



Office of Inspector General

Board of Governors of the Federal Reserve System
Consumer Financial Protection Bureau

Executive Summary, 2024-SR-C-021, December 2, 2024

The CFPB Can Improve Its Process for Onboarding Depository Institutions That Transition to Its Oversight

Finding

The Consumer Financial Protection Bureau can improve its process for onboarding depository institutions that transition to its oversight. We found that the Office of Supervision Examinations (OSE) did not complete most of the transitions we reviewed timely or effectively. For example, the regional offices completed most of the key onboarding steps several months after the institutions transitioned and some of the key steps more than a year after the institutions transitioned. In addition, the regional offices' approaches to coordinating with the prudential regulators varied significantly. Officials indicated that OSE has historically operated in a decentralized manner. We believe that this approach afforded the regional offices considerable autonomy to handle the onboarding process with no centralized monitoring or oversight. Without centralized monitoring or oversight, one regional office developed its own guidance on the onboarding process, while the other regional offices did not have any guidance.

A key mission of the CFPB is overseeing compliance with federal consumer financial laws and regulations for depository institutions with over \$10 billion in total assets. Therefore, it is critical that the CFPB prioritize establishing a program for onboarding depository institutions by creating objectives, clear roles and responsibilities at the headquarters level to oversee the onboarding process, an officewide policy that describes management's expectations, and methods to monitor the regional offices' execution of onboarding activities. Establishing an onboarding program will help the CFPB to ensure that it is fulfilling its statutory obligation timely and effectively.

Recommendations

Our report contains four recommendations designed to enhance the effectiveness of the CFPB's process for onboarding depository institutions that transition to its oversight. In its response to our draft report, the CFPB concurs with our recommendations and outlines actions to address them. We will follow up to ensure that the recommendations are fully addressed.

Purpose

We conducted this evaluation to assess the CFPB's process for transitioning depository institutions with assets over \$10 billion to its oversight. We focused our review on transitions that occurred from 2017 through 2023.

Background

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, the CFPB supervises depository institutions and their affiliates with more than \$10 billion in total assets. When a depository institution exceeds the \$10 billion total asset threshold for four consecutive quarters, the consumer protection authority shifts from the institution's prudential regulator to the CFPB.

Within the CFPB, OSE supervises depository institutions' compliance with federal consumer financial laws. OSE's regional offices onboard the transitioning depository institutions. Key onboarding steps include assigning a field manager to oversee the institution, coordinating with the applicable prudential regulator, and communicating with an institution before and after it transitions to CFPB oversight.

The number of depository institutions supervised by the CFPB has increased over the past several years. From 2017 through 2023, 90 depository institutions transitioned to the CFPB's oversight.