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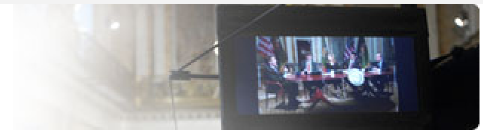

# Consumer Financial Protection Bureau Outlines Bank Supervision Approach

7/12/2011

***CFPB Will Begin Its Examination Program for Large Banks on July 21***

**WASHINGTON** – The Consumer Financial Protection Bureau (CFPB) today outlined the agency's approach to supervising large depository institutions to ensure compliance with federal consumer financial protection laws – a supervisory process that will begin on July 21, 2011.

"The new consumer agency is here to make sure that markets work for American families, and our bank supervision program is a big part of that," said Elizabeth Warren, Special Advisor to the Secretary of the Treasury on the CFPB. "Starting on July 21, we will be a cop on the beat – examining banks and protecting consumers."

**Scope of Bank Supervision Program**

Leading into the recent financial crisis, consumer financial protection authorities were spread among seven different federal agencies. The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) streamlined consumer protection oversight authority into the CFPB – promoting greater efficiency and accountability for American consumers.

The consumer agency will conduct examinations to help ensure that consumer financial practices at large banks conform with consumer financial protection legal requirements. The CFPB's bank supervision program will oversee the 111 depository institutions that have total assets over $10 billion. Subsidiaries and all other affiliates of these institutions also fall under the CFPB's authority. These institutions collectively hold more than 80 percent of the banking industry's assets.

**Staffing and Training**

A diverse and talented team of examiners throughout the country, managed out of satellite offices in Chicago, New York, San Francisco, and Washington, D.C., will form the front line in the CFPB's supervisory efforts. Each of these satellite offices will be the nexus for CFPB supervision in their respective areas of the country. Having examiners and field managers focused on these regions will help ensure that the CFPB understands the business practices and dynamics in different markets throughout the country. The examiners working in those regions will spend much of their time on-site at depository institutions and at other consumer financial services companies.

A large part of the CFPB's supervision staff will be made up of experienced examiners: By the end of July, the CFPB supervision team will include more than 100 staff members transferring directly from the Federal Deposit Insurance Corporation, the Federal Reserve System, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision. The CFPB expects eventually to have several hundred examiners on board, coming from a variety of backgrounds, including state regulatory agencies and industry. Experienced examiners will sharpen their skills in workshops before being deployed, and examiners new to consumer financial protection will receive extensive technical and professional skills training.

**Supervision Process**

CFPB supervision will be an on-going process of pre-examination scoping and review of information, data analysis, on-site examinations, and regular communication with regulated entities, prudential regulators, and as well as follow-up monitoring. For most depository institutions supervised by the CFPB, periodic examinations will be conducted. For the largest and most complex banks in the country, the agency will implement a year-round supervision program that will be customized to reflect the consumer protection and fair lending risk profile of the organization.

Monitoring will be a constructive process, ensuring that, where required, consumer risks are addressed and compliance programs are strengthened. Analyzing information that is unique to the institution – for example, lending activities, fee structures, and marketing practices – as well as assessing product trends at the market level, will also allow the CFPB to detect and address risks to consumers as they develop. Institutions will generally be advised of upcoming examinations and receive status updates throughout the supervision process.

During an examination, the CFPB will assess each institution's internal ability to detect, prevent, and remedy violations that may harm consumers by reviewing the institution's internal procedures and conducting interviews with personnel. Examiners will look at the products and services the institution offers, with a focus on risk to consumers. The institution's compliance with requirements during the entire life cycle of the product or service will be reviewed, including how a product is developed, marketed, sold and managed. Fair lending reviews will be conducted to detect and address potential discriminatory practices, and, more generally, the institution's policies and practices will be evaluated to ensure compliance with consumer financial protection laws and regulations.

If a company is not fully compliant, the CFPB will seek corrective actions, including strengthening the company's programs and processes to ensure that such violations do not recur and, where appropriate, that remedies are instituted. When necessary examiners will coordinate and work closely with CFPB's enforcement staff to implement appropriate enforcement actions to address harm to consumers.

**Next Steps**

On July 21, the CFPB will reach out to banks and their affiliates to establish channels of communication and to introduce them to the agency's supervision and examination process. The CFPB has already made great strides in reviewing information received from federal and state regulatory agencies about the depository institutions for which it will assume responsibility. In the weeks following July 21, CFPB examiners and managers will:

1. Become familiar with the structure, business strategies, operations, and risks of the organizations they will be supervising;
2. Communicate and coordinate the CFPB's efforts with federal and state regulatory agencies;
3. Finalize the CFPB's plans to supervise and examine the organizations under its jurisdiction; and
4. Begin conducting the agency's first round of on-site examinations.

This process will begin remotely in most instances, and CFPB examiners will then begin on-site reviews at the supervised institutions to continue their work.  Over the next several weeks, the CFPB will conduct further outreach to banks that fall under its jurisdiction. The CPFB will provide additional information via letter to the 111 institutions, and will conduct informational roundtables starting in early August.

The CFPB will post on its website the initial phase of its Examination Manual, which is the field guide for examiners supervising both banks and other consumer financial services companies. The publication of the manual will be accompanied by a general invitation for feedback and suggestions for improvements from the banking industry, nonbank financial services companies, federal and state agencies, consumer and community groups, and the general public.