

[Banking and Finance Law Daily Wrap Up, TOP STORY—CFPB highlights supervisory efforts, unveils new guidance, exam procedures, \(Nov. 1, 2016\)](#)

Banking and Finance Law Daily Wrap Up

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By [Katalina M. Bianco, J.D.](#)

Recent Consumer Financial Protection Bureau supervisory actions in the areas of deposits, mortgage servicing, and credit cards returned \$11.3 million to more than 225,000 consumers in the period between May and August 2016, according to the bureau's latest *Supervisory Highlights* ([edition 13](#)). Additionally, CFPB's supervisory activities have either led to or supported two recent public enforcement actions, resulting in over \$28 million in consumer remediation and an additional \$8 million in civil money penalties. The report also reveals violations the CFPB has uncovered in student loan servicing, auto loan origination and servicing, debt collection, and mortgage origination.

"Our examiners continue to find sloppy or callous practices among some student loan servicers and other financial institutions that violate the law and put consumers at risk," [said](#) CFPB Director Richard Cordray. "If their practices hurt consumers, they need to rethink and change their practices in light of the actions and observations found in this report."

The CFPB report provides information on compliance with bureau rules and regulations, a discussion on redlining, new exam policies, and best practices for better communication with non-English-speaking consumers. In conjunction with this edition of *Supervisory Highlights*, the bureau issued revised exam procedures for student lending and servicing, updated guidance on compliance for service providers, and new exam procedures for reverse mortgages.

Compliance management systems. The CFPB indicates in the report, "Worthy of note are the beneficial practices centered on good compliance management systems" in the areas of automobile loan origination, debt collection, and mortgage origination. The report covers both CMS strengths and deficiencies.

Issues uncovered. The report details specific issues discovered during examinations in the areas covered during the period. Key findings include the following:

- Student loan servicers unfairly denied or failed to approve qualified students' affordable payment plans despite the fact that eligible borrowers with federal student loans have a legal right to affordable payments based on their monthly income.
- One or more auto loan servicers refused to return personal belongings from a borrower's repossessed car unless the borrower paid a storage fee.
- Debt collectors charged illegal payment processing fees and made misleading collection calls about consumers' credit scores or reports.

Fair lending. The report includes information on fair lending. The Dodd-Frank Act, Equal Credit Opportunity Act, and Reg. B mandate that the bureau's Office of Fair Lending and Equal "ensure the fair, equitable, and nondiscriminatory access to credit" and "promote the availability of credit." Specific fair lending topics include:

- the provision of language services to limited English proficient consumers;
- Home Mortgage Disclosure Act data collection and reporting reminders for 2017; and
- redlining—a lender provides unequal access to credit or credit terms because of the race, color, national origin, or other prohibited characteristic of those in the area where the credit seeker resides or will reside, or the location of the residential property to be mortgaged.

Blog post. The CFPB [posted](#) information on redlining and the ECOA on its blog to help consumers understand how the ECOA can help them. The bureau urged consumers to contact the CFPB to submit complaints or share their stories.

Revised exam procedures for student lending and servicing. The CFPB's revised [education loan exam procedures](#) address servicing practices affecting borrowers, from payment processing and routine communications to the handling of requests for payment relief by distressed borrowers. The procedures explain how examiners assess risks to consumers and review student loan servicers' compliance with federal consumer financial law.

Updated CFPB guidance on compliance for service providers. The bureau released [Compliance Bulletin and Policy Guidance; 2016-02, Service Providers](#) to clarify that the depth and formality of the risk management program for service providers may vary depending upon the service being performed—its size, scope, complexity, importance and potential for consumer harm—and the performance of the service provider in carrying out its activities in compliance with federal consumer financial laws and regulations. According to the CFPB, this amendment is needed to clarify that supervised entities have flexibility and to allow appropriate risk management. The bulletin replaces Compliance Bulletin 2012-03.

Reverse mortgage servicing. The CFPB describes a reverse mortgage as a special type of loan that allows older homeowners to borrow against the equity in their homes. Instead of making payments to the servicer, the borrower receives funds from the lender. The borrower may elect to receive the funds as monthly payments, a lump sum, or by accessing a line of credit. These funds, plus the interest charged on the loan, and any fees such as insurance premiums or servicing fees, increase the balance of the loan each month. Over time, the loan amount grows, and must be re-paid when the borrower dies or a default event occurs.

New [examination procedures](#) that apply to reverse mortgage servicing are "a stand-alone resource to complete a reverse mortgage servicing review." The exam procedures consist of eight modules. According to the bureau, depending on the scope, in conjunction with the compliance management system and consumer complaint response review procedures, each reverse mortgage servicing examination will include one or more of the modules.

MainStory: TopStory CFPB CreditDebitGiftCards DebtCollection DoddFrankAct EnforcementActions EqualCreditOpportunity Loans Mortgages