

April 2018

Semi-annual report of the Bureau of Consumer Financial Protection



Message from Mick Mulvaney



Acting Director

I am pleased to present the Bureau of Consumer Financial Protection's (Bureau's) Semi-Annual Report to Congress for the period beginning April 1, 2017 and ending September 30, 2017. Shortly after President Trump appointed me as Acting Director, I made it clear that the Bureau will continue to execute the law, but will no longer go beyond its statutory mandate. In enacting Section 1016(c) of the Dodd-Frank Act, Congress enumerated nine elements for inclusion in the Bureau's semi-annual reports to Congress. This semi-annual report precisely meets this mandate.

Moreover, Section 1012(c)(4) of the Dodd-Frank Act contemplates that the Director will submit independent legislative recommendations to Congress. It is appropriate to include legislative recommendations in this semi-annual report, since doing so will afford Members of Congress a timely opportunity to ask me questions about my recommendations in the hearings at which I will testify.

As has been evident since the enactment of the Dodd-Frank Act, the Bureau is far too powerful, and with precious little oversight of its activities. Per the statute, in the normal course the Bureau's Director simultaneously serves in three roles: as a one-man legislature empowered to write rules to bind parties in new ways; as an executive officer subject to limited control by the President; and as an appellate judge presiding over the Bureau's in-house court-like adjudications. In Federalist No. 47, James Madison famously wrote that "[t]he accumulation of all powers, legislative, executive, and judiciary, in the same hands ... may justly be pronounced the very definition of tyranny." Constitutional separation of powers and related checks and balances protect us from government overreach. And while Congress may not have transgressed any constraints established by the Supreme Court, the structure and powers of this agency are not something the Founders and Framers would recognize. By structuring the Bureau the way it

has, Congress established an agency primed to ignore due process and abandon the rule of law in favor of bureaucratic fiat and administrative absolutism.

The best that any Bureau Director can do on his own is to fulfill his responsibilities with humility and prudence, and to temper his decisions with the knowledge that the power he wields could all too easily be used to harm consumers, destroy businesses, or arbitrarily remake American financial markets. But all human beings are imperfect, and history shows that the temptation of power is strong. Our laws should be written to restrain that human weakness, not empower it.

I have no doubt that many Members of Congress disagree with my actions as the Acting Director of the Bureau, just as many Members disagreed with the actions of my predecessor. Such continued frustration with the Bureau's lack of accountability to any representative branch of government should be a warning sign that a lapse in democratic structure and republican principles has occurred. This cycle will repeat *ad infinitum* unless Congress acts to make it accountable to the American people.

Accordingly, I request that Congress make four changes to the law to establish meaningful accountability for the Bureau¹:

1. Fund the Bureau through Congressional appropriations;
2. Require legislative approval of major Bureau rules;
3. Ensure that the Director answers to the President in the exercise of executive authority; and
4. Create an independent Inspector General for the Bureau.

I look forward to discussing these recommendations with all interested Members, and to testifying regarding this semi-annual Report to Congress.

Sincerely,



Mick Mulvaney

¹ Other than the Bureau's Acting Director, no other officer or agency of the United States approved these legislative recommendations prior to submission. The views contained herein are those of the Acting Director and do not necessarily reflect the views of the Board of Governors of the Federal Reserve System or the President.

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1. Significant problems faced by consumers in shopping for or obtaining consumer financial products or services

1.1 Credit invisibles

“Credit invisibles” refers to consumers who lack a credit record at one of the nationwide credit reporting companies. As a result, these consumers can face substantially reduced access to credit. The Bureau released the [Data Point: Credit Invisibles](#) in 2015 that estimated the demographic characteristics and number of credit invisible consumers. In June 2017, the Bureau released the [Data Point: Becoming Credit Visible](#) that explored the means by which consumers transitioned out of credit invisibility. The Data Point found that most people who made this transition did so by age 25. However, consumers in low- and moderate-income neighborhoods made this transition at older ages than those in middle- or upper-income neighborhoods. Across all age groups and income levels, credit cards triggered the creation of consumer credit records more frequently than any other product. About 1-in-4 consumers first acquired their credit histories from an account for which others were also responsible (i.e., jointly held accounts or authorized user accounts), but the use of this method was notably less common in lower-income neighborhoods.

Of the consumers who transition out of credit invisibility, about 65 percent appear to have transitioned by opening an account by themselves despite their lack of a credit history. Understanding what characteristics lenders are using to make loans to some credit invisible

consumers but not others may have important implications for efforts to promote credit visibility. Additional research on the processes being used to underwrite loans for credit invisible consumers may help illuminate potential approaches to reducing credit invisibility. Following transition to credit visibility, a consumer’s access to credit may also depend on whether the consumer is categorized as a “good” or “bad” credit risk. There is room for future research to delve deeper into the characteristics of credit records as they make the transition out of credit invisibility and thereafter.

1.2 Financial education

The Consumer Financial Protection Act of 2010 directs the Bureau to ensure that “consumers are provided with timely and understandable information to make responsible decisions about financial transactions”² by “conducting financial education programs.”³ The Bureau works to educate consumers in order to prepare and empower them with the knowledge and skills to make choices about money to achieve their own life goals. The Consumer Financial Protection Act directs the Bureau to report annually on our financial education activities and strategy to improve financial literacy.⁴ The 2017 Financial Literacy Annual Report is available at www.consumerfinance.gov/data-research/research-reports/2017-financial-literacy-annual-report.

² 12 U.S.C. 5511(b)(1).

³ 12 U.S.C. 5511(c)(1).

⁴ 12 U.S.C. 5493(d)(4).

2. Justification of the budget request of the previous year

The FY 2017 Strategic Plan, Budget, and Performance Plan and Report includes estimates of the resources needed for the Bureau to carry out its mission and describes the Bureau's performance goals and accomplishments, which align with the larger long-term Strategic Plan for FY 2013 to FY 2017. The justification of the FY 2017 budget request is available online at <https://www.consumerfinance.gov/about-us/budget-strategy/budget-and-performance/>.

Fiscal year 2017 spending through the end of the fourth quarter of FY 2017

BUREAU FUND

As of September 30, 2017, the end of the fourth quarter of FY 2017, the Bureau incurred approximately \$593.5 million in obligations⁵ during the fiscal year to carry out the authorities of the Bureau under Federal financial consumer law. Approximately \$316.9 million was spent on employee compensation and benefits for the 1,645 Bureau employees who were on-board by the end of the fourth quarter.

TABLE 1: FY 2017 SPENDING BY EXPENSE CATEGORY

Expense category	FY 2017
Personnel compensation	228,442,000
Benefit compensation	88,425,000

⁵An obligation is a transaction or agreement that creates a legal liability and obligates the government to pay for goods and services ordered or received.

Expense category	FY 2017
Travel	17,260,000
Transportation of things	143,000
Rents, communications, utilities & misc.	19,090,000
Printing and reproduction	4,530,000
Other contractual services	177,510,000
Supplies & materials	5,726,000
Equipment	37,946,000
Land and structures	14,453,000
Interest & dividends	1,000
Total (as of September 30, 2017)	\$ 593,526,000

FY 2017 funds transfers received from the Federal Reserve

The Bureau is funded principally by transfers from the Federal Reserve System, up to the limits set forth in the Dodd-Frank Act. Funding from the Federal Reserve System for FY 2017 was capped at \$646.2 million. As of September 30, 2017, the Bureau had received the following transfers for FY 2017. The amounts and dates of the transfers are shown below.

TABLE 2: FUNDS TRANSFERRED FROM THE FEDERAL RESERVE

Amount	Date
\$246.1M	October 24, 2016
\$145.7M	January 23, 2017
\$125.6M	April 19, 2017
\$84.6M	August 1, 2017
\$602.0M	Total

Additional information about the Bureau's finances, including information about the Bureau's Civil Penalty Fund and Bureau-Administered Redress programs, is available in the annual financial reports and the CFO quarterly updates published online at

<https://www.consumerfinance.gov/about-us/budget-strategy/financial-reports/>. Copies of the Bureau's quarterly funds transfer requests are available online at <https://www.consumerfinance.gov/about-us/budget-strategy/funds-transfer-requests/>.

