

SPRING 2018

Semi-Annual Report of the Bureau of Consumer Financial Protection



Message from Mick Mulvaney



Acting Director

I am pleased to present the Bureau of Consumer Financial Protection's (Bureau) Semi-Annual Report to Congress for the period beginning October 1, 2017 and ending March 31, 2018.

I look forward to testifying regarding progress made in achieving the Bureau's strategic vision of free, innovative, competitive, and transparent consumer finance markets where the rights of all parties are protected by the rule of law and where consumers are free to choose the products and services that best fit their individual needs.

Sincerely,

A handwritten signature in blue ink that reads "Mick" followed by a horizontal line and "BCFP" below it.

Mick Mulvaney

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1. Significant problems faced by consumers in shopping for or obtaining consumer financial products or services

1.1 Credit products marketed to “non-prime borrowers” and consumer awareness of secured credit cards

Every two years, the Bureau reports on the state of the consumer credit card market. [The Consumer Credit Card Market Report \(December 2017\)](#) covers how consumers use cards, the associated costs of using them, the availability of credit cards, the practices used by credit card companies, and innovation in the market. This year’s report contains a new deep dive that looks at various indicators for a range of credit card products marketed to and used by consumers who lack prime credit scores (“non-prime borrowers”). The same deep dive also looks at consumer use and awareness of secured credit cards, a product frequently used by “non-prime borrowers.” Further analysis of secured cards and other credit products marketed to and used by “non-prime borrowers” is available in the full report.

Credit products marketed to “non-prime borrowers”

Many American consumers do not have prime credit scores and face challenges in consumer credit markets. These consumers may have equivalent, or in some cases even greater, demand for transactional credit than consumers with prime credit scores, but the absence of a prime score may reduce or eliminate their chances of approval for many widely marketed credit card products. Given the higher late payment and default rates associated with “non-prime borrowers,” products issued to these consumers generally feature higher all-in costs than products issued to consumers with higher scores.

Consumers who do not have a prime credit score and who seek a credit card may have several options. Four product classes in particular constitute a large share of all products originated to this group. The first is unsecured general purpose accounts offered by mass market issuers. The second is accounts offered by subprime specialist issuers. These are generally unsecured as well. The third is private label credit cards. The fourth is secured cards offered by mass market issuers. Not all these products, it should be noted, may be equally available to consumers without prime scores. These products offer such consumers the dual possibility of access to the credit card market as well as an

avenue for building or rehabilitating credit records when timely repayments are made.

Secured credit cards and consumer awareness

Consumer awareness and demand for secured cards have increased in recent years. Consumer groups and various media organizations have drawn attention to the potential of secured cards to offer consumers with limited or damaged credit records a way both to access credit and to build or rebuild their credit record. A panel of surveyed issuers reported 6.4 million secured card applications in 2016, an increase of 21% from 2015. Some 98% of that application growth was driven by consumers with no credit score or deep subprime credit scores. Virtually all growth in secured card originations is also comprised of consumers with no credit score or deep subprime credit scores.

One driver of increased secured credit card application growth may be third-party credit card comparison sites (“TPC sites”), which frequently highlight secured credit cards as an important channel for consumers unlikely to be approved for an unsecured credit card. These sites allow issuers to target consumers who may be interested in building or rebuilding their credit score but who may not be aware of secured cards. Many TPC sites have targeted lists and filtering criteria for individuals with lower credit scores or without credit scores, and most TPC sites reviewed by the report authors direct such consumers to secured cards as one means of working toward an improved credit score. Some of these sites also produce editorial content that explains how secured cards work and what to consider when researching secured cards.

Despite their growing national profile, low product awareness remains a barrier to secured credit card adoption. Outside research has found that many “non-prime borrowers” may not be aware that secured credit cards are a potential option for them, or even that the product exists. Secured credit cards are generally not featured in marketing campaigns to nearly the same degree as unsecured cards. Consumers often become aware of the products through more targeted issuer efforts; one estimate found almost all secured card originations in 2015 came from either in-branch applications or invitation-to-apply mailings. Additionally, counter offers remain a significant customer acquisition practice for some issuers, wherein a consumer is encouraged to apply for a secured card following the rejection of their application for an unsecured card.

2. Justification of the budget request of the previous year

The Bureau's Strategic Plan, Budget, and Performance Plan and Report, which is available online at www.consumerfinance.gov/about-us/budget-strategy/budget-and-performance/, includes estimates of the resources needed for the Bureau to carry out its mission. The document also describes the Bureau's performance goals and accomplishments, supporting the Bureau's long-term Strategic Plan.

Fiscal year 2018 spending through the end of the second quarter of FY 2018

BUREAU FUND

As of March 31, 2018, the end of the second quarter of FY 2018, the Bureau had spent¹ approximately \$318.6 million in FY 2018 funds to carry out the authorities of the Bureau under Federal financial consumer law. Approximately \$170.1 million was spent on employee compensation and benefits for the 1,627 Bureau employees who were on-board by the end of the second quarter.

TABLE 1: FY 2018 SPENDING BY EXPENSE CATEGORY

Expense Category	FY 2018
Personnel Compensation	118,068,000
Benefit Compensation	52,078,000
Travel	8,330,000
Transportation of Things	110,000
Rents, Communications, Utilities & Misc.	7,841,000
Printing and Reproduction	2,826,000
Other Contractual Services	110,858,000

¹ This amount includes commitments, obligations, and expenditures. A commitment is a reservation of funds in anticipation of a future obligation. An obligation is a transaction or agreement that creates a legal liability and obligates the government to pay for goods and services ordered or received. An expenditure is the authorization or outlay of payment related to a prior obligation.

Expense Category	FY 2018
Supplies & Materials	4,480,000
Equipment	13,984,000
Land and Structures	50,000
Total (as of March 31, 2018)	\$ 318,625,000

FY 2018 Funds Transfers Received from the Federal Reserve

The Bureau is funded principally by transfers from the Federal Reserve System, up to the limits set forth in the Dodd-Frank Act. Funding from the Federal Reserve System for FY 2018 is capped at \$663 million. As of March 31, 2018, the Bureau had received the following transfers for FY 2018. The amounts and dates of the transfers are shown below.²

Funds Transferred	Date
\$217.1M	October 18, 2017
\$0	January 18, 2018
\$217.1M	Total

On January 18, 2018 the Bureau requested \$0 for the second quarter of FY 2018.³ Additional information about the Bureau's finances, including information about the Bureau's Civil Penalty Fund and Bureau-Administered Redress programs, is available in the annual financial reports and the CFO quarterly updates published online at www.consumerfinance.gov/about-us/budget-strategy/financial-reports/. Copies of the Bureau's quarterly funds transfer requests are available online at www.consumerfinance.gov/about-us/budget-strategy/funds-transfer-requests/.

² Current year spending in excess of funds received is funded from the prior year unobligated balance.

³ See www.consumerfinance.gov/documents/6062/cfpb_fy2018_q2_funding-request-letter-to-frb.pdf.

3. List of the significant rules and orders adopted by the Bureau, as well as other significant initiatives conducted by the Bureau, during the preceding year and the plan of the Bureau for rules, orders, or other initiatives to be undertaken during the upcoming period⁴

3.1 Significant rules⁵

- Final Rule: Payday, Vehicle Title, and Certain High-Cost Installment Loans⁶
- Final Rule: Arbitration Agreements (note, however, that this rule will not go into effect

⁴ Separate from the Bureau's obligation to include in this report "a list of the significant rules and orders adopted by the Bureau . . . during the preceding year," 12 U.S.C. 5496(b)(3), the Bureau is required to "conduct an assessment of each significant rule or order adopted by the Bureau" under Federal consumer financial law "not later than 5 years after the effective date of the subject rule or order," 12 U.S.C. 5512(d). The Bureau will issue separate notices as appropriate identifying rules and orders that qualify as significant for assessment purposes.

⁵ This list includes significant final rules.

⁶ www.federalregister.gov/documents/2017/11/17/2017-21808/payday-vehicle-title-and-certain-high-cost-installment-loans. The Bureau announced in January 2018 that it intends to open a rulemaking to reconsider its 2017 rule. www.consumerfinance.gov/about-us/newsroom/cfpb-statement-payday-rule/.

because Congress subsequently adopted a joint resolution of disapproval which the President signed pursuant to the Congressional Review Act)⁷

3.2 Less significant rules⁸

- Final Rule: Mortgage Servicing Rules under the Truth in Lending Act (Regulation Z)⁹
- Final Rule: Rules Concerning Prepaid Accounts Under the Electronic Fund Transfer Act (Regulation E) and the Truth in Lending Act (Regulation Z)¹⁰
- Interim Final Rule: Mortgage Servicing Rules under the Real Estate Settlement Procedures Act (Regulation X)¹¹
- Final Rule: Equal Credit Opportunity Act (Regulation B) Ethnicity and Race Information Collection¹²
- Final Rule: Home Mortgage Disclosure Act (Regulation C)¹³
- Final Rule: Amendments to Federal Mortgage Disclosure Requirements Under the Truth in Lending Act (Regulation Z)¹⁴

3.3 Significant initiatives

- Published Requests for Information on Assessment of Significant Rules under section 1022(d):
 - Request for Information Regarding Ability-to-Repay/Qualified Mortgage Rule Assessment¹⁵
 - Request for Information Regarding 2013 Real Estate Settlement Procedures Act Servicing

⁷ www.federalregister.gov/documents/2017/07/19/2017-14225/arbitration-agreements;
www.federalregister.gov/documents/2017/11/22/2017-25324/arbitration-agreements.

⁸ This list includes less significant rules, and it is not comprehensive. This list may exclude non-major rules, proposed rules, procedural rules, and other miscellaneous routine rules such as annual threshold adjustments. More information about the Bureau's rulemaking activities is available in the Unified Agenda, at www.reginfo.gov, and on the Bureau's public website, at www.consumerfinance.gov/policy-compliance/rulemaking.

⁹ www.federalregister.gov/documents/2018/03/12/2018-04823/mortgage-servicing-rules-under-the-truth-in-lending-act-regulation-z.

¹⁰ www.federalregister.gov/documents/2018/02/13/2018-01305/rules-concerning-prepaid-accounts-under-the-electronic-fund-transfer-act-regulation-e-and-the-truth.

¹¹ www.federalregister.gov/documents/2017/10/16/2017-21912/mortgage-servicing-rules-under-the-real-estate-settlement-procedures-act-regulation-x.

¹² www.federalregister.gov/documents/2017/10/02/2017-20417/equal-credit-opportunity-act-regulation-b-ethnicity-and-race-information-collection.

¹³ www.federalregister.gov/documents/2017/09/13/2017-18284/home-mortgage-disclosure-regulation-c.

¹⁴ www.federalregister.gov/documents/2017/08/11/2017-15764/amendments-to-federal-mortgage-disclosure-requirements-under-the-truth-in-lending-act-regulation-z.

¹⁵ www.federalregister.gov/documents/2017/06/01/2017-11218/request-for-information-regarding-ability-to-repay-qualified-mortgage-rule-assessment.

