

CFPB

MDDCCUA 2014 Annual Meeting & Convention

June 5, 2014

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CFPB

Past Regulators

OCC

FRB

NCUA

FTC

FDIC

HUD

ETC

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Consumer Protection Act of 2010

CFPB was formed as independent agency
within the Board of Governors of the Federal
Reserve

CFPB

- 1,625 +++ employees
- No oversight
- Reports to nobody
- Multiple regulations
- Aggressive enforcement/litigation



Enforcement

CFPB/NCUA will enforce the following rules:

- Equal Credit Opportunity Act (Regulation B)
- Home Mortgage Disclosure Act (Regulation C)
- Electronic Fund Transfers Act (Regulation E)
- Registration of Residential Mortgage Loan Originators
- Consumer Leasing (Regulation M)
- Privacy of Consumer Financial Information
- Fair Credit Reporting
- Truth in Lending (Regulation Z)
- Truth in Savings (Regulation DD)

Comparison

- CFPB focus on risks of harm to consumers, including risks of non-compliance with Federal consumer laws
- NCUA focus on safety and soundness – then risks of harm to consumers
- CFPB staff see themselves as law enforcers, not as regulators
- The CFPB staff is the JUDGE and the JURY and the Prosecutor

Vigorous CFPB Activity

- New regulations under TILA and RESPA
- Ability to Repay/Qualified Mortgages
- Continuing public statements, regarding consumer financial laws
- Emphasis on credit reporting and debt collection
- Seemingly endless number of Civil Investigative Demands

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Consumer Compliance Database

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Courtesy Pay

CFPB Jurisdiction – Credit Unions

- Very large credit unions
- It can require reports from all other credit unions if it deems it necessary (their determination is probably not reviewable or appealable)
- Although not as well-known, the CFPB also has the authority to “participate” in examinations of all other credit unions

CFPB Jurisdiction - CUSOs

- CFPB's jurisdiction extends to all entities that provide services to credit unions – CUSOs
- No worry about limitations – extensive use of Civil Investigative Demands
- Will require disclosures for any consumer financial product or service
- Broad authority to prohibit unfair, deceptive, and abusive practices

CFPB Overall Requirements

- Written policies and procedures for compliance are absolutely essential
- Monitoring and auditing for compliance is also necessary. Across the board – no exceptions
- Need for a complaint system
 - They maintain information about complaints, disputes, and validation
 - They analyze complaints to identify patterns
 - They take written and verbal complaints

What Does the Future Show?



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Credit Unions Beware

- Significant changes involving collections (disputes, communications, lawsuits)
- TILA, RESPA
- Ability to Repay/Qualified Mortgages
- Courtesy pay
- Comprehensive dispute procedures
- Extraordinary documentation requirements

Indirect Auto Lending

Fair Lending

Examples of Enforcement Actions

- GE CareCredit ordered to refund \$34.1 million for Deceptive Health-Care Credit Card Enrollment
- Ocwen ordered to provide \$2 billion in relief to homeowners for alleged Mortgage Servicing wrongs
- Ally to pay \$80 million for allegedly discriminatory auto pricing

Fair Lending (cont.)

- Bank of America fined \$727 million for alleged illegal tactics for credit card add-on products
- American Express to pay \$59.5 million for alleged illegal credit card practices

CFPB Factors Used to Evaluate “Responsible Conduct”

- Policy and procedures
- Self-policing
- Self-reporting
- Remediation
- Cooperation

Takeaways/Best Practices

- Focus on compliance policies, practices and procedures
 - Three key issues
 - Whether a policy exists
 - Whether the policy was implemented
 - Whether the policy is effective
 - Be prepared
 - CFPB Website
 - CFPB Supervision and Examination Manual



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