3. List of the significant rules and orders adopted by the Bureau, as well as other significant initiatives conducted by the Bureau, during the preceding year and the plan of the Bureau for rules, orders, or other initiatives to be undertaken during the upcoming period⁶

⁶ Separate from the Bureau's obligation to include in this report "a list of the significant rules and orders adopted by the Bureau . . . during the preceding year," 12 U.S.C. 5496(b)(3), the Bureau is required to "conduct an assessment of each significant rule or order adopted by the Bureau" under Federal consumer financial law "not later than 5 years after the effective date of the subject rule or order," 12 U.S.C. 5512(d). The Bureau will issue separate notices as appropriate identifying rules and orders that qualify as significant for assessment purposes.

3.1 Significant rules

- Final Rule: Arbitration Agreements (note, however, that this rule will not go into effect because Congress subsequently adopted a joint resolution of disapproval which the President signed pursuant to the Congressional Review Act)⁷
- Final Rule: Payday, Vehicle Title, and Certain High-Cost Installment Loans⁸

3.2 Less significant rules⁹

- Final Rule: Prepaid Accounts under the Electronic Fund Transfer Act (Regulation E) and the Truth in Lending Act (Regulation Z)¹⁰
- Final Rule: Equal Credit Opportunity Act (Regulation B) Ethnicity and Race Information Collection¹¹
- Final Rule: Home Mortgage Disclosure Act (Regulation C)¹²
- Final Rule: Amendments to Federal Mortgage Disclosure Requirements Under the Truth in Lending Act (Regulation Z)¹³

⁷ <https://www.federalregister.gov/documents/2017/07/19/2017-14225/arbitration-agreements>.

⁸ <https://www.federalregister.gov/documents/2017/11/17/2017-21808/payday-vehicle-title-and-certain-high-cost-installment-loans>.

⁹ This list excludes proposed rules, procedural rules, and other miscellaneous routine rules. More information about the Bureau's rulemaking activities is available in the Unified Agenda, at www.reginfo.gov, and on the Bureau's public website, at <https://www.consumerfinance.gov/policy-compliance/rulemaking>.

¹⁰ <https://www.federalregister.gov/documents/2016/11/22/2016-24503/prepaid-accounts-under-the-electronic-fund-transfer-act-regulation-e-and-the-truth-in-lending-act>.

¹¹ <https://www.federalregister.gov/documents/2017/10/02/2017-20417/equal-credit-opportunity-act-regulation-b-ethnicity-and-race-information-collection>.

¹² <https://www.federalregister.gov/documents/2017/09/13/2017-18284/home-mortgage-disclosure-regulation-c>.

- Final Rule: Amendments to the 2013 Mortgage Rules Under the Real Estate Settlement Procedures Act (Regulation X) and the Truth in Lending Act (Regulation Z)¹⁴
- Interim Final Rule: Mortgage Servicing Rules under the Real Estate Settlement Procedures Act (Regulation X)¹⁵
- Final Rule: Mortgage Servicing Rules under the Truth in Lending Act (Regulation Z)¹⁶

3.3 Significant initiatives

- Requests for Information on Assessment of Significant Rules under section 1022(d)
 - Request for Information Regarding 2013 Real Estate Settlement Procedures Act Servicing Rule Assessment¹⁷
 - Request for Information Regarding Remittance Rule Assessment¹⁸
 - Request for Information Regarding Ability-to-Repay/Qualified Mortgage Rule Assessment¹⁹

¹³ <https://www.federalregister.gov/documents/2017/08/11/2017-15764/amendments-to-federal-mortgage-disclosure-requirements-under-the-truth-in-lending-act-regulation-z>.

¹⁴ <https://www.federalregister.gov/documents/2016/10/19/2016-18901/amendments-to-the-2013-mortgage-rules-under-the-real-estate-settlement-procedures-act-regulation-x>.

¹⁵ <https://www.federalregister.gov/documents/2017/10/16/2017-21912/mortgage-servicing-rules-under-the-real-estate-settlement-procedures-act-regulation-x>.

¹⁶ <https://www.federalregister.gov/documents/2018/03/12/2018-04823/mortgage-servicing-rules-under-the-truth-in-lending-act-regulation-z>.

¹⁷ <https://www.federalregister.gov/documents/2017/05/11/2017-09361/request-for-information-regarding-2013-real-estate-settlement-procedures-act-servicing-rule>.

¹⁸ <https://www.federalregister.gov/documents/2017/03/24/2017-05681/request-for-information-regarding-remittance-rule-assessment>.

¹⁹ <https://www.federalregister.gov/documents/2017/06/01/2017-11218/request-for-information-regarding-ability-to-repayqualified-mortgage-rule-assessment>.

- Other Requests for Information:
 - Request for Information Regarding the Small Business Lending Market²⁰
 - Request for Information Regarding Consumer Access to Financial Records²¹
 - Request for Information Regarding Use of Alternative Data and Modeling Techniques in the Credit Process²²
 - Request for Information Regarding Consumer Credit Card Market²³

- **No Action Letter:** On September 14, 2017, Bureau staff issued its first no-action letter to Upstart Network, Inc., a company that uses alternative data in making credit and pricing decisions.²⁴ The Bureau’s no-action letter signified that Bureau staff had no present intention to recommend initiation of an enforcement or supervisory action against Upstart with regard to application of the ECOA and its implementing regulation, Regulation B. The letter applies to Upstart’s automated model for underwriting applicants for unsecured non revolving credit, as that model is described in the company’s application materials. The letter is specific to the facts and circumstances of Upstart and does not serve as an endorsement of the use of any particular variables or modeling techniques in credit underwriting.

- **Explored Regulatory Burden:** The Bureau established a Task Force to coordinate and deepen the agency’s focus on concerns about regulatory burdens and projects to

²⁰ <https://www.federalregister.gov/documents/2017/05/15/2017-09732/request-for-information-regarding-the-small-business-lending-market>.

²¹ <https://www.federalregister.gov/documents/2016/11/22/2016-24503/prepaid-accounts-under-the-electronic-fund-transfer-act-regulation-e-and-the-truth-in-lending-act>.

²² <https://www.federalregister.gov/documents/2017/02/21/2017-03361/request-for-information-regarding-use-of-alternative-data-and-modeling-techniques-in-the-credit>.

²³ <https://www.federalregister.gov/documents/2017/03/10/2017-04797/request-for-information-regarding-consumer-credit-card-market>.

²⁴ *CFPB Announces First No-Action Letter to Upstart Network*, Consumer Financial Protection Bureau (Sept. 14, 2017), <https://www.consumerfinance.gov/about-us/newsroom/cfpb-announces-first-no-action-letter-upstart-network>.

identify and reduce unwarranted regulatory burdens consistent with the Bureau purposes and objectives under section 1021 of the Dodd-Frank Act.

- **Issued Guidance Documents:** The Bureau issued the following bulletins and guidance documents over the past year:²⁵
 - Statement on Supervisory Practices regarding Financial Institutions and Consumers Affected by Hurricane Maria;²⁶
 - Summer 2017 Supervisory Highlights;²⁷
 - Statement on Supervisory Practices regarding Financial Institutions and Consumers Affected by Hurricanes Harvey and Irma;²⁸
 - Memorandum on Financial Institution and Law Enforcement Efforts to Combat Elder Financial Exploitation;²⁹
 - Fair Lending Report;³⁰
 - FFIEC HMDA Examiner Transaction Testing Guidelines;³¹
 - Compliance Management Systems Examination Procedures;³²

²⁵ The Bureau posts many documents relating to compliance and guidance on its website, at <http://www.consumerfinance.gov/guidance>.

²⁶ https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201709_cfpb_statement-on-supervisory-practice_hurricane-maria.pdf.

²⁷ https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201709_cfpb_Supervisory-Highlights_Issue-16.pdf.

²⁸ https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201709_cfpb_statement-on-supervisory-practice_hurricanes-harvey-and-irma.pdf.

²⁹ https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201708_cfpb-treasury-fincen_memo_elder-financial-exploitation.pdf.

³⁰ <https://www.federalregister.gov/documents/2017/06/01/2017-11318/fair-lending-report-of-the-consumer-financial-protection-bureau-april-2017>.

³¹ https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201708_cfpb_ffiec-hmda-examiner-transaction-testing-guidelines.pdf.

