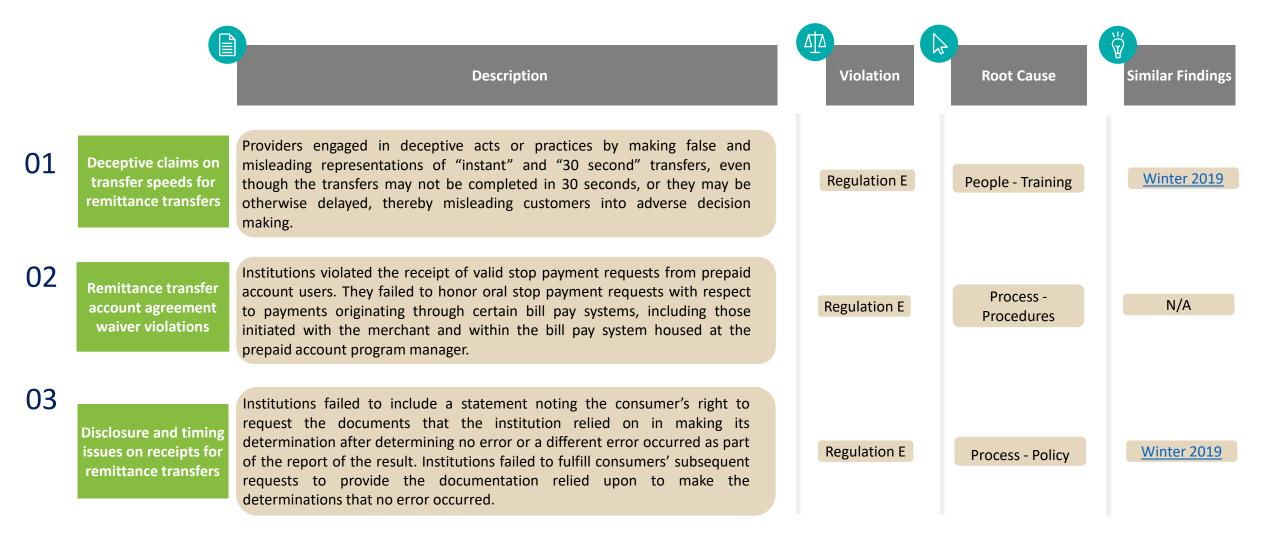
## Mortgage Origination





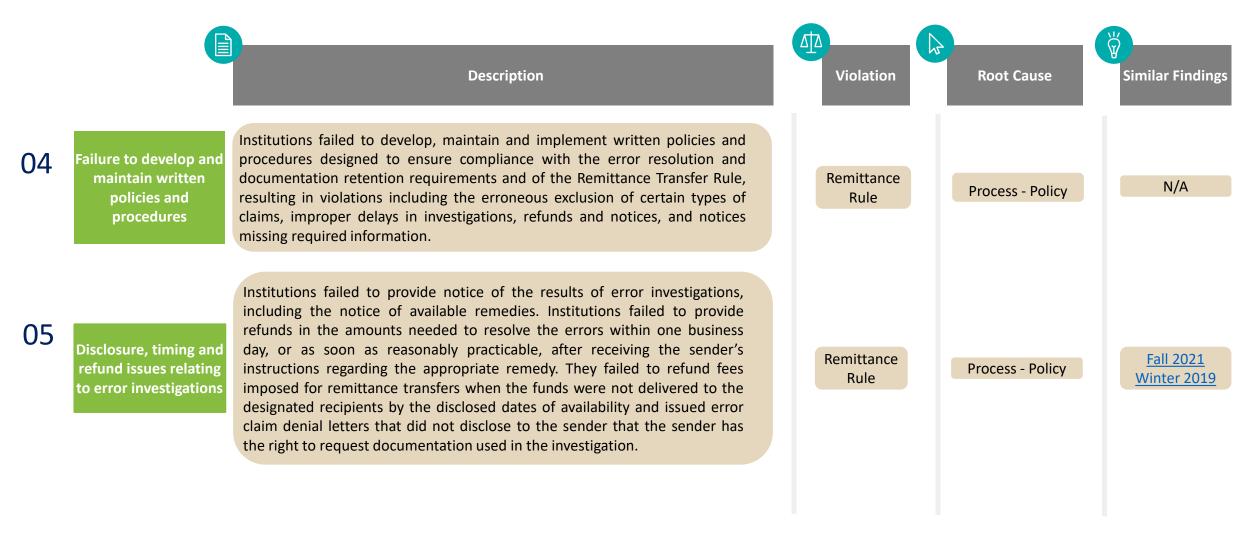






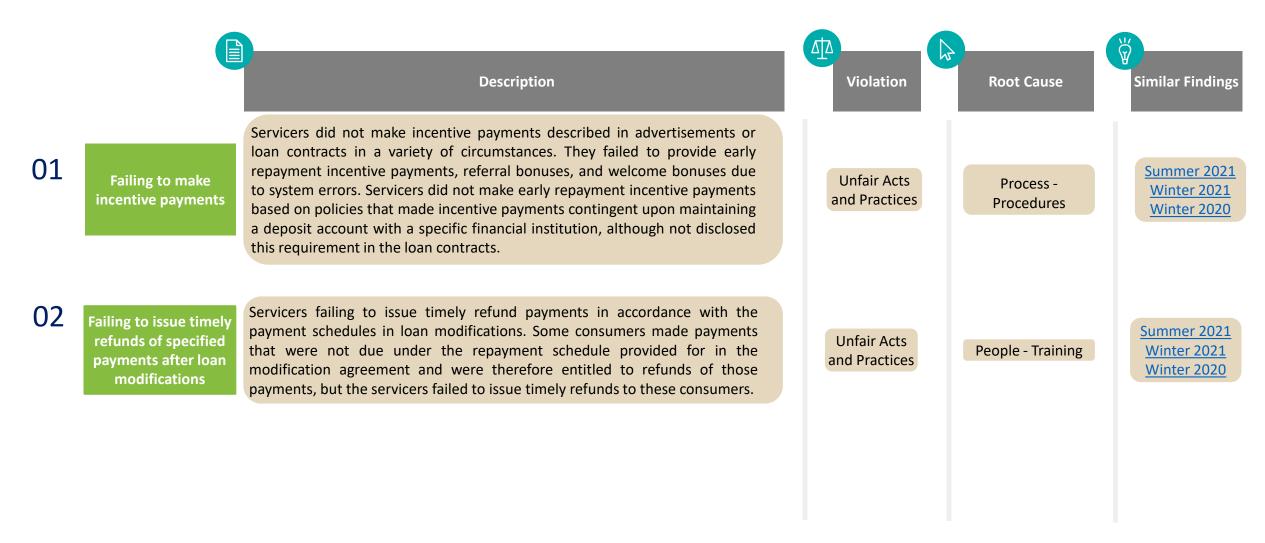


## Remittance (Cont'd)





## Student Loan Servicing



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