Rule Assessment¹⁶

- Published Other Requests for Information:
 - Request for Information Regarding Consumers' Experience With Free Access to Credit Scores¹⁷
 - Request for Information Regarding the Small Business Lending Market¹⁸
- Explored Regulatory Burden: The Bureau's Task Force has coordinated and deepened the agency's focus on concerns about regulatory burdens and projects to identify and reduce unwarranted regulatory burdens consistent with the Bureau purpose and objectives under section 1021 of the Dodd-Frank Act. The Task Force is reviewing comments in response to the Call for Evidence related to reducing unwarranted regulatory burden.
- Issued Guidance Documents: The Bureau issued the following bulletins and guidance documents over the past year:¹⁹
 - Statement on Supervisory Practices regarding Financial Institutions and Consumers Affected by Hurricane Maria²⁰
 - Summer 2017 Supervisory Highlights²¹
 - Statement on Supervisory Practices regarding Financial Institutions and Consumers Affected by Hurricanes Harvey and Irma²²
 - Memorandum on Financial Institution and Law Enforcement Efforts to Combat Elder Financial Exploitation²³
 - Fair Lending Report²⁴
 - FFIEC HMDA Examiner Transaction Testing Guidelines²⁵

¹⁶ www.federalregister.gov/documents/2017/05/11/2017-09361/request-for-information-regarding-2013-real-estate-settlement-procedures-act-servicing-rule.

¹⁷ www.federalregister.gov/documents/2017/11/13/2017-24555/request-for-information-regarding-consumers-experience-with-free-access-to-credit-scores.

¹⁸ www.federalregister.gov/documents/2017/05/15/2017-09732/request-for-information-regarding-the-small-business-lending-market.

¹⁹ The Bureau posts many documents relating to compliance and guidance on its website at www.consumerfinance.gov/guidance.

²⁰ https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201709_cfpb_statement-on-supervisory-practice_hurricane-maria.pdf.

²¹ https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201709_cfpb_Supervisory-Highlights_Issue-16.pdf.

²² https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201709_cfpb_statement-on-supervisory-practice_hurricanes-harvey-and-irma.pdf.

²³ https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201708_cfpb-treasury-fincen_memo_elder-financial-exploitation.pdf.

²⁴ www.federalregister.gov/documents/2017/06/01/2017-11318/fair-lending-report-of-the-consumer-financial-protection-bureau-april-2017.

²⁵ https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201708_cfpb_ffiec-hmda-examiner-transaction-testing-guidelines.pdf.

- Compliance Management Systems Examination Procedures²⁶
- Examination Report Template²⁷
- Supervisory Letter Template²⁸
- Spring 2017 Semiannual Regulatory Agenda²⁹
- Compliance Bulletin No. 2017-01: Phone Pay Fee³⁰
- Policy Guidance on Supervisory and Enforcement Priorities Regarding Early Compliance With the 2016 Amendments to the 2013 Mortgage Rules Under the Real Estate Settlement Procedures Act (Regulation X) and the Truth in Lending Act (Regulation Z)³¹
- Policy on Ex Parte Presentations in Rulemaking Proceedings³²
- Education Loan Examination Procedures³³
- Spring 2017 Supervisory Highlights³⁴
- Supervisory Highlights Consumer Reporting Special Edition³⁵
- Supervision and Examination Process Overview³⁶
- Supervision and Examination Process³⁷
- Fall 2017 Semiannual Regulatory Agenda³⁸
- Real Estate Settlement Procedures Act (RESPA) Examination Procedures³⁹

²⁶ https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201708_cfpb_compliance-management-review_supervision-and-examination-manual.pdf.

²⁷ https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201708_cfpb_Examination-Report-Template.pdf.

²⁸ https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201708_cfpb_Supervisory-Letter-Template.pdf.

²⁹ www.federalregister.gov/documents/2017/08/24/2017-16984/semiannual-regulatory-agenda.

³⁰ www.federalregister.gov/documents/2017/08/02/2017-16188/compliance-bulletin-2017-01-phone-pay-fees.

³¹ www.federalregister.gov/documents/2017/06/30/2017-13799/policy-guidance-on-supervisory-and-enforcement-priorities-regarding-early-compliance-with-the-2016.

³² www.federalregister.gov/documents/2017/04/21/2017-08096/policy-on-ex-parte-presentations-in-rulemaking-proceedings.

³³ https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201706_cfpb_Education-Loan-Servicing-Exam-Manual.pdf.

³⁴ www.federalregister.gov/documents/2017/05/12/2017-09658/supervisory-highlights-spring-2017.

³⁵ www.federalregister.gov/documents/2017/04/06/2017-06904/supervisory-highlights-consumer-reporting-special-edition.

³⁶ https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/032017_cfpb_examination-process-overview_supervision-and-examination-manual.pdf.

³⁷ https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/032017_cfpb_examination-process_supervision-and-examination-manual.pdf.

³⁸ www.federalregister.gov/documents/2018/01/12/2017-28241/semiannual-regulatory-agenda.

³⁹ https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/cfpb_supervision-and-examination-manual_respa-exam-procedures.pdf.

- Truth in Lending Act (TILA) Examination Procedures⁴⁰

3.4 Plan for upcoming initiatives

- Call for Evidence:⁴¹
 - Request for Information Regarding the Bureau's Consumer Complaint and Consumer Inquiry Handling Processes⁴²
 - Request for Information Regarding Bureau Financial Education Programs⁴³
 - Request for Information Regarding Bureau Guidance and Implementation Support⁴⁴
 - Request for Information Regarding the Bureau's Inherited Regulations and Inherited Rulemaking Authorities⁴⁵
 - Request for Information Regarding the Bureau's Adopted Regulations and New Rulemaking Authorities⁴⁶
 - Request for Information Regarding Bureau Rulemaking Processes⁴⁷
 - Request for Information Regarding Bureau Public Reporting Practices of Consumer Complaint Information⁴⁸
 - Request for Information Regarding Bureau External Engagements⁴⁹
 - Request for Information Regarding the Bureau's Supervision Program⁵⁰
 - Request for Information Regarding Bureau Enforcement Processes⁵¹

⁴⁰ https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/cfpb_supervision-and-examination-manual_tila-exam-procedures.pdf.

⁴¹ www.consumerfinance.gov/policy-compliance/notice-opportunities-comment/open-notices/call-for-evidence.

⁴² www.federalregister.gov/documents/2018/04/17/2018-07943/request-for-information-regarding-the-bureau-consumer-complaint-and-consumer-inquiry-handling.

⁴³ www.federalregister.gov/documents/2018/04/09/2018-07222/request-for-information-regarding-bureau-financial-education-programs.

⁴⁴ www.federalregister.gov/documents/2018/04/02/2018-06674/request-for-information-regarding-bureau-guidance-and-implementation-support.

⁴⁵ www.federalregister.gov/documents/2018/03/26/2018-06027/request-for-information-regarding-the-bureau-inherited-regulations-and-inherited-rulemaking.

⁴⁶ www.federalregister.gov/documents/2018/03/21/2018-05612/request-for-information-regarding-the-bureau-adopted-regulations-and-new-rulemaking-authorities.

⁴⁷ www.federalregister.gov/documents/2018/03/09/2018-04824/request-for-information-regarding-bureau-rulemaking-processes.

⁴⁸ www.federalregister.gov/documents/2018/03/06/2018-04544/request-for-information-regarding-bureau-public-reporting-practices-of-consumer-complaint.

⁴⁹ www.federalregister.gov/documents/2018/02/26/2018-03788/request-for-information-regarding-bureau-external-engagements.

⁵⁰ www.federalregister.gov/documents/2018/02/20/2018-03358/request-for-information-regarding-the-bureau-supervision-program.

⁵¹ www.federalregister.gov/documents/2018/02/12/2018-02710/request-for-information-regarding-bureau-enforcement.

- Request for Information Regarding Bureau Rules of Practice for Adjudication Proceedings⁵²
- Request for Information Regarding Bureau Civil Investigative Demands and Associated Processes⁵³

3.5 Plan for upcoming rules

- Proposed rules for the upcoming period, as reflected in the Bureau’s Spring 2018 Unified Agenda:
 - Payday, Vehicle title, and Certain High-Cost Installment Loans: the Bureau announced in January 2018 that it intends to open a rulemaking to reconsider its 2017 rule titled Payday, Vehicle Title, and Certain High-Cost Installment Loans.
 - Debt Collection Rule: the Bureau will work towards releasing a proposed rule concerning FDCPA collectors’ communications practices and consumer disclosures.
 - Business Lending Data (Regulation B): the Bureau is working to implement section 1071 of the Dodd-Frank Act through development of proposed regulations concerning data to be collected, potential ways to minimize burdens on lenders, and appropriate procedures and privacy protections needed for information-gathering and public disclosure.
 - The Expedited Funds Availability Act (Regulation CC): the Bureau will work with the Board of Governors of the Federal Reserve System to issue jointly a rule that includes provisions within the Bureau’s authority.
 - Home Mortgage Disclosure (Regulation C): the Bureau announced in December 2017 that it intends to engage in a rulemaking to reconsider various aspects of the Bureau’s 2015 rule under the Home Mortgage Disclosure Act (Regulation C), which could involve issues such as the institutional and transactional coverage tests and the rule’s discretionary data points.
- Final rules for the upcoming period as reflected in the Bureau’s Spring 2018 United Agenda:
 - Gramm-Leach-Bliley Act (GLBA) (Regulation P): the Bureau is working towards finalizing an amendment to Regulation P concerning annual notice requirements.
 - Amendments Relating to Disclosure of Records and Information: this rule will include procedures used by the public to obtain information from the Bureau under the Freedom of Information Act, the Privacy Act of 1974, and in legal proceedings.
 - Amendment to the Federal Mortgage Disclosure Requirements Under the Truth in Lending Act (Regulation Z): the Bureau is amending federal mortgage disclosure requirements under the Real Estate Settlement Procedures Act (RESPA) and the Truth in Lending Act (TILA) that are implemented in Regulation Z. The amendments relate to when a creditor may compare charges paid by or imposed on the consumer to amounts disclosed on a Closing Disclosure, instead of a Loan Estimate, to determine if an

[processes.](#)

⁵² www.federalregister.gov/documents/2018/02/05/2018-02208/request-for-information-regarding-bureau-rules-of-practice-for-adjudication-proceedings.

⁵³ www.federalregister.gov/documents/2018/01/26/2018-01435/request-for-information-regarding-bureau-civil-investigative-demands-and-associated-processes.

estimated closing cost was disclosed in good faith.

4. Analysis of complaints about consumer financial products or services that the Bureau has received and collected in its central database on complaints during the preceding year

During the period April 1, 2017, through March 31, 2018, the Bureau received approximately 326,200 consumer complaints.⁵⁴ Consumers submitted approximately 83% of these complaints through the Bureau's website and 5% via telephone calls. Referrals from other state and federal agencies accounted for 7% of complaints. Consumers submitted the remainder of complaints by mail, email, and fax. The Bureau does not verify all the facts alleged in complaints, but takes steps to confirm a commercial relationship between the consumer and the company. The Bureau sent approximately 260,200 (or 80%) of complaints received to companies for review and response.⁵⁵ Companies responded to approximately 94% of complaints that the Bureau sent to them for response during the period. The remaining complaints did not receive a response or were pending response from the company at the end of the period. Company responses include descriptions of steps taken or that will be taken in response to the consumer's complaint, communications received from the consumer, any follow-up actions or planned follow-up actions, and a categorization of the response. Companies' responses describe a range of relief. Examples of relief include: mortgage foreclosure alternatives that help consumers keep their home; stopping unwanted calls from debt collectors; correcting consumers' credit reports; restoring or adjusting a credit line; correcting account information, including in credit reports; and addressing formerly unmet customer service issues. Companies did not provide timely responses to 2% of the complaints sent to them for response.

When consumers submit complaints, the Bureau's complaint form prompts them to select the

⁵⁴ All data are current through March 31, 2018. This analysis excludes multiple complaints submitted by a given consumer on the same issue and whistleblower tips. For more information on our complaint process refer to our website, www.consumerfinance.gov/complaint/process.