- Examination Report Template;³³
- Supervisory Letter Template;³⁴
- Semiannual Regulatory Agenda;³⁵
- Compliance Bulletin No. 2017-01: Phone Pay Fee;³⁶
- Policy Guidance on Supervisory and Enforcement Priorities Regarding Early Compliance With the 2016 Amendments to the 2013 Mortgage Rules Under the Real Estate Settlement Procedures Act (Regulation X) and the Truth in Lending Act (Regulation Z);³⁷
- Policy on Ex Parte Presentations in Rulemaking Proceedings;³⁸
- Education Loan Examination Procedures;³⁹
- Spring 2017 Supervisory Highlights;⁴⁰

³² https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201708_cfpb_compliance-management-review_supervision-and-examination-manual.pdf.

³³ https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201708_cfpb_Examination-Report-Template.pdf.

³⁴ https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201708_cfpb_Supervisory-Letter-Template.pdf.

³⁵ <https://www.federalregister.gov/documents/2017/08/24/2017-16984/semiannual-regulatory-agenda>.

³⁶ <https://www.federalregister.gov/documents/2017/08/02/2017-16188/compliance-bulletin-2017-01-phone-pay-fees>.

³⁷ <https://www.federalregister.gov/documents/2017/06/30/2017-13799/policy-guidance-on-supervisory-and-enforcement-priorities-regarding-early-compliance-with-the-2016>.

³⁸ <https://www.federalregister.gov/documents/2017/04/21/2017-08096/policy-on-ex-parte-presentations-in-rulemaking-proceedings>.

³⁹ https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201706_cfpb_Education-Loan-Servicing-Exam-Manual.pdf.

⁴⁰ <https://www.federalregister.gov/documents/2017/05/12/2017-09658/supervisory-highlights-spring-2017>.

- Supervisory Highlights Consumer Reporting Special Edition;⁴¹
- Supervision and Examination Process Overview;⁴²
- Supervision and Examination Process;⁴³
- Semi-annual Regulatory Agenda;⁴⁴
- Fair Credit Reporting Act Disclosures;⁴⁵
- Safe Harbors From Liability Under the Fair Debt Collection Practices Act for Certain Actions Taken in Compliance With Mortgage Servicing Rules Under the Real Estate Settlement Procedures Act (Regulation X) and the Truth in Lending Act (Regulation Z);⁴⁶
- Compliance Bulletin 2016-03: Detecting and Preventing Consumer Harm from Production Incentives;⁴⁷
- Fall 2016 Supervisory Highlights;⁴⁸
- Education Loan Examination Procedures;⁴⁹

⁴¹ <https://www.federalregister.gov/documents/2017/04/06/2017-06904/supervisory-highlights-consumer-reporting-special-edition>.

⁴² https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/032017_cfpb_examination-process-overview_supervision-and-examination-manual.pdf.

⁴³ https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/032017_cfpb_examination-process_supervision-and-examination-manual.pdf.

⁴⁴ <https://www.federalregister.gov/documents/2016/12/23/2016-29921/semiannual-regulatory-agenda>.

⁴⁵ <https://www.federalregister.gov/documents/2016/11/18/2016-27735/fair-credit-reporting-act-disclosures>.

⁴⁶ <https://www.federalregister.gov/documents/2016/10/19/2016-18902/safe-harbors-from-liability-under-the-fair-debt-collection-practices-act-for-certain-actions-taken>.

⁴⁷ http://www.consumerfinance.gov/documents/1537/201611_cfpb_Production_Incentives_Bulletin.pdf.

⁴⁸ <https://www.federalregister.gov/documents/2016/11/22/2016-28094/supervisory-highlights-fall-2016>.

- Compliance Bulletin and Policy Guidance No. 2016-02, Service Providers;⁵⁰
- Reverse Mortgage Servicing Examination Procedures;⁵¹ and
- Gramm-Leach-Bliley Act (GLBA) Examination Procedures.⁵²

3.4 Plan for upcoming initiatives

- Call for Evidence⁵³
 - Request for Information Regarding Bureau Civil Investigative Demands and Associated Processes⁵⁴
 - Request for Information Regarding Bureau Rules of Practice for Adjudication Proceedings⁵⁵
 - Request for Information Regarding Bureau Enforcement Processes⁵⁶
 - Request for Information Regarding the Bureau's Supervision Program⁵⁷

⁴⁹http://www.consumerfinance.gov/documents/1383/102016_cfpb_EducationLoanServicingExamManualUpdate.pdf.

⁵⁰ <https://www.federalregister.gov/documents/2016/10/26/2016-25856/compliance-bulletin-and-policy-guidance-2016-02-service-providers>.

⁵¹http://www.consumerfinance.gov/documents/1387/102016_cfpb_ReverseMortgageServicingExaminationProcedures.pdf.

⁵² http://www.consumerfinance.gov/documents/1381/102016_cfpb_GLBAExamManualUpdate.pdf.

⁵³ <https://www.consumerfinance.gov/policy-compliance/notice-opportunities-comment/open-notices/call-for-evidence>.

⁵⁴ <https://www.federalregister.gov/documents/2018/01/26/2018-01435/request-for-information-regarding-bureau-civil-investigative-demands-and-associated-processes>.

⁵⁵ <https://www.federalregister.gov/documents/2018/02/05/2018-02208/request-for-information-regarding-bureau-rules-of-practice-for-adjudication-proceedings>.

⁵⁶ <https://www.federalregister.gov/documents/2018/02/12/2018-02710/request-for-information-regarding-bureau-enforcement-processes>.

- Request for Information Regarding Bureau External Engagements⁵⁸
- Request for Information Regarding Bureau Public Reporting Practices of Consumer Complaint Information⁵⁹
- Request for Information Regarding Bureau Rulemaking Processes⁶⁰
- Request for Information Regarding the Bureau’s Adopted Regulations and New Rulemaking Authorities⁶¹
- Request for Information Regarding the Bureau’s Inherited Regulations and Inherited Rulemaking Authorities⁶²
- Request for Information Regarding Bureau Guidance and Implementation Support⁶³
- Request for Information Regarding Bureau Financial Education Programs⁶⁴
- Request for Information Regarding Bureau Responses to Consumer Inquiries⁶⁵

⁵⁷ <https://www.federalregister.gov/documents/2018/02/20/2018-03358/request-for-information-regarding-the-bureaus-supervision-program>.

⁵⁸ <https://www.federalregister.gov/documents/2018/02/26/2018-03788/request-for-information-regarding-bureau-external-engagements>.

⁵⁹ https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/cfpb_rfi_complaint-reporting_032018.pdf.

⁶⁰ <https://www.regulations.gov/document?D=CFPB-2018-0009-0001>

⁶¹ <https://www.regulations.gov/document?D=CFPB-2018-0011-0001>

⁶² <https://www.regulations.gov/document?D=CFPB-2018-0012-0001>

⁶³ <https://www.consumerfinance.gov/about-us/newsroom/cfpb-issues-request-information-guidance-implementation-support/>

⁶⁴ Forthcoming

⁶⁵ Forthcoming

3.5 Plan for upcoming rules

- Upcoming proposed rules:
 - Payday, Vehicle title, and Certain High-Cost Installment Loans: the Bureau announced in January 2018 that it intends to open a rulemaking to reconsider its 2017 rule titled Payday, Vehicle Title, and Certain High-Cost Installment Loans. Lenders would not need to comply with most provisions of the 2017 rule until August 2019.
 - The Expedited Funds Availability Act (Regulation CC): the Bureau will work with the Board of Governors of the Federal Reserve System to issue jointly a rule that includes provisions within the Bureau's authority.
 - Debt Collection Rule: the Bureau will work towards releasing a proposed rule concerning FDCPA collectors' communications practices and consumer disclosures.
 - Home Mortgage Disclosure (Regulation C): the Bureau announced in December 2017 that it intends to open a rulemaking to reconsider various aspects of the Bureau's 2015 rule titled Home Mortgage Disclosure Act (Regulation C), which could involve issues such as the institutional and transactional coverage tests and the rule's discretionary data points.
- Upcoming final rules
 - Gramm-Leach-Bliley Act (GLBA) (Regulation P): the Bureau is working towards finalizing an amendment to Regulation P concerning annual notice requirements.
 - Amendments Relating to Disclosure of Records and Information: This rule will include procedures used by the public to obtain information from the Bureau under the Freedom of Information Act, the Privacy Act of 1974, and in legal proceedings. It will also address the protection and disclosure of confidential information that the Bureau obtains in connection with the exercise of its authorities under Federal consumer financial law.
 - Amendment to the Federal Mortgage Disclosure Requirements under the Truth in Lending Act (Regulation Z): the Bureau intends to finalize a proposed amendment related to the use of Closing Disclosures to determine good faith disclosure of estimated closing cost.

