



February 2, 2012

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To: Clients and Friends

From: David F. Dulock

Subject: Consumer Financial Protection Bureau Issues Mortgage Origination Examination Procedures for Nonbank Mortgage Lenders and Brokers

The Consumer Financial Protection Bureau (CFPB) recently published its Mortgage Origination Examination Procedures, which it calls a key initial step in implementing its Nonbank Supervision program. These Procedures are a field guide for CFPB examiners looking at mortgage originators in both the bank and nonbank sectors of the industry.

The Procedures can be found at the following web address: www.consumerfinance.gov/wp-content/uploads/2012/01/Mortgage-Origination-Examination-Procedures.pdf.

Until now, independent lenders, brokers and others unaffiliated with banks and depository institutions have not been subject to federal supervision. The Dodd-Frank Wall Street Reform and Consumer Protection Act significantly reformed the gaps in federal supervision of the mortgage market by providing the CFPB with authority to supervise a range of mortgage lenders.

These Procedures are an extension of the CFPB's general Supervisory and Examination Manual, found at: <http://www.consumerfinance.gov/guidance/supervision/manual/>. (See also our October 13, 2011 memorandum.)

The Procedures outline the CFPB's supervisory approach to ensure mortgage originators - lenders and brokers - comply with federal consumer financial laws. In particular, the Procedures describe the types of information that the agency's examiners will gather to evaluate mortgage originators' policies and procedures, assess whether originators are in compliance with applicable laws, and identify risks to consumers throughout the mortgage origination process. It tracks key mortgage originator activities, from initial advertisements and marketing practices to closing practices.

The CFPB will be implementing its nonbank mortgage supervision program based on its assessment of risk to consumers, including consideration of factors such as the volume of business, types of products or services, and the extent of state oversight. The CFPB will also be coordinating with federal and state regulators in order to maximize overall supervisory capability and minimize regulatory burden. When necessary, examiners will coordinate and work closely with the CFPB's enforcement staff to take appropriate enforcement actions to address harm to consumers.

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