⁵⁵ The Bureau referred 15% of the complaints it received to other regulatory agencies and found 4% to be incomplete. At the end of this period, 0.4% of complaints were pending with the consumer and 0.7% were pending with the Bureau. Percentages in this section of the report may not sum to 100% due to rounding.

consumer financial product or service with which they have a problem as well as the type of problem they are having with that product or service. The Bureau uses these consumer selections to group the financial products and services about which consumers complain to the Bureau for public reports. As shown in Figure 1, credit or consumer reporting, debt collection, and mortgage are the most-complained-about consumer financial products and services.

FIGURE 1: CONSUMER COMPLAINTS BY PRODUCT

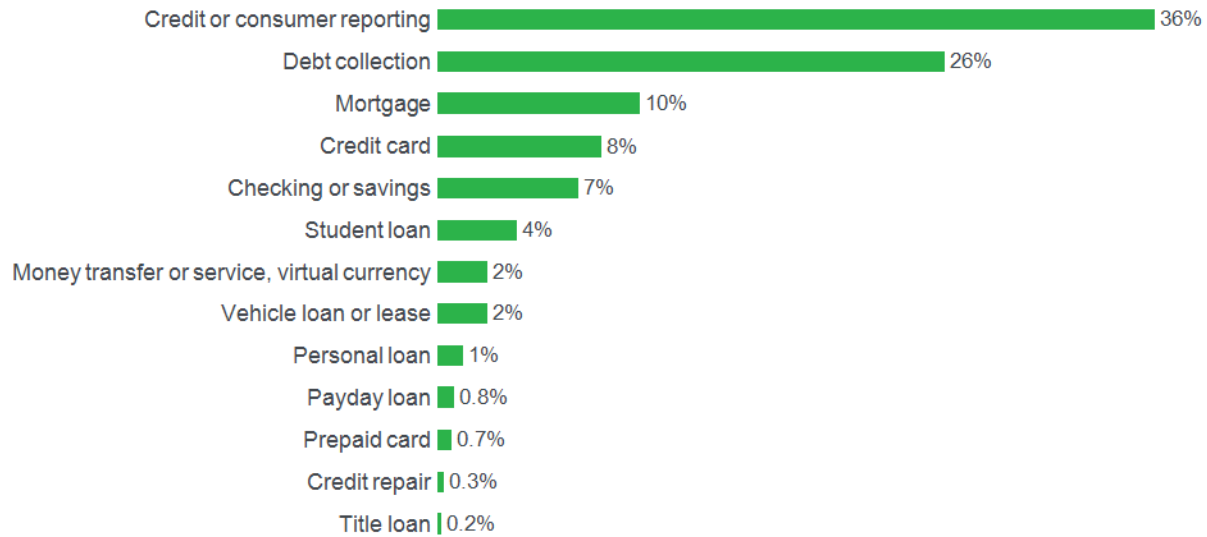


TABLE 2: CONSUMER COMPLAINTS BY PRODUCT

Consumer complaints by product	%
Credit or consumer reporting	36%
Debt collection	26%
Mortgage	10%
Credit card	8%
Checking or savings	7%
Student loan	4%
Money transfer or service, virtual currency	2%
Vehicle loan or lease	2%
Personal loan	1%
Payday loan	0.8%
Prepaid card	0.7%
Credit repair	0.3%
Title loan	0.2%
Total consumer complaints by product	100%

The Office of Consumer Response analyzes consumer complaints, company responses, and consumer feedback to accomplish two primary goals. First, these analyses enable Consumer Response to assess the accuracy, completeness, and timeliness of company responses. Second, these analyses ensure that the Bureau, other regulators, consumers, and the marketplace have reliable and useful information about consumer financial products and services. Consumer Response uses a variety of approaches to analyze consumer complaints, including cohort and text analytics, to identify trends and possible consumer harm.

The Bureau uses insights gathered from complaint data and analyses to help understand problems consumers are experiencing in the marketplace and the impact of those experiences on their lives, to provide access to knowledge about financial topics and opportunities to build skills in money management that can help them avoid future problems, to scope and prioritize examinations and ask targeted questions when examining companies' records and practices, and to inform enforcement investigations to help stop unfair, deceptive, or abusive acts or practices as the Bureau shares consumer complaint information with prudential regulators, the Federal Trade Commission, other

federal agencies, and state agencies⁵⁶ and publishes complaint data and reports to ensure other regulators, consumers, and the marketplace have the complaint information needed to improve the functioning of the consumer financial markets for such products and services.⁵⁷

⁵⁶ Dodd-Frank Act §1013(b)(3)(D).

⁵⁷ During the reporting period, the Bureau published one complaint report on student loan complaints and four special topic complaint reports about: older consumers, consumer feedback, servicemembers, and complaints from the 50-states and the District of Columbia. The Bureau also publishes the Consumer Response Annual Report, which provides a more detailed analysis of complaints. These reports can be viewed at www.consumerfinance.gov/data-research/research-reports.

5. List, with a brief statement of the issues, of the public supervisory and enforcement actions to which the Bureau was a party during the preceding year

5.1 Supervisory activities

The Bureau's supervisory activities with respect to individual institutions are non-public. The Bureau has, however, issued numerous supervisory guidance documents and bulletins during the preceding year. These documents are listed under section 3.3 of this Report as issued guidance documents undertaken within the preceding year.

5.2 Enforcement activities

The Bureau was a party in the following public enforcement actions from April 1, 2017, through March 31, 2018, detailed as follows. This section also identifies those actions involving Office of Administrative Adjudication Orders with respect to covered persons which are not credit unions or depository institutions.

Citibank N.A. (Student Loan Servicing) (File No. 2017-CFPB-0021). On November 21, 2017, the Bureau entered into a consent order with Citibank, N.A. The Bureau found that Citibank engaged in deceptive acts or practices likely to mislead borrowers into believing they had not paid student loan interest that was eligible for a tax deduction. The Bureau also found that Citibank engaged in unfair acts or practices by providing borrowers misleading information regarding the student loan interest the borrowers had paid. The Bureau found that Citibank also incorrectly terminated borrowers' in-school deferments, resulting in late fees and added interest. The Bureau also found that Citibank overstated how much borrowers had to pay in their monthly bills and failed to disclose required information after denying borrowers' requests to release loan cosigners. The Bureau's order requires injunctive relief and for Citibank to pay \$3.75 million in redress to consumers and a \$2.75 million civil money penalty.

Consumer Financial Protection Bureau v. Federal Debt Assistance Association, LLC, Financial Document Assistance Administration, Inc., Clear Solutions, Inc., Robert Pantoulis, David Piccione, and Vincent Piccione (D. Md. No. 17-cv-2997). The Bureau filed suit in federal court against two companies operating under the name “FDAA,” a service provider, and their owners for allegedly falsely presenting FDAA as being affiliated with the federal government. The Bureau also alleges that FDAA’s so-called “debt validation” programs violated the law by falsely promising to eliminate consumers’ debts and improve their credit scores in exchange for thousands of dollars in advance fees. The court entered default judgment against all of the defendants on May 22, 2018, after they failed to respond to the Bureau’s lawsuit. The court’s order bans the defendants from providing debt-relief or credit-repair services to consumers, requires them to pay \$4.9 million in redress to consumers, and imposes a civil penalty of \$16 million.

Consumer Financial Protection Bureau v. Tempo Venture, Inc., d/b/a Culpeper Pawnbroker (W.D. Va. No. 17-cv-0075). The Bureau filed a complaint in federal court against Tempo Venture, Inc., doing business as Culpeper Pawnbroker, alleging that the company missated the APR associated with pawn loans, in violation of federal law. The Bureau also filed a consent order, which was entered by the court. The consent order imposes injunctive relief and requires Culpeper Pawnbroker to pay a \$2,500 penalty.

Consumer Financial Protection Bureau v. Freedom Debt Relief, LLC and Andrew Houser (N.D. Cal. No. 17-cv-6484). The Bureau filed a complaint against Freedom Debt Relief, the nation’s largest debt-settlement services provider, and its co-CEO Andrew Houser for allegedly deceiving consumers and charging unlawful advance fees. The Bureau alleges that, in certain circumstances, Freedom charges consumers without settling their debts as promised, makes customers negotiate their own settlements, misleads them about its fees and the reach of its services, fails to inform them of their rights to funds they deposited in settlement accounts, and charges fees in the absence of a settlement. The Bureau is seeking compensation for harmed consumers, civil penalties, and an injunction against Freedom and Houser to halt their unlawful conduct.

Consumer Financial Protection Bureau v. Think Finance, LLC formerly known as Think Finance, Inc. (D. Mont. No. 17-cv-0127); In re Think Finance, LLC, et al., (Bankr. N.D. Tex. No. 17-33964). The Bureau filed a complaint against Think Finance and its wholly owned subsidiaries for allegedly collecting debts that were not legally owed. In a suit filed in federal court, the Bureau alleges that Think Finance collects on loans that are void ab initio under state laws governing interest rate caps or the licensing of lenders. The Bureau alleges that Think Finance made deceptive demands and took money from consumers’ bank accounts for debts that were not legally owed, in violation of federal law. The Bureau seeks restitution and a civil money penalty. On April 24, 2018, the defendants filed a motion to dismiss, which the court denied on August 3, 2018. Defendants filed an answer on August 31, 2018. The Bureau also filed a proof of claim in the Think Finance bankruptcy case. Both matters remain pending.

Conduent Business Services, LLC (File No. 2017-CFPB-0020) (not a credit union or depository institution). The Bureau entered a consent order against Conduent Business Services, which previously conducted business as Xerox Business Services, LLC, for software errors that led to incorrect consumer information about more than one million borrowers being sent to credit reporting agencies. The company also failed to notify all of its auto lender clients about known flaws in its software that led to the errors. The consent order requires Xerox to pay a \$1.1 million civil penalty, explain its mistakes to its lender clients, and correct the errors in its software.

Consumer Financial Protection Bureau v. Nationwide Biweekly Administration, Inc., et al. (N.D. Cal. No. 15-cv-2106). On May 11, 2015, the Bureau filed a complaint against Nationwide Biweekly Administration, Inc., Loan Payment Administration LLC, and Daniel S. Lipsky alleging that they engaged in abusive and deceptive acts and practices in violation of the Consumer Financial Protection Act of 2010 (CFPA) and the Telemarketing Sales Rule (TSR) regarding a mortgage

payment product known as the “Interest Minimizer Program,” or IM Program. The Bureau alleged that the defendants misrepresented their affiliation with consumers’ mortgage lenders; the amount of interest savings consumers would realize, and when consumers would achieve savings on the IM Program, consumers’ ability to attain the purported savings on their own or through a low- or no-cost option offered by the consumers’ servicer; and fees for the program. The Bureau sought a permanent injunction, consumer redress, and civil penalties. A trial was held beginning on April 24, 2017, and on September 8, 2017, the court issued an opinion and order finding that the defendants had engaged in deceptive and abusive conduct in violation of the CFPA and TSR. The court imposed a \$7.93 million civil money penalty, but denied the Bureau’s request for restitution and disgorgement. On November 9, 2017, the court reduced the previous order to a judgment that included permanently enjoining defendants from engaging in specified acts or practices. The court denied defendants’ post-trial motions on March 12, 2018, and both parties have filed a notice of appeal. The parties’ appeals are currently pending before the United States Court of Appeals for the Ninth Circuit.

Consumer Financial Protection Bureau v. Navient Corporation, Navient Solutions, Inc. and Pioneer Credit Recovery, Inc. (M.D. Pa. No. 17-cv-0101). On January 18, 2017, the Bureau filed a complaint against Navient Corporation and its subsidiaries, Navient Solutions, Inc. and Pioneer Credit Recovery, Inc. The Bureau alleges that Navient Solutions and Navient Corporation steered borrowers toward repayment plans that resulted in borrowers paying more than other options; misreported to credit reporting agencies that severely and permanently disabled borrowers who had loans discharged under a federal program had defaulted on the loans when they had not; deceived private student loan borrowers about requirements to release their co-signer from the loan; and repeatedly incorrectly applied or misallocated borrower payments to their accounts. The Bureau also alleges that Pioneer and Navient Corporation misled borrowers about the effect of rehabilitation on their credit reports and the collection fees that would be forgiven in the federal loan rehabilitation program. The Bureau seeks consumer redress and injunctive relief. On March 24, 2017, Navient moved to dismiss the complaint. On August 4, 2017, the court denied Navient’s motion. The case remains pending.