4. Analysis of complaints about consumer financial products or services that the Bureau has received and collected in its central database on complaints during the preceding year

During the period October 1, 2016, through September 30, 2017, the Bureau handled approximately 317,200 consumer complaints.⁶⁶ Approximately 80% of all consumer complaints were submitted through the Bureau's website, 8% via referrals, and 5% via telephone calls with the remainder submitted by mail, email, and fax. The Bureau does not verify all the facts alleged in complaints, but takes steps to confirm a commercial relationship between the consumer and the company. Approximately 235,400 (or 74%) of all complaints handled were sent by the Bureau to companies for review and response.⁶⁷ Companies have responded to approximately

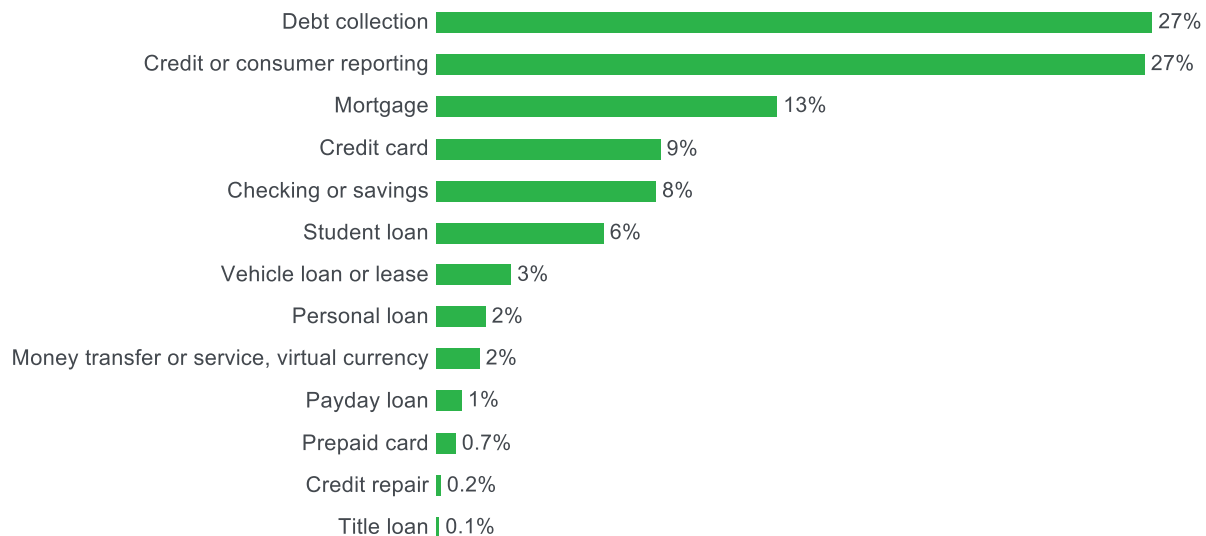
⁶⁶ All data are current through September 30, 2017. This analysis excludes multiple complaints submitted by a given consumer on the same issue and whistleblower tips. The Bureau does not verify all the facts alleged in complaints, but takes steps to confirm a commercial relationship between the consumer and the company. For more information on our complaint process [refer to our website, https://www.consumerfinance.gov/complaint/process](https://www.consumerfinance.gov/complaint/process).

⁶⁷ The remaining complaints were referred to other regulatory agencies (15%), found to be incomplete (4%), or are pending with the consumer or the Bureau (3% and 4%, respectively). After the Bureau forwards complaints to

93% of complaints sent to them for response during the period. Company responses must include descriptions of steps taken or that will be taken, communications received from the consumer, any follow-up actions or planned follow-up actions, and a categorization of the response. Companies’ responses describe a range of relief such as refunding a fee, providing mortgage foreclosure alternatives that help consumers keep their home, stopping unwanted calls from debt collectors, cleaning up consumers’ credit reports by correcting submissions sent to or reported by consumer reporting agencies, restoring or removing a credit line, correcting account information, and addressing formerly unmet customer service issues. Consumers did not receive a timely response from the company in 3% of complaints.

The chart below shows the distribution complaints by the product category designated by the consumer when submitting the complaint. There is a certain degree of unavoidable overlap between these categories. For example, a consumer whose grievance arises from the collection of a credit card debt may designate the complaint as a “debt collection” complaint or a “credit card” complaint.

FIGURE 1: CONSUMER COMPLAINTS BY PRODUCT⁶⁸



companies, the company has 15 days to respond to the consumer and the Bureau. In some cases, the company provides a partial response within 15 days and a final response in 60 days. Company responses provided outside of the 15-day or 60-day response windows are deemed untimely.

⁶⁸ Percentages may not sum to 100% due to rounding.

Consumer Response analyzes consumer complaints, including completeness, and timeliness of a company's responses as well as consumers' feedback about that company's responses. Consumer feedback about company responses – both positive and negative – provides helpful insight into which issues are being addressed and how companies are addressing the concerns consumers raise in their complaints.

Consumer Response shares complaint data and analyses, and offers insights to other offices to help the Bureau understand problems consumers are experiencing in the marketplace and the impact of those experiences on their lives, develop tools to educate and empower people to know their rights and protect themselves, scope and prioritize examinations and ask targeted questions when examining companies' records and practices, and inform enforcement investigations to help stop unfair practices as the Bureau identifies them. Consumer Response also publishes complaint data and reports to ensure other regulators, consumers, and the marketplace have the complaint information needed to improve the functioning of the consumer financial markets for such products and services.⁶⁹

⁶⁹ During the reporting period, the Bureau published seven complaint reports on the following financial products (each covering a different geographic location): about prepaid card, other financial service, debt collection, mortgage, credit reporting, credit cards, and student loans complaints, and four special topic complaint reports on these special topics: about older consumers, consumer feedback, servicemembers, and the 50-state report. The Bureau also publishes the Consumer Response Annual Report, which provides a more detailed analysis of complaints. These reports can be viewed at <https://www.consumerfinance.gov/data-research/research-reports>.

5. List, with a brief statement of the issues, of the public supervisory and enforcement actions to which the Bureau was a party during the preceding year

5.1 Supervisory activities

The Bureau's supervisory activities with respect to individual institutions are non-public. The Bureau has, however, issued numerous supervisory guidance documents and bulletins during the preceding year. These documents are listed under Section 3.3 as issued guidance documents undertaken within the preceding year.

5.2 Enforcement activities

The Bureau was a party in the following public enforcement actions from October 1, 2016, through September 30, 2017, detailed as follows. This section also identifies those actions involving Office of Administrative Adjudication Orders with respect to covered persons which are not credit unions or depository institutions.

In the Matter of PHH Corp. et al. (File No. 2014-CFPB-0002). On January 29, 2014, the Bureau filed a notice of charges alleging PHH and its affiliates violated the Real Estate

Settlement Procedures Act's ("RESPA") prohibition on giving or receiving anything of value pursuant to an agreement to refer real estate settlement services. The Bureau alleges that when PHH originated mortgages, it referred real estate transactions for which mortgage insurance was required to certain mortgage insurance companies. In exchange for these referrals, the Bureau alleges these insurers purchased "reinsurance" from PHH's subsidiary, Atrium. The Bureau alleges that the reinsurance premiums were kickbacks paid for referrals in violation of RESPA. PHH denied the charges. A hearing before an administrative law judge was conducted starting on March 24, 2014. The administrative law judge issued a recommended decision on November 25, 2014. Both parties cross-appealed to the Director. The Director issued a final order on June 4, 2015, and PHH petitioned for review before the D.C. Circuit. On October 11, 2016, a three-judge panel of the D.C. Circuit vacated the Director's order on constitutional and statutory grounds. On January 31, 2018, having in the interim vacated the panel decision, the en banc D.C. Circuit reversed the panel's constitutional holding against the Bureau, reinstated the panel's statutory holdings against the Bureau, and remanded the matter to the Bureau for further proceedings.

