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CFPB Identifies Illegal Practices Uncovered Through Supervision

Supervisory Resolutions Across Industries Recover $11.6 Million for More Than 80,000 Consumers

WASHINGTON, D.C. – Today the Consumer Financial Protection Bureau (CFPB) released its latest supervision report outlining the illegal practices uncovered by the Bureau's examiners in the first four months of 2015. The Bureau found problems with dual-tracking at mortgage servicers that could mislead consumers to believe their trial modifications were canceled. The Bureau also found a lack of quality control measures in place at consumer reporting agencies. The report shows that across all industries CFPB supervisory resolutions resulted in remediation of $11.6 million to more than 80,000 consumers.

"We are extremely concerned that one year after the CFPB's mortgage servicing rules went into effect we are still finding runarounds and illegal dual-tracking," said CFPB Director Richard Cordray. "Consumers deserve to be treated with honesty and integrity, and our rules require that servicers give borrowers a fair process when they try to save their homes. The CFPB will continue to stand beside consumers to make sure mortgage servicers are following the law."

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), the CFPB has authority to supervise banks and credit unions with more than $10 billion in assets and certain nonbanks. Those nonbanks include mortgage companies, private student lenders, and payday lenders, as well as nonbanks the Bureau defines through rulemaking as "larger participants." To date, the Bureau has issued rules to supervise the larger participants in the markets of debt collection, consumer reporting, international money transfers, student loan servicing, and auto finance.

Today's report, which is the eighth edition of Supervisory Highlights, generally covers supervisory activities completed between January 2015 and April 2015. Among the findings:

- **Illegal dual-tracking of foreclosures and loss mitigation applications:**The CFPB examiners found at least one servicer that sent notices of intent to foreclose to borrowers already approved for trial modifications. This dual-tracking could mislead consumers to believe the servicer had abandoned the trial modification. The CFPB examiners also found at least one servicer that, because of a system error, sent notices to borrowers who were current on their loans saying that foreclosure would be imminent.

- **Illegal runarounds with loss mitigation applications:** The new CFPB rules specify that mortgage servicers must follow certain procedures when handling a homeowner's loss mitigation application to protect consumers from runarounds. For example, five days after receiving an application, servicers must send the homeowner acknowledgment that it received the application, stating whether or not it was complete. If the application is incomplete, the servicer must identify what is missing. The CFPB examiners found at least one servicer requesting additional documents from consumers that were inapplicable to their circumstances or documents that had already been submitted. Other servicers simply failed to send the required notices five days after receiving the applications. These breakdowns caused delays in converting trial modifications to permanent modifications, resulting in harm to borrowers.

- **Debt collection complaints disregarded:** Bureau examiners found at least one debt collector did not record, categorize, or process complaints and inquires. At other collectors, these complaints and inquiries remained in an electronic queue that never got reviewed or resolved. Debt collectors also failed to conduct investigations of disputes. These practices can harm consumers because their problems simply go unanswered. And they can harm consumers because a lack of record-keeping deprives compliance

personnel of an important tool for detecting and fixing violations of federal consumer financial laws.

- **Accuracy problems at consumer reporting agencies:** Examiners continue to find accuracy problems at one or more of the credit reporting agencies, stemming from issues with information collection and quality control. Examiners found that at least one consumer reporting agency did not conduct regular monitoring of its furnishers to make sure they were following requirements. Examiners also found no quality controls in place to test existing consumer reports for accuracy. CFPB Supervision directed one or more credit reporting agencies to develop a plan to implement such quality controls.

- **Fair lending violations:** Bureau examiners found that one or more institutions denied or discouraged mortgage applications from consumers because they would have relied on public assistance income in order to repay the loan. Excluding or refusing to consider public assistance income violates the Equal Credit Opportunity Act. The CFPB examiners directed that institutions change their policies and identify and provide remediation to harmed applicants.

Where CFPB examiners find violations of law or other significant problems or weaknesses, they alert the institutions to their concerns and outline necessary remedial measures. When appropriate, the CFPB opens investigations for potential enforcement actions. The CFPB expects all entities under its supervision to respond to customer complaints and identify major issues and trends that may pose broader risks to their customers.

The CFPB often finds problems during supervisory examinations that are resolved without an enforcement action. Recent non-public supervisory actions and self-reported violations at banks and nonbanks resulted in $11.6 million in remediation to more than 80,000 consumers. These non-public actions have occurred in areas such as mortgage servicing, mortgage origination, deposits, payday lending, and debt collection.

Today's edition of Supervisory Highlights is available at:http://files.consumerfinance.gov/f/201506_cfpb_supervisory-highlights.pdf

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The Consumer Financial Protection Bureau is a 21st century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. For more information, visit consumerfinance.gov.