Consumer Financial Protection Bureau v. Ocwen Financial Corporation, Ocwen Mortgage Servicing, Inc., and Ocwen Loan Servicing, LLC (S.D. Fla. No. 17-cv-90495). On April 20, 2017, the Bureau filed a complaint against mortgage loan servicer Ocwen Financial Corporation and its subsidiaries alleging they used inaccurate and incomplete information to service loans, misrepresented to borrowers that their loans had certain amounts due, illegally foreclosed on homeowners that were performing on agreements on loss mitigation options, enrolled and charged consumers for add-on products without their consent, failed to adequately investigate and respond to borrower complaints, and engaged in other conduct in violation of the CFPA, Truth in Lending Act (TILA), Fair Debt Collection Practices Act (FDCPA), Real Estate Settlement Procedures Act (RESPA), and Homeowners Protection Act (HPA). On June 23, 2017, Ocwen moved to dismiss. That motion remains pending. The parties are currently engaged in discovery.

Consumer Financial Protection Bureau v. TCF National Bank (D. Minn. No. 17-cv-0166). On January 19, 2017, the Bureau filed a complaint against TCF National Bank alleging TCF misled consumers about overdraft services in violation of Regulation E and the CFPA. Specifically, the Bureau alleged that TCF designed its application process to obscure the overdraft fees on one-time debt purchases and ATM withdrawals and make overdraft services seem mandatory for new customers to open an account. On September 8, 2017, the court granted TCF’s motion to dismiss the Bureau’s Electronic Fund Transfer Act (EFTA) claims, but denied the motion to dismiss the Bureau’s claims for deceptive and abusive acts or practices. On August 1, 2018, the court accepted a settlement between the Bureau and TCF. TCF agreed to pay \$25 million in restitution to customers who were charged overdraft fees and also agreed to an injunction to prevent future violations. The settlement also imposed a civil money penalty of \$5 million. The penalty was adjusted to account for a \$3 million penalty imposed by the Office of the Comptroller of the Currency.

Consumer Financial Protection Bureau v. Top Notch Funding II, LLC, Rory Donadio, and John “Gene” Cavalli (S.D.N.Y. No. 17-cv-7114). On September 19, 2017, the Bureau filed a complaint alleging that Top Notch Funding and two individuals associated with the company made misrepresentations in loan offerings to consumers who were awaiting payment from settlements in legal cases or from victim-compensation funds. On January 30, 2018, the court entered a stipulated final judgment and order. The order prohibits the defendants from offering or providing such products in the future and requires them to pay \$75,000 in civil money penalties.

Consumer Financial Protection Bureau v. The National Collegiate Master Student Loan Trust, et al. (D. Del. No. 17-cv-1323); In the Matter of Transworld Systems, Inc. (File No. 2017-CFPB-0018) (not a credit union or depository institution). On September 18, 2017, the Bureau filed a complaint and proposed consent judgment against several National Collegiate Student Loan Trusts (collectively, “NCSLT”), alleging they brought debt collection lawsuits for private student loan debt that the companies couldn’t prove was owed or was too old to sue over; that they filed false and misleading affidavits or provided false and misleading testimony; and that they falsely claimed that affidavits were sworn before a notary. The proposed consent judgment against the NCSLT would require an independent audit of all 800,000 student loans in the NCSLT portfolio. It would also prohibit the NCSLT, and any company it hires, from attempting to collect, reporting negative credit information, or filing lawsuits on any loan the audit shows is unverified or invalid. In addition, it would require the NCSLT to pay at least \$19.1 million, which would include redress to consumers, disgorgement, and a civil money penalty. Several entities have moved to intervene to object to the proposed consent judgment. The court has not yet ruled on these motions, and the case remains pending. On September 18, 2017, the Bureau issued a separate consent order against the NCSLTs’ debt collector, Transworld Systems (TSI), for filing false or misleading affidavits, providing false or misleading testimony, and filing debt collection lawsuits when the companies could not prove the debt was owed. The Bureau’s order requires injunctive relief and for TSI to pay a \$2.5 million civil penalty.

Consumer Financial Protection Bureau v. Weltman, Weinberg & Reis Co., L.P.A. (N.D. Ohio No. 1:17-cv-0817). On April 17, 2017, the Bureau filed a complaint against the debt collection law firm Weltman, Weinberg & Reis Co., L.P.A., alleging it sent collection letters that misrepresented that attorneys were meaningfully involved in collecting the debt. A trial with an advisory jury was held beginning May 1, 2018. The advisory jury found that the Bureau had proved by a preponderance of the evidence that the law firm’s collection letter contained false, deceptive, or misleading representations in connection with the collection of a debt, but found that the Bureau had not proved that the law firm’s lawyers were not meaningfully involved in the debt collection process. The court declined to adopt the advisory jury’s first finding, accepted the advisory jury’s second finding, and entered judgment in favor of the law firm on July 25, 2018.

Consumer Financial Protection Bureau v. RD Legal Funding, LLC, RD Legal Finance, LLC, and RD Legal Funding Partners, LP, and Roni Dersovitz (S.D.N.Y. No. 1:17-cv-0890). On February 7, 2017, the Bureau and the New York Attorney General filed a complaint against RD Legal Funding, LLC, two related entities, and the companies’ founder and owner, Roni Dersovitz, alleging that they made misrepresentations to potential borrowers, and engaged in abusive practices in connection with cash advances on settlement payouts from victim-compensation funds and lawsuit settlements. The lawsuit seeks monetary relief, disgorgement, and civil money penalties. On May 15, 2017, the defendants filed a motion to dismiss the Bureau’s complaint, which the Bureau opposed. On June 21, 2018, the court issued an opinion concluding that the defendants are subject to the CFPA’s prohibitions and that the complaint properly pleaded claims against all of them. The court held, however that the for-cause removal provision that applies to the Bureau’s Director violates the constitutional separation of powers and cannot be severed from the remainder of Title X of the Dodd-Frank Act. Based on that conclusion, the court ultimately dismissed the entire case. The case is now on appeal.

Consumer Financial Protection Bureau v. Vincent Howard, Lawrence W. Williamson, Howard Law, P.C., The Williamson Law Firm, LLC, and Williamson & Howard, LLP (C.D. Cal. No. 17-cv-0161). On January 30, 2017, the Bureau filed a complaint against a number of law firms and attorneys alleging that they violated the TSR by: (1) charging consumers upfront fees for debt relief services; (2) misrepresenting that consumers would not be charged upfront fees for debt relief services when, in fact, they were; and (3) providing substantial assistance to Morgan Drexen and Walter Ledda while knowing or consciously avoiding knowing that Morgan Drexen and Ledda were engaging in these violations. The Bureau alleges that Howard Law, P.C., the Williamson Law Firm, LLC, and Williamson & Howard, LLP, as well as attorneys Vincent Howard and Lawrence Williamson, ran this debt relief operation along with Morgan Drexen, Inc., which shut down in 2015 following the Bureau's lawsuit against that company. The complaint seeks injunctive relief, restitution, and the imposition of civil money penalties. The defendants filed a motion to dismiss, which the court denied on March 30, 2017. The defendants then asserted two counterclaims. The court dismissed those claims with prejudice on December 19, 2017. Since that time, the court has also denied two other substantive motions by the defendants: a motion for summary judgment on statute of limitations grounds and a motion for sanctions. The case remains pending.

Consumer Financial Protection Bureau v. Access Funding, LLC, Access Holding, LLC, Reliance Funding, LLC, Lee Jundanian, Raffi Boghosian, Michael Borkowski, and Charles Smith (D. Md. No. 1:16-cv-3759). On November 21, 2016, the Bureau filed a complaint against Access Funding, LLC, Access Holding, LLC, Reliance Funding, LLC, three of the companies' principals—Lee Jundanian, Raffi Boghosian, and Michael Borkowski—and a Maryland attorney, Charles Smith, alleging that they deceptively induced individuals to enter into settlement funding agreements, in which the individuals agreed to receive an immediate lump sum payment in exchange for significantly higher future settlement payments. The Bureau also alleges that the companies and their principals steered victims to receive "independent advice" from Smith, who was paid directly by Access Funding and indicated to consumers that the transactions required very little scrutiny. The Bureau further alleges that Access Funding advanced money to some consumers and represented to those consumers that the advances obligated them to go forward with transactions even if they realized that the transactions were not in their best interests. On September 13, 2017, the court granted defendants' motions to dismiss counts I–IV, arising out of Smith's conduct, on the grounds that he had attorney-client relationships with the consumers in question. The court denied the defendants' motions to dismiss the Bureau's claim relating to the advances Access Funding offered consumers. The court granted the Bureau's motion to file an amended complaint alleging Smith did not have attorney-client relationships with the consumers in question. Defendants again filed motions to dismiss, which the court denied. The defendants have filed a motion for partial summary judgment, which the Bureau has opposed. The motion remains pending.

Consumer Financial Protection Bureau v. Northern Resolution Group (W.D.N.Y. No. 16-cv-0880). On November 2, 2016, the Bureau, in partnership with the New York Attorney General, filed a complaint alleging that Douglas MacKinnon and Mark Gray operate a network of companies that harass, threaten, and deceive consumers across the nation into paying inflated debts or amounts they may not owe. The complaint seeks injunctive relief, restitution, and the imposition of penalties against the companies and partners. The defendants asserted counterclaims against the Bureau and New York, which the court dismissed on January 8, 2018. The case remains pending.

Consumer Financial Protection Bureau v. All American Check Cashing, Inc., Mid-State Finance, Inc., and Michael E. Gray (S.D. Miss. No. 16-cv-0356). On May 11, 2016, the Bureau filed a complaint against two companies, All American Check Cashing, Inc. and Mid-State Finance, Inc., that offer check-cashing services and payday loans, and their president and sole owner, Michael Gray. The Bureau alleges that All American tried to keep consumers from learning how much they would be charged to cash a check and used deceptive tactics to stop consumers from backing out of transactions. The Bureau also alleges that All American made deceptive statements about the benefits of its high-cost payday loans and failed to provide refunds after consumers made

overpayments on their loans. The Bureau's lawsuit seeks injunctive relief, restitution, and the imposition of a civil money penalty. On July 15, 2016, the court denied defendants' motion for a more definite statement. The defendants moved for judgment on the pleadings on May 24, 2017, and the Bureau moved for summary judgment on August 4, 2017. The court has not yet ruled on the Bureau's summary judgment motion. On March 21, 2018, the court denied the defendants' motion for judgment on the pleadings. On March 26, 2018, the defendants moved to certify that denial for interlocutory appeal. The next day, the court granted the defendants' motion in part, holding that interlocutory appeal was justified with respect to defendants' constitutional challenge to the Bureau's statutory structure. On April 24, 2018, the court of appeals granted the defendants' petition for permission to appeal the district court's interlocutory order. The district court action has been stayed pending the appeal, which is ongoing.