Consumer Financial Protection Bureau v. Golden Valley Lending, Inc., Silver Cloud Financial, Inc., Mountain Summit Financial, Inc., and Majestic Lake Financial, Inc. (D. Kan. No. 17-cv-2521). On April 27, 2017, the Bureau filed a complaint against four online lenders—Golden Valley Lending, Inc., Silver Cloud Financial, Inc., Mountain Summit Financial, Inc., and Majestic Lake Financial, Inc.—alleging they deceived consumers by collecting debt the consumers did not legally owe. Specifically, the Bureau alleged that the four lenders could not legally collect on these debts because the loans were void under state laws governing interest rate caps or the licensing of lenders. The Bureau further alleged that the lenders made deceptive demands and illegally took money from consumer bank accounts for debts that consumers did not legally owe. On October 10, 2017, the defendants filed a motion to dismiss. On January 18, 2018, the Bureau voluntarily dismissed the action without prejudice.

Consumer Financial Protection Bureau v. Nationwide Biweekly Administration, Inc., et al. (N.D. Cal. No. 3:15-cv-2106). On May 11, 2015, the Bureau filed a complaint against Nationwide Biweekly Administration, Inc., Loan Payment Administration LLC, and Daniel S. Lipsky alleging that they engaged in abusive and deceptive acts and practices in violation of the CFPA and the Telemarketing Sales Rules (TSR) regarding a mortgage payment product known as the "Interest Minimizer Program," or IM Program. The Bureau alleged that the defendants misrepresented their affiliation with consumers' mortgage lenders, the amount of interest savings consumers would realize and when consumers would achieve savings on the IM Program, consumers' ability to attain the touted savings on their own or through a low- or no-

cost option offered by the consumers' servicer, and fees for the program. The Bureau sought a permanent injunction, consumer redress, and civil penalties. A trial was held beginning on April 24, 2017, and on September 8, 2017, the Court issued an opinion and order finding that the defendants had engaged in deceptive and abusive conduct in violation of the CFPA and TSR. The Court imposed a \$7.93 million civil money penalty, but denied the Bureau's request for restitution and disgorgement. On November 9, 2017, the court reduced the previous order to a judgment that included a permanent injunction prohibiting defendants from engaging in specified acts or practices, and on March 12, 2018, the court denied defendants' motions to alter or amend that judgment. Defendants have appealed to the Ninth Circuit and the case remains pending.

Consumer Financial Protection Bureau v. Navient Corporation, Navient Solutions, Inc. and Pioneer Credit Recovery, Inc. (M.D. Pa. No. 3:17-cv-101). On January 18, 2017, the Bureau filed a complaint against Navient Corporation and its subsidiaries, Navient Solutions, Inc. and Pioneer Credit Recovery, Inc. The Bureau alleges that Navient Solutions and Navient Corporation steered borrowers toward repayment plans that resulted in borrowers paying more than other options; improperly reported to credit reporting agencies the payment status of disabled borrowers; deceived private student loan borrowers about requirements to release their co-signer from the loan; and repeatedly incorrectly applied or misallocated borrower payments to their accounts. The Bureau also alleges that Pioneer and Navient Corporation misled borrowers about the effect of rehabilitation on their credit reports and the amount of collection fees that would be forgiven in the federal loan rehabilitation program. Through its action, the Bureau seeks consumer redress and injunctive relief. On March 24, 2017, Navient moved to dismiss the complaint. On August 4, 2017, the court denied Navient's motion. The case remains pending.

Consumer Financial Protection Bureau v. Ocwen Financial Corporation, Ocwen Mortgage Servicing, Inc., and Ocwen Loan Servicing, LLC (S.D. Fla. No. 17-cv-90495). On April 20, 2017, the Bureau filed a complaint against mortgage loan servicer Ocwen Financial Corporation and its subsidiaries alleging they used inaccurate and incomplete information to service loans, misrepresented to borrowers that their loans had certain amounts due, illegally foreclosed on homeowners that were performing on agreements on loss mitigation options, enrolled and charged consumers for add-on products without their consent, failed to adequately investigate and respond to borrower complaints, and engaged in other conduct in violation of the CFPA, TILA, FDCPA, RESPA, and HPA. On June 23, 2017, Ocwen moved to dismiss. That motion remains pending.

Consumer Financial Protection Bureau v. TCF National Bank (D. Minn. No. 0:17-cv-166). On January 19, 2017, the Bureau filed a complaint against TCF National Bank alleging TCF misled consumers into costly overdraft services in violation of Regulation E and the CFPA. Specifically, the Bureau alleges that TCF designed its application process to obscure the overdraft fees on one-time debt purchases and ATM withdrawals and make overdraft services seem mandatory for new customers to open an account. The Bureau’s lawsuit seeks redress for consumers, an injunction to prevent future violations, and a civil money penalty. On September 8, 2017, the court granted TCF’s motion to dismiss the Bureau’s EFTA claims but denied the motion to dismiss the Bureau’s UDAAP claims. The case remains pending.

In the Matter of Meridian Title Corporation (File No. 2017-CFPB-0019) (not a credit union or depository institution). On September 27, 2017, the Bureau issued a consent order against real estate settlement services provider Meridian Title Corporation finding that it steered consumers to a title insurer owned in part by several of its executives without making disclosures about the businesses’ affiliation. The Bureau found that Meridian failed to disclose its relationship with the title insurer and that Meridian illegally benefitted from the referrals for title insurance. The Bureau’s consent order requires Meridian to ensure that it ceases the illegal practice, provides disclosures whenever it makes a covered referral, and pay up to \$1.25 million in redress.

Consumer Financial Protection Bureau v. Top Notch Funding II, LLC, Rory Donadio, and John “Gene” Cavalli (S.D.N.Y. No. 1:17-cv-7114). On September 19, 2017, the Bureau filed a complaint alleging that Top Notch Funding and two individuals associated with the company made misrepresentations in loan offerings to consumers who were awaiting payment from settlements in legal cases or from victim-compensation funds. On January 30, 2018, the court entered a stipulated final judgment and order. The order prohibits the defendants from offering or providing such products in the future and requires them to pay \$75,000 in civil money penalties.

Consumer Financial Protection Bureau v. The National Collegiate Master Student Loan Trust, et al. (D. Del. No. 1:17-cv-01323); ***In the Matter of Transworld Systems, Inc.*** (File No. 2017-CFPB-0018) (not a credit union or depository institution). On September 18, 2017, the Bureau filed a complaint and proposed consent judgment against several National Collegiate Student Loan Trusts (collectively, “NCSLT”) alleging they brought debt collection lawsuits for private student loan debt that the companies couldn’t prove was owed or was too old to sue over; that they filed false and misleading affidavits or provided false and misleading testimony; and that they falsely claimed that affidavits were sworn before a notary. The

proposed consent judgment against the NCSLT would require an independent audit of all 800,000 student loans in the NCSLT portfolio. It would also prohibit the NCSLT, and any company it hires, from attempting to collect, reporting negative credit information, or filing lawsuits on any loan the audit shows is unverified or invalid. In addition, it would require the NCSLT to pay at least \$19.1 million, which would include initial redress to harmed consumers, disgorgement, and a civil money penalty. Several entities have moved to intervene to object to the proposed consent judgment. The court has not yet ruled on these motions, and the case remains pending. On September 18, 2017, the Bureau issued a separate consent order against the NCSLT's debt collector, Transworld Systems (TSI), for filing false or misleading affidavits, providing false or misleading testimony, and filing debt collection lawsuits when the companies could not prove the debt was owed. The Bureau's order requires injunctive relief and for TSI to pay a \$2.5 million civil penalty.

In the Matter of Zero Parallel, LLC (File No. 2017-CFPB-0017) (not a credit union or depository institution). On September 6, 2017, the Bureau issued a consent order against online lead aggregator Zero Parallel, LLC. The Bureau found that Zero Parallel steered consumers toward lenders who offered illegal or unlicensed loans that were void in the consumers' states. The Bureau also found Zero Parallel sold consumers' payday and installment loan applications to lenders it knew were likely to make void loans that the lenders had no legal right to collect. The Bureau's order requires that Zero Parallel end its illegal conduct and pay a \$100,000 civil penalty.

