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To: Clients and Friends

From: David F. Dulock

Subject: Consumer Financial Protection Bureau Supervision and Examination Manual

Today, the Consumer Financial Protection Bureau (“CFPB”) released its Supervision and Examination Manual (the “Manual”), which may be found at CFPB Supervision and Examination Manual. The following is taken from the CFPB Notice of the Manual’s release, posted on its website at <http://www.consumerfinance.gov/>, and the Manual’s Introduction.

CFPB Notice

The Manual provides CFPB examiners with direction on how to determine if providers of consumer financial products and services are complying with consumer protection laws and how to determine if the providers have adequate policies and procedures in place to comply with those laws.

The Manual incorporates examination procedures used by other federal regulators to check for compliance with consumer protection laws. The Manual also helps ensure that the CFPB is applying the law consistently across everyone that the CFPB supervises.

Among other things, the CFPB will: (i) look at sales and marketing materials and disclosures given to consumers; (ii) review whether required information is presented in a clear and conspicuous manner in advertisements consistent with applicable law; and, (iii) review whether the required information in account disclosures, such as costs to the consumer, is accurate and consistent with applicable law.

In addition to the Manual, the CFPB also released today its examination procedures for mortgage servicing, and over the coming weeks and months will release more guides that explain specific examination procedures organized by product and line of business.

The CFPB is making the Manual and the mortgage servicing examination procedures public so that financial services providers know what to expect during their examinations. To this end, the CFPB sent a letter this week to the banks, thrifts, and credit unions it will be supervising, letting them know it issued these documents.

The CFPB will use the Manual initially to examine the more than 100 large banks, thrifts, and credit unions, as well as their affiliates, that are subject to CFPB supervision. These insured depository institutions are defined as large when they have total assets over \$10 billion.

The CFPB will examine the largest of the large banks on a continuing basis and will examine other banks periodically. Later on, CFPB examiners will also use the Manual as a tool to look at other providers of consumer financial products and services that are not depository institutions, including mortgage lenders.

The Manual

This first edition of the CFPB Supervision and Examination Manual is a guide to how the CFPB will supervise and examine consumer financial service providers under its jurisdiction for compliance with Federal consumer financial law.

The Manual is divided into three parts. The first part describes the supervision and examination process. The second part contains examination procedures, including both general instructions and procedures for determining compliance with specific regulations. The third part presents templates for documenting information about supervised entities and the examination process, including examination reports.

The procedures in the Manual are designed to be used by examiners to examine supervised entities that offer similar types of consumer financial products or services, or conduct similar activities. While all supervised entities must operate in compliance with applicable laws, the CFPB will tailor its expectations of how that is accomplished to fit particular entity profiles.

In this first edition of the Manual, the CFPB incorporates examination procedures developed under the auspices of the Federal Financial Institutions Examination Council (FFIEC) for many of the laws now generally enforced by the CFPB, including the Equal Credit Opportunity Act, Home Mortgage Disclosure Act, Truth in Lending Act, Real Estate Settlement Procedures Act, Home Owners Protection Act, Consumer Leasing Act, Fair Credit Reporting Act, Fair Debt Collection Practices Act, Electronic Fund Transfer Act, Truth in Savings Act, and Privacy of Consumer Financial Information (502-508 of Gramm Leach Bliley Act). The CFPB will also use the Uniform Consumer Compliance Rating System established by the FFIEC.

The Manual will also include examination procedures organized by product and line of business, beginning with procedures for reviewing mortgage servicing. The CFPB expects to continually update the Manual as compliance requirements evolve.

The CFPB considers the manual an evolving document and welcomes feedback and suggestions for improvements from examiners, the banking industry, nonbank financial services companies, federal and state agencies, consumer and community groups, and the general public.

Suggestions may be sent to CFPB_Supervision@cfpb.gov.

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