Consumer Financial Protection Bureau v. D and D Marketing, Inc., d/b/a T3Leads, Grigor Demirchyan, and Marina Demirchyan (C.D. Cal. No. 15-cv-9692); Consumer Financial Protection Bureau v. Dmitry Fomichev (C.D. Cal. No. 16-cv-2724); and Consumer Financial Protection Bureau v. Davit Gasparyan aka David Gasparyan (C.D. Cal. No. 16-cv-2725). On December 17, 2015, the Bureau filed a complaint against T3Leads and its current executives, Grigor Demirchyan and Marina Demirchyan, alleging that T3 engaged in unfair and abusive acts and practices in the sale of consumer-loan applications to small-dollar lenders and others acting unlawfully, and in operating a loan-application network that prevented consumers from understanding the material risks, costs, or conditions of their loans, and further alleging that the Demirchyans substantially assisted those acts and practices. On April 21, 2016, the Bureau filed two separate but related complaints against the company's past executives—Dmitry Fomichev and Davit Gasparyan—alleging that they substantially assisted T3's violations. The complaints seek monetary relief, injunctive relief, and penalties. On November 17, 2016, the court denied the defendants' motions to dismiss but found the Bureau unconstitutionally structured. The Ninth Circuit granted interlocutory appeal on that issue. That issue has not been decided. On September 8, 2017, the district court entered a stipulated final judgment and order against one of the defendants, Davit Gasparyan. The order imposed injunctive relief and required Gasparyan to pay a \$250,000 penalty. The case remains pending in the district court against the remaining defendants and the interlocutory appeal remains pending in the Court of Appeals.

Consumer Financial Protection Bureau and Anthony J. Albanese, Acting Superintendent of Financial Services of the State of New York v. Pension Funding, LLC; Pension Income, LLC; Steven Covey; Edwin Lichtig; and Rex Hofelner (C.D. Cal. No. 8:15-cv-1329). On August 20, 2015, the Bureau and the New York Department of Financial Services (NYDFS) filed a complaint against two companies, Pension Funding, LLC and Pension Income, LLC, and three of the companies' individual managers, alleging that they deceived consumers about the costs and risks of their pension-advance loans. The Bureau and NYDFS alleged that from 2011 until about December 2014, Pension Funding and Pension Income offered consumers lump-sum loan payments in exchange for the consumers agreeing to redirect all or part of their pension payments to the companies for eight years. The Bureau and NYDFS also alleged that the individual defendants, Steven Covey, Edwin Lichtig, and Rex Hofelner, designed and marketed these loans and were responsible for the companies' operations. The Bureau and NYDFS alleged that all of the defendants violated the CFPA's prohibitions against unfair, deceptive, and abusive acts or practices.

On January 8, 2016, the court appointed a receiver over defendants Pension Funding and Pension Income. The receiver's responsibilities include taking control of all funds and assets of the companies and completing an accounting of all pension-advance transactions that are the subject of the action. On February 10, 2016, the court entered a stipulated final judgment and order as to two of the individual defendants, Lichtig and Hofelner. The order imposes bans on these individuals' participation in pension-advance transactions and requires them to pay money to the receivership estate. On July 11, 2016, the court granted a default judgment against the final individual defendant, Covey, who did not appear in the case. The court's order imposes a ban and requires Covey to pay

disgorgement of approximately \$580,000. The court-appointed receiver's work with respect to the companies is ongoing.

In the Matter of Integrity Advance, LLC and James R. Carnes (File No. 2015-CFPB-0029) (not a credit union or depository institution). On November 18, 2015, the Bureau filed a notice of charges against an online lender, Integrity Advance, LLC, and its CEO, James R. Carnes, alleging they deceived consumers about the cost of short-term loans. The Bureau alleges that the company's contracts did not disclose the costs consumers would pay under the default terms of the contracts. The Bureau also alleges that the company unfairly used remotely created checks to debit consumers' bank accounts even after the consumers revoked authorization for automatic withdrawals. The Bureau is seeking injunctive relief, restitution, and the imposition of a civil money penalty. On September 27, 2016, the Administrative Law Judge issued a Recommended Decision finding liability and recommending injunctive and monetary relief. The Recommended Decision was appealed to the Director, but further activity on that appeal was held in abeyance pending a decision in PHH Corp. v. CFPB, No. 15-1177 (D.C. Cir.), and, subsequently, pending a decision in Lucia v. SEC, No. 17-0130 (S. Ct.). Subsequent to the Supreme Court's ruling in Lucia, the Acting Director ordered the parties to submit additional briefing, and the matter remains pending.

Consumer Financial Protection Bureau v. Global Financial Support, Inc., d/b/a Student Financial Resource Center, d/b/a College Financial Advisory; and Armond Aria a/k/a Armond Amir Aria, individually, and as owner and CEO of Global Financial Support, Inc. (S.D. Cal. No. 15-cv-2440). On October 29, 2015, the Bureau filed a complaint alleging that Global Financial Support, Inc., which operates under the names Student Financial Resource Center and College Financial Advisory, issued marketing letters instructing students to fill out a form and pay a fee in exchange for the company conducting extensive searches to target or match them with individualized financial aid opportunities. The Bureau alleges that consumers who paid the fee received nothing or a generic booklet that failed to provide individualized advice. The Bureau also alleges that the defendants misrepresented their affiliation with government and university financial aid offices and pressured consumers to enroll through deceptive statements. The complaint seeks injunctive relief, restitution, and the imposition of a civil money penalty. This matter has been stayed since May 17, 2016, based on an ongoing criminal prosecution of one of the defendants. The case remains pending.

Consumer Financial Protection Bureau v. Borders & Borders, PLC, et al. (W.D. Ky. No. 13-cv-1047). On October 24, 2013, the Bureau filed a complaint alleging that Borders & Borders, a law firm specializing in real estate closings, violated RESPA by paying local real estate and mortgage brokers in exchange for referrals of settlement service business to the defendants. The Bureau seeks injunctive and other equitable relief. On February 12, 2015, the court denied the defendants' motion for judgment on the pleading, but on July 13, 2017, granted defendants' motion for summary judgment, finding the arrangements qualified as affiliated business arrangements under section 8(c)(4) of RESPA. On March 21, 2018, the court denied a motion for reconsideration filed by the Bureau, holding that the arrangements did not violate section 8(a) of RESPA and, even if they did, were entitled to protection under section 8(c)(2) of RESPA. The Bureau did not file a Notice of Appeal, and the case is closed.

Consumer Financial Protection Bureau v. NDG Financial Corp., et al. (S.D.N.Y. No. 15-cv-5211). On July 6, 2015, the Bureau filed a complaint against the NDG Financial Corporation and nine of its affiliates alleging they engaged in unfair, deceptive, and abusive practices relating to its payday lending enterprise. The Bureau alleges that the enterprise, which has companies located in Canada and Malta, originated, serviced, and collected payday loans that were void under state law, represented that U.S. federal and state laws did not apply to the Defendants or the payday loans, and used unfair and deceptive tactics to secure repayment, all in violation of the CFPB. On December 2, 2016, the court denied the defendants' motions to dismiss. On December 6, 2017, the clerk entered default against the Maltese defendants. On February 5, 2018, the court voluntarily dismissed the former owners and their holding corporations as defendants and relief defendants. The Bureau

moved for the sanction of default judgment against the remaining defendants, which the court granted on March 29, 2018. The case remains open.

Consumer Financial Protection Bureau v. Universal Debt & Payment Solutions, LLC, et al. (N.D. Ga. No. 15-cv-0859). On March 26, 2015, the Bureau filed a complaint against a group of seven debt collection agencies, six individual debt collectors, four payment processors, and a telephone marketing service provider alleging unlawful conduct related to a phantom debt collection operation. Phantom debt is debt consumers do not actually owe or debt that is not payable to those attempting to collect it. The Bureau alleges that the individuals, acting through a network of corporate entities, used threats and harassment to collect “phantom” debt from consumers. The Bureau alleges the defendants violated the FDCPA and the CFPA’s prohibition on unfair and deceptive acts and practices, and provided substantial assistance to unfair or deceptive conduct. The Bureau is seeking permanent injunctive relief, restitution, and the imposition of a civil money penalty. On April 7, 2015, the Bureau obtained a preliminary injunction against the debt collectors that froze their assets and enjoined their unlawful conduct. In September 1, 2015, the court denied the defendants’ motion to dismiss. On August 25, 2017, the court dismissed the Bureau’s claims against the payment processors as a discovery sanction against the Bureau. On November 15, 2017, the Bureau, and two remaining defendants moved for summary judgment.

Consumer Financial Protection Bureau v. Richard F. Moseley, Sr., et al. (W.D. Mo. No. 14-cv-0789). On September 8, 2014, the Bureau filed a complaint against a confederation of online payday lenders known as the Hydra Group, its principals, and affiliates, alleging that they used a maze of interrelated entities to make unauthorized and otherwise illegal loans to consumers. The Bureau alleged that the defendants’ practices violate the CFPA, TILA, and EFTA. On September 9, 2014, the court issued an ex parte temporary restraining order against the defendants, ordering them to halt lending operations. The court also placed the companies in temporary receivership, appointed a receiver, granted the Bureau immediate access to the defendants’ business premises, and froze their assets. On October 3, 2014, the court entered a stipulated preliminary injunction against the defendants pending final judgment in the case. On March 4, 2016, the court stayed the Bureau’s case until criminal proceedings against Moseley, Sr. are resolved. In November 2017, Moseley was convicted on multiple counts after a jury trial in the Southern District of New York and in June 2018, sentenced to 120 months in prison. The court entered a stipulated final judgment against one individual defendant on July 23, 2018, and a stipulated final judgment against Moseley and the remaining defendants on August 10, 2018. Under the terms of the orders, Randazzo is banned from the industry and required to pay a \$1 civil penalty, and the remaining defendants are be banned from the industry, and must forfeit approximately \$14 million in assets, and pay a \$1 civil money penalty. The civil penalty amount is based in part on the defendants’ limited ability to pay. The August 10 order also imposes a judgment for \$69 million for purposes of paying consumer redress, but, in light of the defendants’ limited ability to pay, the judgment will be suspended upon compliance with other requirements.

Consumer Financial Protection Bureau v. The Mortgage Law Group, LLP, d/b/a The Law Firm of Macey, Aleman & Searns; Consumer First Legal Group, LLC; Thomas G. Macey; Jeffrey J. Aleman; Jason E. Searns; and Harold E. Stafford (W.D. Wis. No. 3:14-cv-0513). On July 22, 2014, the Bureau filed a lawsuit in federal district court against The Mortgage Law Group, LLP (TMLG), the Consumer First Legal Group, LLC, and attorneys Thomas Macey, Jeffrey Aleman, Jason Searns, and Harold Stafford. The Bureau alleges that the defendants violated Regulation O, formerly known as the Mortgage Assistance Relief Services Rule, by taking payments from consumers for mortgage modifications before the consumers signed a mortgage modification agreement from their lender, by failing to make required disclosures, by directing consumers not to contact lenders, and by making deceptive statements to consumers when providing mortgage assistance relief services. On June 21, 2017, the district court entered a stipulated judgment against the bankruptcy estate of TMLG, which sought Chapter 7 bankruptcy. The court enjoined TMLG from operating, and ordered TMLG to pay \$18,331,737 in redress and \$20,815,000 in civil money penalties. On May 29, 2018, the Bureau filed

an unopposed motion to increase the redress amount ordered by the court to \$18,716,725.78, based on newly discovered information about additional advance fees paid by consumers. A trial was held with the remaining defendants on April 24, 2017 through April 28, 2017. The court has not yet issued findings of facts and conclusions of law following the trial, and has not yet ruled on the Bureau's May 29, 2018 motion. The case against the remaining defendants is ongoing.