In the Matter of American Express Centurion Bank and American Express Bank, FSB (File No. 2017-CFPB-0016). The Bureau issued a consent order against American Express Centurion Bank and American Express Bank, FSB (collectively, American Express) finding they violated the Equal Credit Opportunity Act (ECOA) by discriminating against consumers in Puerto Rico, the U.S. Virgin Islands, and other U.S. territories. The Bureau found that over the course of at least ten years, American Express provided these consumers credit and charge card terms that were inferior in many respects to those available in the 50 U.S. states. The Bureau also found that American Express discriminated against certain consumers with Spanish-language preferences. American Express paid approximately \$95 million in redress before the order was issued. The Bureau's order requires American Express to pay at least another \$1 million in compensation, and to develop and implement a comprehensive compliance plan to ensure that it provides credit and charge cards to affected consumers in a non-discriminatory manner. The violations of ECOA are further discussed in the Section 8.2 of this report.

Consumer Financial Protection Bureau v. Aequitas Capital Management, Inc., Aequitas Management LLC, Aequitas Holdings, LLC, Aequitas Commercial Finance LLC, Campus Student Funding, LLC, CSF Leverage I LLC, Aequitas Income Opportunity Fund, and Aequitas Income Protection Fund (D. Or. No. 3:17-cv-01278). On August 17, 2017, the Bureau filed a complaint against Aequitas Capital Management, Inc. and related entities alleging they aided the Corinthian Colleges in misrepresenting compliance with federal student lending laws. The Bureau alleged that Aequitas enabled Corinthian to make high-cost private loans to Corinthian students so that it would seem as if the school was making enough outside revenue to meet the requirements for receiving federal student aid dollars. The Bureau also alleged that both Aequitas and Corinthian knew students could not afford these high-interest loans. On September 1, 2017, the court entered a final judgment and order that included approximately \$183.3 million in loan forgiveness and reduction.

In the Matter of JPMorgan Chase Bank, N.A. (File No. 2017-CFPB-0015). On August 2, 2017, the Bureau issued a consent order against JPMorgan Chase Bank, N.A., for failures related to information it provided for checking account screening reports. Banks screen potential customers based on reports about prior checking account behavior created by consumer reporting companies. The Bureau found that JPMorgan Chase did not have proper processes in place for reporting accurate information for these reports and did not inform consumers about the results of their reporting disputes and key aspects of their checking account application denials. The Bureau's order requires the bank to pay a \$4.6 million penalty and implement necessary changes to its policies to ensure accurate information is reported, inform consumers of investigation outcomes, and provide consumers with the contact information of the consumer reporting company that supplied information that JPMorgan Chase used to deny an application for a deposit account.

Consumer Financial Protection Bureau v. Park View Law (f.k.a. Prime Law Experts, Inc.) and Arthur Barens (C.D. Cal. 2:17-cv-04721); ***Consumer Financial Protection Bureau v. Commercial Credit Consultants (d.b.a. Accurise); IMC Capital L.L.C. (a.k.a. Imperial Meridian Capital L.L.C., Imperial Capital, and IMCA Capital L.L.C); Prime Credit, L.L.C. (a.k.a. Prime Marketing, L.L.C.; d.b.a. Prime Credit Consultants); Blake Johnson; and Eric Schlegel***, (C.D. Cal. No. 2:17-cv-04720). On June 27, 2017, the Bureau filed complaints against four California-based credit repair companies and three individuals alleging they misled consumers and charged illegal fees. The Bureau alleged that the companies charged illegal advance fees for credit repair services and misrepresented their ability to repair consumers' credit scores. On June 30, 2017, the court

entered a stipulated final judgment and order against Prime Credit, L.L.C., IMC Capital, L.L.C., Commercial Credit Consultants, Blake Johnson, and Eric Schlegel, ordering them to pay a civil money penalty of more than \$1.5 million. On July 10, 2017, the court entered a second stipulated final judgment against Park View Law and its owner Arthur Barens ordering them to pay \$500,000 in disgorgement. The orders also prohibit all defendants from doing business within the credit repair industry for five years.

In the Matter of Fay Servicing, LLC (File No. 2017-CFPB-0014) (not a credit union or depository institution). On June 7, 2017, the Bureau issued a consent order against mortgage servicer Fay Servicing finding that it failed to provide mortgage borrowers with the protections against foreclosure that are required by law. The Bureau found that Fay violated the Bureau's servicing rules by failing to send or timely send consumers critical information regarding the process to apply for foreclosure relief. The Bureau also found that in some instances Fay launched or moved forward with the foreclosure process while borrowers were actively seeking help to save their homes. The Bureau's order requires Fay to comply with mortgage servicing rules and pay up to \$1.15 million to harmed borrowers.

In the Matter of Security National Automotive Acceptance Company, LLC (File No. 2017-CFPB-0013) (not a credit union or depository institution). On April 26, 2017, the Bureau issued a consent order against Security National Automotive Acceptance Company (SNAAC), an auto lender specializing in loans to servicemembers, finding that it violated a Bureau consent order. In 2015, the Bureau issued a consent order requiring SNAAC to pay both redress and a civil penalty for illegal debt collection tactics, including making threats to contact servicemembers' commanding officers about debts and misrepresenting the consequences of not paying. In the 2017 order, the Bureau found that SNAAC violated the 2015 order by failing to provide more than \$1 million in refunds and credits. The Bureau's 2017 consent order requires SNAAC to pay the redress it owes to affected consumers under the 2015 order and pay an additional \$1.25 million civil penalty.

Consumer Financial Protection Bureau v. Weltman, Weinberg & Reis Co., L.P.A. (N.D. Ohio No. 1:17-cv-00817). On April 17, 2017, the Bureau filed a complaint against the debt collection law firm Weltman, Weinberg & Reis Co., L.P.A., alleging it misrepresented in collection letters to consumers that attorneys were involved in collecting the debt. Specifically, the Bureau alleges the law firm made statements on collection calls and sent collection letters that created the false impression that attorneys had meaningfully reviewed the consumers' files, when no such review had occurred. The complaint seeks injunctive relief, restitution, and the

imposition of a civil money penalty. On September 29, 2017, the court denied the law firm's motion for judgment on the pleadings. The case remains pending.

In the Matter of Experian Holdings, Inc., Experian Information Solutions, Inc., and ConsumerInfo.com, Inc., d/b/a Experian Consumer Services (File No. 2017-CFPB-0012) (not a credit union or depository institution). On March 23, 2017, the Bureau issued a consent order action against Experian and its subsidiaries, finding they misrepresented the usefulness of credit scores they provided to consumers. The Bureau also found that Experian violated Regulation V, the implementing regulation of the Fair Credit Reporting Act (FCRA), through improper advertising practices. The Bureau's order requires Experian to accurately represent the value of the credit scores it provides and pay a \$3 million civil money penalty.

In the Matter of Nationstar Mortgage LLC (File No. 2017-CFPB-0011) (not a credit union or depository institution). On March 15 2017, the Bureau issued a consent order against Nationstar Mortgage LLC finding it violated the Home Mortgage Disclosure Act (HMDA) by submitting mortgage loan data for 2012 through 2014 containing substantial errors. The Bureau found that Nationstar's HMDA compliance systems were deficient and not reasonably adapted to avoid such errors. The consent order requires Nationstar to pay a \$1.75 million civil penalty, develop and implement an effective compliance management system, and correct its HMDA reporting inaccuracies from 2012 to 2014. The violations of HMDA are further discussed in Section 8.2 of this report.

Consumer Financial Protection Bureau v. RD Legal Funding, LLC, RD Legal Finance, LLC, and RD Legal Funding Partners, LP, and Roni Dersovitz (S.D.N.Y. No. 1:17-cv-890). On February 7, 2017, the Bureau and the New York Attorney General filed a complaint against RD Legal Funding, LLC, two related entities, and the companies' founder and owner, Roni Dersovitz, alleging that they made misrepresentations to 9/11 first responders and NFL concussion victims and engaged in abusive practices in connection with cash advances on settlement payouts from victim-compensation funds and lawsuit settlements. The lawsuit seeks monetary relief, disgorgement, and civil money penalties. On May 15, 2017, the defendants moved to dismiss the Bureau's complaint. The court has not yet ruled, and the case remains pending.

