

CFPB Director Addresses Enforcement Strategy for New Mortgage Rules before Senate Banking Committee

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On Tuesday November 12, the Senate Committee on Banking, Housing, and Urban Affairs held a hearing on the fourth Semi-Annual Report of the Consumer Financial Protection Bureau (CFPB or Bureau). The hearing came amid growing concerns about enforcement of the CFPB's mortgage lending and servicing rules taking effect on January 10, 2014. The rules implement provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act and will affect financial institutions and consumers. The Committee probed CFPB Director Richard Cordray on the Bureau's enforcement strategy.

At the hearing, Director Cordray announced that the CFPB will not expect perfect compliance to the rules. Allaying fears that firms will be penalized for technical glitches or processing errors, Cordray affirmed that the Bureau will look for good faith efforts in the early months. Pressed to define "good faith efforts," Cordray said, "We are looking for entities to have taken the responsibility seriously." He continued, "They have compliance systems in place and this is something that has been brought to the leadership and the board." Cordray noted that firms should establish rules and systems to self-monitor, but the CFPB will not "be playing a game of gotcha" in the early months.

Cordray would not define what the Bureau considered "early months." Therefore, to avoid becoming a target for the CFPB, it is advised that firms implement and integrate compliance systems into their business operations by January 10, 2014. The Committee also addressed oversight of indirect automobile lending and the Bureau's commitment to accountability and transparency. A webcast of the hearing is available [here](#).