Consumer Financial Protection Bureau v. ITT Educational Services, Inc. (S.D. Ind. No. 14-cv-0292). On January 6, 2014, the Bureau filed a lawsuit in federal district court against for-profit college chain ITT Educational Services, Inc. The Bureau alleges that ITT encouraged new students to enroll by providing them funding for the tuition gap that was not covered by federal student loan programs with a zero-interest loan called "Temporary Credit." This loan typically had to be paid in full at the end of the student's first academic year. The Bureau alleges that ITT knew from the outset that many students would not be able to repay their Temporary Credit balances or fund their second-year tuition gap and that ITT illegally pushed its students into repaying their Temporary Credit and funding their second-year tuition gaps through high-cost private student loan programs, on which ITT knew students were likely to default. In September of 2016, ITT closed all of its schools and filed for bankruptcy. On September 8, 2017, the court entered an order administratively closing the case without prejudice to the right of either party to move to reopen it within sixty days of the approval of a settlement by the Bankruptcy Court overseeing ITT's Chapter 7 case.

Consumer Financial Protection Bureau v. CashCall, Inc., et al. (C.D. Cal. No. 15-cv-7522). On December 16, 2013, the Bureau filed a complaint against online lender CashCall Inc., its owner, a subsidiary, and an affiliate, alleging that they violated the CFPB's prohibition against unfair, deceptive, and abusive acts and practices by collecting and attempting to collect consumer-installment loans that were void or partially nullified because they violated either state caps on interest rates or state licensing requirements for lenders. The Bureau alleged that CashCall serviced loans it made in the name of an entity, Western Sky, which was located on the Cheyenne River Sioux Tribe's land. On August 31, 2016, the court granted the Bureau's motion for partial summary judgment, concluding that CashCall was the true lender on the Western Sky loans. As a result of that finding, the Court set aside the choice-of-law provision in the loan agreements, found that the law of the borrower's state applied, and that the loans were void. Because the loans were void, the Court found that the defendants engaged in deceptive acts or practices by collecting debts that consumers did not owe. A trial was held from October 17 to 18, 2017, on the issue of appropriate relief. On January 19, 2018, the court issued findings of fact and conclusions of law imposing a \$10.28 million civil penalty but denying the Bureau's request for restitution and an injunction. The Bureau filed a Notice of Appeal on March 27, 2018, and the defendants filed a Notice of Cross-Appeal two weeks later.

In the Matter of Meridian Title Corporation (File No. 2017-CFPB-0019) (not a credit union or depository institution). On September 27, 2017, the Bureau issued a consent order against real estate settlement services provider Meridian Title Corporation finding that it steered consumers to a title insurer owned in part by several of its executives without making disclosures about the businesses' affiliation. The Bureau found that Meridian failed to disclose its relationship with the title insurer and that Meridian illegally benefitted from the referrals for title insurance. The Bureau's consent order requires Meridian to ensure that it ceases the illegal practice, provides disclosures whenever it makes a covered referral, and pay up to \$1.25 million in redress.

In the Matter of Zero Parallel, LLC (File No. 2017-CFPB-0017) (not a credit union or depository institution). On September 6, 2017, the Bureau issued a consent order against online lead aggregator Zero Parallel, LLC. The Bureau found that Zero Parallel steered consumers toward lenders who offered illegal or unlicensed loans that were void in the consumers' states. The Bureau also found Zero Parallel sold consumers' payday and installment loan applications to lenders it knew were likely to make void loans that the lenders had no legal right to collect. The Bureau's order requires that Zero Parallel end its illegal conduct and pay a \$100,000 civil penalty.

In the Matter of American Express Centurion Bank and American Express Bank, FSB (File No. 2017-CFPB-0016). On August 23, 2017, the Bureau issued a consent order against American Express Centurion Bank and American Express Bank, FSB (collectively, American Express) finding they violated the Equal Credit Opportunity Act (ECOA) by discriminating against consumers in Puerto Rico, the U.S. Virgin Islands, and other U.S. territories. The Bureau found that over the course of at least ten years, American Express provided these consumers credit and charge card terms that were inferior in many respects to those available in the 50 U.S. states. The Bureau also found that American Express discriminated against certain consumers with Spanish-language preferences. American Express paid approximately \$95 million in redress before the order was issued. The Bureau's order requires American Express to pay at least another \$1 million in compensation, and to develop and implement a comprehensive compliance plan to ensure that it provides credit and charge cards to affected consumers in a non-discriminatory manner.

Consumer Financial Protection Bureau v. Aequitas Capital Management, Inc., Aequitas Management LLC, Aequitas Holdings, LLC, Aequitas Commercial Finance LLC, Campus Student Funding, LLC, CSF Leverage I LLC, Aequitas Income Opportunity Fund, and Aequitas Income Protection Fund (D. Or. No. 3:17-cv-1278). On August 17, 2017, the Bureau filed a complaint against Aequitas Capital Management, Inc. and related entities alleging they aided the Corinthian Colleges in misrepresenting compliance with federal student lending laws. The Bureau alleged that Aequitas enabled Corinthian to make high-cost private loans to Corinthian students so that it would seem as if the school was making enough outside revenue to meet the requirements for receiving federal student aid dollars. The Bureau also alleged that both Aequitas and Corinthian knew students could not afford these high-interest loans. On September 1, 2017, the court entered a final judgment and order that included approximately \$183.3 million in loan forgiveness and reduction.

In the Matter of JPMorgan Chase Bank, N.A. (File No. 2017-CFPB-0015). On August 2, 2017, the Bureau entered into a consent order with JPMorgan Chase Bank, N.A., for failures related to information it provided for checking account screening reports. Banks screen potential customers based on reports about prior checking account behavior created by consumer reporting companies. The Bureau found that JPMorgan Chase did not have proper processes in place for reporting accurate information and did not inform consumers about the results of their reporting disputes and key aspects of their checking account application denials. The Bureau's order requires the bank to pay a \$4.6 million penalty and implement changes to its policies to ensure accurate information is reported, inform consumers of dispute investigation outcomes, and provide consumers with the contact information of the consumer reporting company that supplied information that JPMorgan Chase used to deny an application for a deposit account.

Consumer Financial Protection Bureau v. Park View Law (f.k.a. Prime Law Experts, Inc.) and Arthur Barends (C.D. Cal. No. 2:17-cv-4721); Consumer Financial Protection Bureau v. Commercial Credit Consultants (d.b.a. Accurise); IMC Capital L.L.C. (a.k.a. Imperial Meridian Capital L.L.C., Imperial Capital, and IMCA Capital L.L.C.); Prime Credit, L.L.C. (a.k.a. Prime Marketing, L.L.C.; d.b.a. Prime Credit Consultants); Blake Johnson; and Eric Schlegel, (C.D. Cal. No. 2:17-cv-4720). On June 27, 2017, the Bureau filed complaints against four California-based credit repair companies and three individuals alleging they misled consumers and charged illegal fees. The Bureau alleged that the companies charged illegal advance fees for credit repair services and misrepresented their ability to repair consumers' credit scores. On June 30, 2017, the court entered a stipulated final judgment and order against Prime Credit, L.L.C., IMC Capital, L.L.C., Commercial Credit Consultants, Blake Johnson, and Eric Schlegel, ordering them to pay a civil money penalty of more than \$1.5 million. On July 10, 2017, the court entered a second stipulated final judgment against Park View Law and its owner Arthur Barends ordering them to pay \$500,000 in disgorgement. The orders also prohibit all defendants from doing business within the credit repair industry for five years.

In the Matter of Fay Servicing, LLC (File No. 2017-CFPB-0014) (not a credit union or depository institution). On June 7, 2017, the Bureau issued a consent order against mortgage servicer Fay

Servicing. The Bureau found that Fay violated the Bureau's servicing rules by failing to send or timely send consumers critical information regarding the process to apply for foreclosure relief. The Bureau also found that in some instances Fay initiated or proceeded with the foreclosure process while borrowers were seeking loan modifications and other forms of assistance. The Bureau's order requires Fay to comply with mortgage servicing rules and pay up to \$1.15 million to harmed borrowers.

In the Matter of Security National Automotive Acceptance Company, LLC (File No. 2017-CFPB-0013) (not a credit union or depository institution). On April 26, 2017, the Bureau issued a consent order against Security National Automotive Acceptance Company (SNAAC), an auto lender specializing in loans to servicemembers, finding that it violated a prior Bureau consent order. In 2015, the Bureau issued a consent order requiring SNAAC to pay both redress and a civil penalty for illegal debt collection tactics, including making threats to contact servicemembers' commanding officers about debts and misrepresenting the consequences of not paying. In the 2017 order, the Bureau found that SNAAC violated the 2015 order by failing to provide more than \$1 million in refunds and credits. The Bureau's 2017 consent order requires SNAAC to pay the redress it owes to affected consumers under the 2015 order and pay an additional \$1.25 million civil penalty.

Consumer Financial Protection Bureau v. Spotsylvania Gold & Pawn, Inc. (E.D. Va. No. 3:16-cv-0988); *Consumer Financial Protection Bureau v. Fredericksburg Gold & Pawn, Inc.* (E.D. Va. No. 3:16-cv-0987); *Consumer Financial Protection Bureau v. Pawn U.S.A, Inc.* (E.D. Va. No. 1:16-cv-1566); *Consumer Financial Protection Bureau v. A to Z Pawn, Inc.* (E.D. Va. No. 1:16-cv-1567). On December 19, 2016, the Bureau filed complaints against four Virginia pawnbrokers alleging that they deceived consumers about the actual annual costs of their loans. Specifically, the Bureau alleged that the four companies violated federal consumer financial law by misstating the APR associated with pawn loans. The court entered stipulated final judgments in all four proceedings between February 22, 2017 and July 18, 2017. Those orders permanently restrain Spotsylvania Gold & Pawn, Fredericksburg Gold & Pawn, Pawn U.S.A., and A to Z Pawn from disclosing an inaccurate APR or failing to provide required disclosures. Additionally, the orders required Spotsylvania Gold & Pawn to pay \$20,209 as disgorgement and a \$7,500 civil penalty; Fredericksburg Gold & Pawn to pay \$24,570 as disgorgement and a \$5,000 civil penalty; Pawn U.S.A. to pay \$36,367 as disgorgement and a \$10,000 civil penalty; and A to Z Pawn to pay a \$3,500 civil penalty.

Consumer Financial Protection Bureau v. Prime Marketing Holdings, LLC, d/b/a/ Park View Credit, National Credit Advisors, and Credit Experts (C.D. Cal. No. 2:16-cv-7111). On September 22, 2016, the Bureau filed a complaint against the credit repair company Prime Marketing Holdings, LLC (PMH), alleging it charged consumers illegal advance fees and misrepresented the cost and effectiveness of its services and the nature of its money-back guarantee. On August 31, 2017, the court entered a stipulated final judgment and order.

The final judgment permanently bans PMH from doing business in the credit repair industry and orders it to pay a \$150,000 civil penalty.

6. Actions taken regarding rules, orders, and supervisory actions with respect to covered persons which are not credit unions or depository institutions

The Bureau's *Supervisory Highlights* publications provide general information about the Bureau's supervisory activities at banks and nonbanks without identifying specific companies. The Bureau published two issues of *Supervisory Highlights* between April 1, 2017, and March 31, 2018.⁵⁸

All public enforcement actions are listed in section 5 of this Report. Those actions taken with respect to covered persons which are not credit unions or depository institutions are noted within the summary of the action.

⁵⁸ Fall 2017, https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201709_cfpb_Supervisory-Highlights_Issue-16.pdf; Spring 2017, https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201704_cfpb_Supervisory-Highlights_Issue-15.pdf.

7. Assessment of significant actions by State attorneys general or State regulators relating to Federal consumer financial law⁵⁹

For purposes of the section 1016(c)(7) reporting requirement, the Bureau determined that any actions asserting claims pursuant to section 1042 of the Dodd-Frank Act are “significant.” The Bureau is aware of the following State Attorney General actions that were initiated during the reporting period and that asserted Dodd-Frank Act claims. The reporting period for this information is October 1, 2017, through March 31, 2018.