Consumer Financial Protection Bureau v. Woodbridge Coins and Jewelry Exchange, Inc. d/b/a Woodbridge Gold & Pawn (E.D. Va. No. 1:17-cv-141). On February 2, 2017, the Bureau and the Attorney General of Virginia filed a complaint against Woodbridge Coins and Jewelry Exchange, Inc., alleging that it misstated the charges associated with pawn loans. Specifically, the complaint alleged that since at least May 2014, Woodbridge disclosed

deceptively low annual percentage rates (APR) that did not reflect the fees and charges associated with the loans. The Bureau further alleged that these inaccurate disclosures in many cases understated the true APR by as much as half the actual cost. On February 7, 2017, the court entered a stipulated final judgment and order against Woodbridge, which required it to pay over \$56,000 in restitution, \$17,000 in disgorgement, and a \$5,000 civil penalty, and to make accurate disclosures.

In the Matter of UniRush LLC and Mastercard International Incorporated (File No. 2017-CFPB-0010) (not a credit union or depository institution). On February 1, 2017, the Bureau entered a consent order against Mastercard and UniRush finding that disruptions of UniRush's prepaid debit card system left tens of thousands of consumers unable to access their money. The Bureau found that preventable failures by Mastercard and UniRush before, during, and after UniRush's changeover to Mastercard as a new payment processor in 2015 meant that many customers could not use their RushCard to get their paycheck funds and other direct deposits, take out cash, make purchases, pay bills, or get accurate balance information. The Bureau further found that UniRush then failed to provide customer service to many consumers who reached out for help during the service disruption. The Bureau's order requires Mastercard and UniRush to pay an estimated \$10 million in restitution and a civil money penalty of \$3 million.

In the Matter of Prospect Mortgage, LLC (File No. 2017-CFPB-0006); ***Planet Home Lending, LLC*** (File No. 2017-CFPB-0007); ***Willamette Legacy, LLC dba Keller Williams Mid-Willamette***, (File No. 2017-CFPB-0008); and ***RGC Services, Inc. dba Re/Max Gold Coast Realtors*** (File No. 2017-CFPB-0009) (not a credit union or depository institution). On January 31, 2017, the Bureau issued a consent order against Prospect Mortgage, LLC, a major mortgage lender, finding that it paid illegal kickbacks for mortgage business referrals. On the same day, the Bureau also issued consent orders against two real estate brokers – RGC Services, Inc., and Willamette Legacy, LLC – and a mortgage servicer, Planet Home Lending, LLC, finding they took illegal kickbacks from Prospect. The Bureau also found Planet violated the FCRA by improperly using credit reports to market Prospect to its customers. The Bureau's orders imposed injunctive relief, and required Prospect to pay a \$3.5 million civil penalty; ReMax Gold Coast to pay a \$50,000 civil penalty; Keller Williams Mid-Willamette to pay \$145,000 in disgorgement and a \$35,000 civil penalty; and Planet to pay \$265,000 in consumer redress.

Consumer Financial Protection Bureau v. Vincent Howard, Lawrence W. Williamson, Howard Law, P.C., The Williamson Law Firm, LLC, and Williamson

& Howard, LLP (C.D. Cal. No. 8:17-cv-161). On January 30, 2017, the Bureau filed a complaint against a number of law firms and attorneys alleging that they violated the Telemarketing Sales Rule by: (1) charging illegal fees to consumers seeking debt relief and providing substantial assistance to Morgan Drexen and Walter Ledda with knowledge that Morgan Drexen and Ledda were charging illegal debt relief fees; and (2) misrepresenting that consumers would not be charged advance fees for debt relief services when, in fact, they were. The Bureau alleges that Howard Law, P.C., the Williamson Law Firm, LLC, and Williamson & Howard, LLP, as well as attorneys Vincent Howard and Lawrence Williamson, ran this debt relief operation along with Morgan Drexen, Inc., which shut down in 2015 following the Bureau's lawsuit against that company. The complaint seeks injunctive relief, restitution, and the imposition of civil money penalties. The Bureau sought but was denied an ex parte application for asset freeze on February 13, 2017. The defendants filed a motion to dismiss, which the court denied on March 30, 2017. The defendants then asserted two counterclaims. The court dismissed those claims with prejudice on December 19, 2017. The case remains pending.

In the Matter of CitiFinancial Servicing, LLC, CitiFinancial Company, CitiFinancial Services, Inc., and CitiFinancial, Inc. (File No. 2017-CFPB-0004). On January 23, 2017, the Bureau issued a consent order against four entities that made up the CitiFinancial Servicing business relating to their mortgage servicing practices. The Bureau found that CitiFinancial engaged in a number of acts or practices that violated RESPA, FCRA, and the CFPA's prohibition on deceptive acts or practices. Specifically, the Bureau found that these practices included failing to consider deferment requests as requests for foreclosure relief, misleading consumers about the impact of deferring a payment due date, improperly charging for credit insurance that should have been cancelled or prematurely cancelling credit insurance, inaccurately reporting consumer information to credit reporting companies, and failing to timely investigate credit reporting disputes. The Bureau's order requires CitiFinancial Services to refund approximately \$4.4 million in improper charges and pay a civil penalty of \$4.4 million.

In the Matter of CitiMortgage, Inc. (File No. 2017-CFPB-0005). On January 23, 2017, the Bureau issued a consent order against CitiMortgage finding that it violated RESPA and the CFPA's prohibition against deceptive acts or practices. Under federal mortgage rules, if a borrower does not submit all the required documentation with the initial application for loss mitigation, servicers must let the borrowers know what additional documents are required. The Bureau found CitiMortgage sent some borrowers seeking assistance a letter demanding dozens of documents and forms that had no bearing on the application or that the consumer had

already provided, and that many of these documents had nothing to do with a borrower's financial circumstances and was not needed to complete the application. The Bureau's order requires CitiMortgage to pay an estimated \$17 million in restitution and pay a civil penalty of \$3 million.

In the Matter of Works & Lentz, Inc.; Works & Lentz of Tulsa, Inc.; and Harry A. Lentz, Jr. (File No. 2017-CFPB-0003) (not a credit union or depository institution). On January 9, 2017, the Bureau issued a consent order against two medical debt collection law firms and their president finding that they misrepresented that their letters and calls were from attorneys attempting to collect on a debt when no attorney had yet reviewed the account. The Bureau also found that the law firms failed to ensure the accuracy of the consumer information they furnished to credit reporting companies and used improperly notarized affidavits in lawsuits filed against consumers. The Bureau's order requires defendants to provide \$577,135 in restitution, correct their business practices, and pay a \$78,800 penalty.

In the Matter of TransUnion Interactive, Inc., TransUnion, LLC, and TransUnion (File No. 2017-CFPB-0002) (not a credit union or depository institution). On January 3, 2017, the Bureau issued a consent order against TransUnion and its subsidiaries finding that it deceived consumers about the usefulness and value of the credit scores it sold to consumers. The Bureau also found that the company deceived consumers into enrolling in costly subscription programs for credit-related products. The Bureau's order requires TransUnion to represent accurately the value of the credit scores it provides and the cost of obtaining those credit scores and other services, and to pay \$13.9 million in restitution and a \$3 million civil penalty.

In the Matter of Equifax, Inc. and Equifax Consumer Services LLC (File No. 2017-CFPB-0001) (not a credit union or depository institution). On January 3, 2017, the Bureau issued a consent order against Equifax, Inc., and its subsidiaries finding that it deceived consumers about the value of the credit scores it sold to consumers. The Bureau also found that the company deceived consumers into enrolling in costly subscription programs for credit-related products and violated Regulation V by advertising on AnnualCreditReport.com before consumers had obtained their report. The Bureau's order requires Equifax to represent accurately the value of the credit scores it provides and the cost of obtaining those credit scores and other services, and to pay \$3.8 million in restitution and a \$2.5 million civil money penalty.

