



# **Executive Summary:**

## **The CFPB Can Improve the Efficiency and Effectiveness of Its Supervisory Activities**

2014-AE-C-005

March 27, 2014

### **Purpose**

The Office of Inspector General conducted this initial evaluation to assess the operational efficiency and effectiveness of the Consumer Financial Protection Bureau's (CFPB) supervision program. Our objectives for this evaluation included (1) reviewing key program elements, such as policies and procedures, examination guidance, and controls to promote consistent and timely reporting; (2) assessing the approach for staffing examinations; and (3) assessing the training program for examination staff.

### **Background**

Title X of the Dodd-Frank Wall Street Reform and Consumer Protection Act established the CFPB to "regulate the offering and provision of consumer financial products or services under the Federal consumer financial laws." The CFPB's Division of Supervision, Enforcement, and Fair Lending (SEFL) conducts the agency's supervision activities. The CFPB's supervision activities include (1) prioritizing and scheduling examinations, (2) planning and executing examinations, and (3) reporting findings in the form of reports of examination or supervisory letters.

### **Findings**

Since it began operations in July 2011, the CFPB has made significant progress toward developing and implementing a comprehensive supervision program for depository and nondepository institutions. The agency has implemented this program on a nationwide basis across its four regional offices. While we recognize the considerable efforts associated with the initial development and implementation of the program, we believe that the CFPB can improve the efficiency and effectiveness of its supervisory activities.

Specifically, we found that the CFPB needs to (1) improve its reporting timeliness and reduce the number of examination reports that have not been issued, (2) adhere to its unequivocal standards concerning the use of standard compliance rating definitions in its examination reports, and (3) update its policies and procedures to reflect current practices.

We completed our fieldwork in October 2013, using data as of July 31, 2013. Following the completion of our fieldwork, senior CFPB officials indicated that management has taken various measures to address certain findings in our report, including streamlining the report review process and reducing the number of examination reports that have not been issued. As part of our future follow-up activities, we will assess whether these actions, as well as the planned actions described in management's response, address our findings and recommendations.

### **Recommendations**

Our report contains 12 recommendations designed to assist the CFPB in strengthening its supervision program. We recommend that the CFPB create and update relevant policies and procedures; track and monitor examination processes for staffing examinations and producing examination products; and finalize its examiner commissioning program. Management concurred with our recommendations and outlined actions that have been or will be taken to address our recommendations.

Access the full report: <http://www.federalreserve.gov/oig/files/CFPB-Supervisory-Activities-Mar2014.pdf>

For more information, contact the OIG at 202-973-5000 or visit <http://www.consumerfinance.gov/oig>.