State of Alabama et al. v. PHH Mortgage Corporation, No. 18-cv-0009 (D.D.C. Jan. 3, 2018). On January 3, 2018, the Attorneys General for 49 states and the District of Columbia filed a complaint and agreed consent judgment against PHH Mortgage Corporation in the United States District Court for the District of Columbia. The complaint alleged that PHH engaged in mortgage servicing and foreclosure processing practices that were unfair and deceptive under state law. In addition, the states and the District of Columbia alleged that these mortgage servicing and foreclosure processing practices were unfair and deceptive under the Consumer Financial Protection Act (CFPA), 12 U.S.C. 5531(a)(1)(B).

Navajo Nation v. Wells Fargo & Company, Wells Fargo Bank, N.A., and Does 1-10, No. 17-cv-1219 (D.N.M. Dec. 12, 2017). On December 12, 2017, the Navajo Nation filed a complaint against Wells Fargo & Company, Wells Fargo Bank, and Does 1-10 in the United States District Court for the District of New Mexico. The Navajo Nation alleged that Wells Fargo & Company and Does 1-10 in, or provided substantial assistance to Wells Fargo Bank in, opening unauthorized accounts for consumers. This activity was alleged to violate the prohibition on unfair, deceptive, and abusive acts or practices in the CFPA, 12 U.S.C. 5536(a)(1)(B). The Navajo Nation also alleged that Wells Fargo & Company and Does 1-10 violated the CFPA, 12 U.S.C. 5536(a)(1)(A), by violating the Equal Credit Opportunity Act (ECOA), 15 U.S.C. 1691(a), and its implementing regulation, 12 C.F.R. 1002.4, the Electronic Fund Transfer Act (EFTA), 15 U.S.C. 1693i(b), and its implementing regulation, 12 C.F.R. 1005.5(a), the Truth in Lending Act (TILA), 15 U.S.C. 1642, and its implementing regulation, 12 C.F.R. 1026.12(a), the Fair Credit Reporting Act (FCRA), 15 U.S.C. 1681(b), and the implementing regulation for the Truth in Savings Act, 12 C.F.R. 1030.4(a)(1)(i). The Navajo Nation alleged that all defendants engaged in improper or unauthorized consumer banking activity in violation of the FCRA, ECOA, EFTA, and TILA, and their respective implementing regulations, the New Mexico

⁵⁹ State Attorney General actions summaries are current as of March 31, 2018, and do not include activities that occurred after the reporting period.

Unfair Practices Act, N.M. Stat. 57-12-1 *et seq.*, the Arizona Consumer Fraud Act, A.R.S. 44-1522 *et seq.*, and the Navajo Nation Consumer Practices Act, N.N.C. 1101 *et seq.* The Navajo Nation also alleged that the defendants' activity constituted fraud, conversion, or unjust enrichment. Finally, the Navajo Nation alleged that the defendants made material misrepresentations to it regarding its improper sales practices.

Commonwealth of Pennsylvania v. Navient Corporation and Navient Solutions, L.L.C., No. 17-cv-1814 (M.D. Pa. Oct. 5, 2017). On October 5, 2017, the Commonwealth of Pennsylvania filed a complaint against Navient Corporation and Navient Solutions, L.L.C. in the United States District Court for the Middle District of Pennsylvania. Pennsylvania alleged that the companies engaged in unfair methods of competition and unfair acts or practices in the course of originating private student loans and servicing federal and private student loans, in violation of Pennsylvania Consumer Protection Law, 73 P.S. 201-3. Pennsylvania's complaint also included allegations that the companies' student loan servicing practices violated the prohibition on unfair and deceptive acts or practices under the CFPA, 12 U.S.C. 5531(a)(1)(B).

Commonwealth of Massachusetts v. Pennsylvania Higher Education Assistance Agency, d/b/a/ FedLoan Servicing, No. 1784-cv-2682 (Mass. Super. Ct. Aug. 23, 2017). On August 23, 2017, the Commonwealth of Massachusetts filed suit in the Massachusetts' Superior Court against Pennsylvania Higher Education Assistance Agency (PHEAA), which also does business as FedLoan Servicing. Massachusetts alleged that PHEAA violated the Massachusetts Consumer Protection Law, M.G.L.A. c. 93A, § 2(a), by engaging in unfair and deceptive acts and practices and violating Massachusetts' Debt Collection Regulations, 940 C.M.R. 7.07(16). In addition, Massachusetts alleged that PHEAA violated the CFPA, 12 U.S.C. 5531(a)(1)(B), by engaging in unfair acts and practices.

Office of the Attorney General, the State of Florida, Department of Legal Affairs, and Office of Financial Regulation, the State of Florida, Division of Consumer Finance, v. Ocwen Financial Corporation, a Florida corporation, Ocwen Mortgage Servicing, Inc., a U.S. Virgin Islands corporation, and Ocwen Loan Servicing, LLC, a Delaware limited liability company, No. 9:17-cv-80496 (S.D. Fla. Apr. 20, 2017). On April 20, 2017, the Office of the Attorney General and the Office of Financial Regulation for Florida filed suit in the United States District Court for the Southern District of Florida against Ocwen Financial Corporation, Ocwen Mortgage Servicing, Inc., and Ocwen Loan Servicing, LLC (collectively referred to as "Ocwen"). Florida alleged that Ocwen violated the Consumer Financial Protection Act, 12 U.S.C. 5531(a)(1)(A), by violating section 6(g) of the Real Estate Settlement Procedures Act (RESPA), 12 U.S.C. 2605(g), and sections 1024.17, 1024.34, and 1024.41 of RESPA's implementing regulation, Regulation X, 12 C.F.R. pt. 1024. In addition, the Florida Attorney General alleged that Ocwen violated the Florida Deceptive and Unfair Trade Practices Act, Fla. Stat. 501.204(1), by engaging in unfair and deceptive acts or practices. The Florida Office of Financial Regulation alleged that Ocwen Loan Servicing, LLC, violated sections 494.00255 and 494.0063 of the Florida Statutes.

8. Analysis of the efforts of the Bureau to fulfill the fair lending mission of the Bureau

This Semi-Annual Report update is focused on highlights from the Bureau's fair lending enforcement⁶⁰ and rulemaking⁶¹ activities from April 1, 2017, through March 31, 2018, and continued efforts to fulfill the fair lending mission of the Bureau, through, for example, supervision, interagency coordination, and outreach, from October 1, 2017, through March 31, 2018.⁶²

8.1 Fair lending supervision

The Bureau's Fair Lending Supervision program assesses compliance with Federal fair lending consumer financial laws and regulations at banks and nonbanks over which the Bureau has supervisory authority. As a result of the Bureau's efforts to fulfill its fair lending mission in this reporting period, the Bureau's Fair Lending Supervision program initiated 10 supervisory events at financial services institutions under the Bureau's jurisdiction to determine compliance with federal laws intended to ensure the fair, equitable, and nondiscriminatory access to credit for both individuals and communities, including the Equal Credit Opportunity Act (ECOA) and Home Mortgage Disclosure Act (HMDA).

For exam reports issued by Fair Lending Supervision during the reporting period, the most frequently cited violations of Regulation B and Regulation C were:

- Section 1002.9(c)(2): Failure to adequately notify an applicant that additional information is needed for an application;
- Section 1002.14(a): Failure to routinely provide a copy of an appraisal report to an applicant for credit secured by a lien on a dwelling; and
- Section 1003.4(a): Failure by a financial institution to collect data regarding applications for covered loans that it receives, originates, or purchases in a calendar year, or, failure to collect data regarding certain requests under a preapproval program in a calendar year.

In the current reporting period, the Bureau conducted fewer fair lending supervisory events, and issued fewer matters requiring attention (MRAs) or memoranda of understanding (MOUs) than in the prior period. MRAs and MOUs direct entities to take corrective actions and are monitored by the Bureau through follow-up supervisory events. In the current period, however, the Bureau cleared a substantially higher number of MRAs or MOU items from past supervisory events than in the prior

⁶⁰ Dodd-Frank Act § 1016(c)(5).

⁶¹ Dodd-Frank Act § 1016(c)(3).

⁶² Dodd-Frank Act § 1016(c)(8).

period.

8.2 Fair lending enforcement⁶³

The Bureau has the statutory authority to bring enforcement actions pursuant to HMDA and ECOA. In this regard, the Bureau has the authority to engage in research, conduct investigations, file administrative complaints, hold hearings, and adjudicate claims through the Bureau's administrative enforcement process. The Bureau also has independent litigating authority and can file cases in federal court alleging violations of fair lending laws under the Bureau's jurisdiction. Like other federal bank regulators, the Bureau is required to refer matters to the U.S. Department of Justice (DOJ) when it has reason to believe that a creditor has engaged in a pattern or practice of lending discrimination.⁶⁴

Over the past year, the Bureau announced one fair lending public enforcement action involving credit cards. As described in the Enforcement section of this report, on August 23, 2017, the Bureau took action against American Express Centurion Bank and American Express Bank, FSB for violating ECOA by discriminating against consumers in Puerto Rico, the U.S. Virgin Islands, and other U.S. territories by providing them with credit and charge card terms that were inferior in many respects to those available in the 50 U.S. states. The Bureau also found that American Express discriminated against certain consumers with Spanish-language preferences.

The Bureau also continues to administer prior fair lending enforcement actions. On September 28, 2015, working in coordination with the DOJ, the Bureau ordered Fifth Third Bank (Fifth Third) to pay \$18 million in damages to harmed African-American and Hispanic borrowers for unlawful discrimination.⁶⁵ On January 4, 2018, participation materials were mailed to potentially eligible borrowers whom Fifth Third overcharged for their auto loans notifying them how to participate in the settlement fund. On February 2, 2016, working with the DOJ, the Bureau ordered Toyota Motor Credit Corporation (Toyota Motor Credit), to pay up to \$21.9 million in damages to harmed African-American and Asian or Pacific Islander borrowers for unlawful discrimination.⁶⁶ On December 29, 2017, participation materials were mailed to potentially eligible borrowers whom Toyota Motor Credit overcharged for their auto loans notifying them how to participate in the settlement fund.

On May 28, 2015, working jointly with the DOJ, the Bureau and the DOJ filed a joint consent order against Provident Funding Associates (Provident), which was entered by the United States District Court for the Northern District of California on June 18, 2015. The consent order requires Provident to pay \$9 million in damages to harmed African-American and Hispanic borrowers for unlawful discrimination. On November 2, 2017, participating African-American and Hispanic borrowers who were unlawfully overcharged on their mortgage loans were mailed checks compensating them for their harm caused by Provident. On July 14, 2015, working in close coordination with the DOJ, the Bureau ordered American Honda Finance Corporation (Honda Finance) to pay \$24 million in damages to harmed African-American, Hispanic, and Asian or Pacific Islander borrowers. On October 2, 2017, participating African-American, Hispanic, and Asian or Pacific Islander

⁶³ Section 1016(c) (5) of the Dodd-Frank Act requires the Bureau to include in the semi-annual report public enforcement actions the Bureau was a party to during the preceding year, which is April 1, 2017 through March 31, 2018, for this report.

⁶⁴ See 15 U.S.C. §1691e(h).

⁶⁵ On May 21, 2018, the President signed a joint resolution passed by Congress disapproving the Bureau's Bulletin titled "Direct Auto Lending and Compliance with the Equal Credit Opportunity Act" (Bulletin), which had provided guidance about ECOA and its implementing regulation, Regulation B. Consistent with the joint resolution, the Bulletin has no force or effect. The ECOA and Regulation B are unchanged and remain in force and effect.

⁶⁶ See supra note 65.

borrowers⁶⁷, whom Honda Finance overcharged for their auto loans were mailed checks compensating them for their harm.

On December 19, 2013, working in close coordination with the DOJ, the Bureau ordered Ally Financial Inc. and Ally Bank (Ally) to pay \$80 million in damages to harmed African-American, Hispanic, and Asian or Pacific Islander borrowers.⁶⁸ In addition, Ally paid approximately \$38.9 million in September 2015, \$51.5 million in May 2016, and an additional \$48.8 million in April 2017, the final year of the order, to consumers who Ally determined were both eligible and overcharged on auto loans issued during 2014, 2015, and 2016, respectively.

Finally, during this reporting period⁶⁹ and pursuant to section 706(g) of ECOA, the Bureau also referred one matter to the DOJ with regard to discrimination in credit card account management, installment lending, and mortgage servicing on the bases of national origin and race.

8.3 Fair lending outreach

The Bureau is committed to hearing from and communicating directly with stakeholders on compliance and education relating to fair lending.⁷⁰ Outreach is accomplished through issuance of Reports to Congress, Interagency Statements, *Supervisory Highlights*, Compliance Bulletins, letters and blog posts, as well as through the delivery of speeches, meetings, and presentations addressing fair lending and access to credit matters. During the reporting period, Fair Lending staff participated in 13 events where they worked directly with stakeholders to educate them about fair lending compliance and access to credit issues, heard stakeholder views on Fair Lending's work to inform the Bureau, or provided speeches on fair lending topics.

8.4 Interagency coordination

The Bureau's fair lending activity involves regular coordination with other federal and state regulatory and enforcement partners.⁷¹ During the reporting period, Fair Lending continued to lead the Bureau's fair lending interagency coordination and collaboration efforts by working with partners on the Interagency Task Force on Fair Lending, the Interagency Working Group on Fair Lending Enforcement, and the FFIEC HMDA Data Collection Subcommittee

⁶⁷ See *supra* note 65.

⁶⁸ See *supra* note 65.

⁶⁹ April 1, 2017 through March 31, 2018.

⁷⁰ Dodd-Frank Act §1 013(c) (2)(C).

⁷¹ Dodd-Frank Act §1 013(c) (2)(B).

9. Analysis of the efforts of the Bureau to increase workforce and contracting diversity consistent with the procedures established by the Office of Minority and Women Inclusion (OMWI).

The Bureau has developed a Diversity and Inclusion Strategic Plan 2016-2020 (Diversity and Inclusion Plan) to guide the Bureau in its efforts to manage its diversity and inclusion goals, and objectives.⁷² The Bureau also publishes an Annual OMWI report in the spring of each year and the Bureau published its 2017 report on March 29, 2018.⁷³

During the reporting period, the Bureau began executing on objectives and strategies outlined in the Bureau of Consumer Financial Protection Strategic Plan FY 2018-2022⁷⁴ (Bureau Strategic Plan) which complements and reinforces the Diversity and Inclusion Strategic Plan.

Objective 3.2 of the Bureau's Strategic Plan commits the Bureau to "maintain a talented, diverse, inclusive and engaged workforce." The plan requires the Bureau to achieve this objective with specific strategies, which are:

- Establish and maintain human capital policies and programs to help the Agency effectively and efficiently manage a talented, diverse, and inclusive workforce.
- Offer learning and development opportunities that foster a climate of professional growth and continuous improvement.
- Develop human capital processes, tools, and technologies that continue to support the maturation of the Bureau and the effectiveness of human resource operations.
- Build a positive work environment that engages employees and enables them to continue doing their best work.
- Maintain comprehensive equal employment opportunity (EEO) compliance and diversity and

⁷² <https://www.consumerfinance.gov/data-research/research-reports/cfpb-diversity-and-inclusion-strategic-plan-2016-2020/>. www.consumerfinance.gov/data-research/research-reports/cfpb-diversity-and-inclusion-strategic-plan-2016-2020/.

⁷³ www.consumerfinance.gov/data-research/research-reports/2017-office-minority-and-women-inclusion-annual-report-congress/.

⁷⁴ www.consumerfinance.gov/about-us/budget-strategy/strategic-plan.

inclusion programs, including those focused on minority and women inclusion.

9.1 Increasing workforce diversity

As of March 31, 2018, an analysis of the Bureau's current workforce reveals the following key points:

- Women represent 49% of the Bureau's workforce in 2018 with no change from 2017.
- Minorities represent 39% of the Bureau workforce in 2018 with no change in the percentage of ethnic minority employees (Hispanic, Black, Asian, Native Hawaiian/Other Pacific Islander (NH/OPI), American Indian/Alaska Native (AI/AN) and employees of Two or More races) from 2017.

The Bureau engages in the following activities to increase workforce diversity:

9.1.1 Staffing

The Bureau enhances diversity by recruiting, hiring, and retaining highly qualified individuals from diverse backgrounds to fill positions at the Bureau. During the reporting period, the Bureau was under a hiring freeze. The Bureau continued to utilize the student volunteer internship program and other professional development programs to assist in the Agency's workforce needs.

9.1.2 Workforce engagement

To promote an inclusive work environment, the Bureau focuses on strong engagement with employees and utilizes an integrated approach to education, training, and engagement programs that ensures diversity and inclusion and non-discrimination concepts are part of the learning curriculum and work environment.

9.1.3 Strategic planning

The Bureau ensures senior leaders are aware of demographic trends of the Bureau's workforce. Planning is done to increase inclusion and retention of the diverse workforce.

9.2 Increasing contracting diversity

In accord with the mandates in section 342(b)(2)(B) of the Dodd-Frank Act, Goal Four in the Bureau's Diversity and Inclusion Plan describes the efforts the Bureau takes to increase contracting opportunities for diverse businesses including Minority-owned and Women-owned Businesses (MWOBs). The OMWI office and the Office of Procurement collectively work to increase opportunities for participation by MWOBs and Small Business Enterprises (SBEs). Over the relevant reporting period, those activities include:

9.2.1 Outreach to contractors

The Bureau increases opportunities for participation of MWOBs and SBEs by:

- Creating and publishing a procurement forecast to assist contractors better understand upcoming business opportunities;
- Proactively making recommendations that promote the use of qualified MWOB and SBE contractors in Bureau contracts.
- Updating and distributing technical assistance guides for businesses including *A Guide to Doing Business with the Bureau*, in order to assist businesses understand the procurement process. These resources are also made available digitally on the Bureau website.⁷⁵
- Publishing the Bureau's supplier diversity policy on the Bureau website;⁷⁶ and
- Participating in four national supplier diversity conferences aimed at MWOBs and SBEs and providing technical assistance meetings to businesses new to government contracting or doing business with the Bureau.

As a result of these efforts, the Bureau has increased the number of contract awards to MWOBs each year. During the first and second quarters of FY 2018,⁷⁷ the Bureau awarded 22.6% of contract dollars to SBEs, some of which are also MWOBs. The Bureau is on track to exceed the annual Small Business Administration's recommended goal for each Federal agency of 23%. Of the 22.6% of SBE contracts awarded by the Bureau during this time, 8.8% went to small disadvantaged businesses (minority-owned). The total contract dollars awarded to woman-owned small businesses during this period was 6.9%.

9.3 Diversity within the Bureau contractors' workforces

In accord with the mandates in section 342(c)(2) of the Dodd-Frank Act, Goal Six of the Bureau's Diversity and Inclusion Plan describes the efforts the Bureau takes to determine that a contractor will ensure, to the maximum extent possible, the fair inclusion of women and minorities in the contractor workforce, and as applicable, subcontractors workforce. To provide notice to contractors of this responsibility, the Bureau developed and inserted a contract clause, Good Faith Effort, into all Bureau solicitations and contracts. The Bureau is implementing its standards and procedures developed under section 342(c)(3)(A) to enable the OMWI Director to make a determination about a contractor's (and, as applicable, a subcontractor's) good-faith efforts to include minorities and women in their workplaces.

⁷⁵ www.consumerfinance.gov/about-us/doing-business-with-us/.

⁷⁶ www.consumerfinance.gov/about-us/doing-business-with-us/small-minority-businesses/.

⁷⁷ Data source is from the Federal Procurement Data System (FPDS) for FY 2018 from October 1, 2017 through March 31, 2018. The data are current as of May 7, 2018. FPDS data is subject to an OMB annual validation each January for the previous fiscal year.

ADDENDUM

2017 Annual Report to Congress on the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Act)

The Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Act) mandates a nationwide licensing system and registry for residential mortgage loan originators. It requires that State licensing and registration and federal registration of mortgage loan originators (MLOs) be accomplished through the same online system, known as the Nationwide Mortgage Licensing System and Registry (NMLS&R). The NMLS&R is owned and operated by the State Regulatory Registry LLC (SRR), a wholly owned subsidiary of the Conference of State Bank Supervisors (CSBS). The statutory purposes of the SAFE Act generally include increasing uniformity, reducing regulatory burden, enhancing consumer protection, and reducing fraud.

In July 2011, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) transferred to the Bureau rulemaking authority, and other authorities, of the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the National Credit Union Administration, the Federal Deposit Insurance Corporation, and the Department of Housing and Urban Development for the SAFE Act. With this transfer, the Bureau assumed the (1) responsibility for developing and maintaining the federal registration system; (2) supervisory and enforcement authority for SAFE Act compliance for applicable entities under the Bureau's jurisdiction; (3) back-up and related authority relating to SAFE Act standards for MLO licensing systems at the state level; and (4) certain rulemaking authority.

While administering the SAFE Act during 2017, the Bureau worked closely with SRR/CSBS to facilitate sharing mortgage loan originator information between state and federal regulators through the NMLS&R. Officials from the Bureau and SRR/CSBS met regularly to discuss issues related to the operation of the NMLS&R, resolve issues, and discuss requirements and policies related to the administration and functions of the NMLS&R. The Bureau reviewed, and approved as applicable, NMLS&R record adjustment requests to correct inaccurate information on federal registrant accounts. It also responded to Freedom of Information Act (FOIA) requests that pertained to federally registered MLOs.

Bureau officials participated in the ninth annual NMLS User Conference and Training that provided information and training on the NMLS&R's state licensing and federal registry system related

processes. The event was open to regulatory and industry system users, education providers, consultants, and others interested in attending, so it also provided an opportunity for Bureau officials to meet the other participants, build relationships, and share contact information.

The Bureau continues to answer SAFE Act-related questions through its regulations guidance function and maintains a SAFE Act Inquiries e-mail box to manage operational questions about the SAFE Act. Questions frequently received in 2017 involved routine compliance issues related to licensing and registration, MLO disclosure questions, and those related to the use of the online system. The Bureau works with NMLS&R officials with inquiries associated to the use of the system.

All bank and non-bank mortgage origination exams conducted by the Bureau in 2017 included a review for compliance with the SAFE Act. Examiners tested for accurate licensing and registration as well as related policies and procedures. SAFE Act violations were discovered during the review.

In mid-2017, the Bureau exercised its Option to Extend the Term of the Contract on its no-cost contract with SRR for the NMLS&R. The purpose of the contract is to maintain and make modifications, as necessary, to the federal Registry. As of December 31, 2017, there were approximately 421,555 federally registered MLOs in the NMLS&R.

During 2017, SRR/CSBS continued to engage the Bureau on issues regarding the modernization of the NMLS&R ("NMLS 2.0"). The modernization entails rebuilding the NMLS&R on a more modern platform in order to improve its operations, enhance the user experience, and strengthen supervision. The Bureau began providing its feedback and position on current and proposed functions relating to the federal registration process for mortgage loan originators in the NMLS&R to SRR/CSBS.