In the Matter of Military Credit Services, LLC (File No. 2016-CFPB-0029) (not a credit union or depository institution). On December 20, 2016, the Bureau issued a consent order against Military Credit Services, LLC (MCS) finding that MCS entered into revolving-credit agreements with ACH pre-authorization provisions that were not clear and readily

understandable to consumers, in violation of EFTA and Regulation E, and made improper APR disclosures, in violation of TILA and Regulation Z. The Bureau's order requires the company to ensure that its contracts comply with the law. It also required the company to pay a \$200,000 civil penalty and hire an independent consultant to review its practices.

Consumer Financial Protection Bureau v. Spotsylvania Gold & Pawn, Inc. (E.D. Va. No. 3:16-cv-988); ***Consumer Financial Protection Bureau v. Fredericksburg Gold & Pawn, Inc.*** (E.D. Va. No. 3:16-cv-987); ***Consumer Financial Protection Bureau v. Pawn U.S.A, Inc.*** (E.D. Va. No. 1:16-cv-01566); ***Consumer Financial Protection Bureau v. A to Z Pawn, Inc.*** (E.D. Va. No. 1:16-cv-1567). On December 19, 2016, the Bureau filed complaints against four Virginia pawnbrokers alleging that they deceived consumers about the actual annual costs of their loans. Specifically, the Bureau alleged that the four companies broke the law by misstating the APR associated with pawn loans. The court entered stipulated final judgments in all four proceedings between February 22, 2017 and July 18, 2017. Those orders permanently restrain Spotsylvania Gold & Pawn, Fredericksburg Gold & Pawn, Pawn U.S.A., and A to Z Pawn from disclosing an inaccurate APR or failing to provide required disclosures. Additionally, the orders required Spotsylvania Gold & Pawn to pay \$20,209 as disgorgement and a \$7,500 civil penalty; Fredericksburg Gold & Pawn to pay \$24,570 as disgorgement and a \$5,000 civil penalty; Pawn U.S.A. to pay \$36,367 as disgorgement and a \$10,000 civil penalty; and A to Z Pawn to pay a \$3,500 civil penalty.

In the Matter of Moneytree, Inc. (File No. 2016-CFPB-0028) (not a credit union or depository institution). On December 16, 2016, the Bureau issued a consent order against Moneytree, Inc., a financial services company that offers payday loans and check-cashing services, finding that it misled consumers with deceptive online advertisements and collection letters. The Bureau also found that the company made unauthorized electronic transfers from consumers' bank accounts. The Bureau's order requires the company to cease its illegal conduct, provide \$255,000 in restitution, and pay a civil penalty of \$250,000.

In the Matter of Reverse Mortgage Solutions, Inc. d/b/a Security 1 Lending (File No. 2016-CFPB-0027); ***In the Matter of American Advisors Group*** (File No. 2016-CFPB-0026); ***In the Matter of Aegean Financial d/b/a Aegean Financial, Inc., Reverse Mortgage Professionals, Jubilados Financial, Newport Lending Reverse Mortgage, Promise Land Lending, Reverse Financial Group, and Reverse Mortgage Information Center*** (File No. 2016-CFPB-0025) (not a credit union or depository institution). On December 7, 2016, the Bureau issued consent orders against three reverse mortgage companies finding that they made deceptive advertisements. The Bureau's

order requires American Advisors Group, Reverse Mortgage Solutions, and Aegean Financial to cease their deceptive advertising practices, make clear and prominent disclosures in their reverse mortgage advertisements and implement a system to ensure they are following all laws. The consent orders also require American Advisors Group to pay a civil penalty of \$400,000, Reverse Mortgage Solutions to pay a penalty of \$325,000, and Aegean Financial to pay a penalty of \$65,000.

Consumer Financial Protection Bureau v. Access Funding, LLC, Access Holding, LLC, Reliance Funding, LLC, Lee Jundanian, Raffi Boghosian, Michael Borkowski, and Charles Smith (D. Md. No. 1:16-cv-03759). On November 21, 2016, the Bureau filed a complaint against Access Funding, LLC, Access Holding, LLC, Reliance Funding, LLC, three of the companies' principals—Lee Jundanian, Raffi Boghosian, and Michael Borkowski—and a Maryland attorney, Charles Smith, alleging that they deceptively induced individuals to enter into settlement funding agreements, in which the individuals agreed to receive an immediate lump sum payment in exchange for significantly higher future settlement payments. The Bureau also alleges that the companies and their principals steered victims to receive “independent advice” from Smith, who was paid directly by Access Funding and indicated to consumers that the transactions required very little scrutiny. The Bureau further alleges that Access Funding advanced money to some consumers and represented to those consumers that the advances obligated them to go forward with transactions even if they realized that the transactions were not in their best interests. On September 13, 2017, the court granted defendants' motions to dismiss counts I-IV, arising out of Smith's conduct, on the grounds that he had attorney-client relationships with the consumers in question. The court denied the defendants' motions to dismiss the Bureau's claim relating to the advances Access Funding offered consumers. The court granted the Bureau's motion to file an amended complaint alleging Smith did not have attorney-client relationships with the consumers in question. Defendants again moved to dismiss. The motion remains pending.

Consumer Financial Protection Bureau v. B&B Pawnbrokers (E.D. Va. No. 3:16-cv-887). On November 3, 2016, the Bureau filed a complaint against B&B Pawnbrokers, Inc. alleging that it deceived consumers about the actual annual cost of its loans. Specifically, the Bureau alleged that B&B Pawnbrokers misstated the charges associated with pawn loans. On March 1, 2017, the court entered a stipulated final judgment and order. The order required the company to disgorge \$29,000, pay a \$5,000 civil penalty, and halt its illegal practices.

Consumer Financial Protection Bureau v. Northern Resolution Group (W.D.N.Y. No. 1:16-cv-00880). On November 2, 2016, the Bureau, in partnership with the New York

Attorney General, filed a complaint alleging that Douglas MacKinnon and Mark Gray operate a network of companies that harass, threaten, and deceive consumers across the nation into paying inflated debts or amounts they may not owe. The complaint seeks injunctive relief, restitution, and the imposition of penalties against the companies and partners. The defendants asserted counterclaims against the Bureau and New York, which the court dismissed on January 8, 2018. The case remains pending.

In the Matter of Navy Federal Credit Union (File No. 2016-CFPB-0024). On October 11, 2016, the Bureau issued a consent order against Navy Federal Credit Union (NFCU) finding that it made deceptive representations to its members in connection with its debt collection activities. Specifically, the Bureau found that the credit union, whose members include active duty military, retired servicemembers, and their families, made deceptive representations about its intention to take legal action against members with delinquent accounts, its intention to contact members' military chains of command about consumer debts, and the effect of delinquency or repayment on members' credit ratings. The Bureau also found that the credit union unfairly restricted account access when members had an overdrawn deposit account or delinquent credit account. The Bureau's order requires NFCU to stop: any misleading, false, or unsubstantiated threats to contact members' commanding officers; initiation of any improper legal action; misrepresentations about the credit consequences of falling behind on a credit union loan; and unfairly restricting members' access to all of their accounts if they are delinquent on one. The order also requires the credit union to pay roughly \$23 million in restitution and a civil penalty of \$5.5 million.

Consumer Financial Protection Bureau v. Prime Marketing Holdings, LLC, d/b/a/ Park View Credit, National Credit Advisors, and Credit Experts (C.D. Cal. No. 2:16-cv-7111). On September 22, 2016, the Bureau filed a complaint against the credit repair company Prime Marketing Holdings, LLC (PMH), alleging it charged consumers illegal advance fees and misrepresented the cost and effectiveness of its services and the nature of its money-back guarantee. On August 31, 2017, the court entered a stipulated final judgment and order. The final judgment permanently bans PMH from doing business in the credit repair industry and orders it to pay a \$150,000 civil penalty.

In the Matter of Auto Cash Leasing, LLC (File No. 2016-CFPB-0017); ***Interstate Lending, LLC*** (File No. 2016-CFPB-0018); ***Oasis Title Loans, LLC*** (File No. 2016-CFPB-0019); ***Phoenix Title Loans, LLC*** (File No. 2016-CFPB-0020); ***Presto Auto Loans, Inc.*** (File No. 2016-CFPB-0021) (not a credit union or depository institution). On September 20, 2016, the Bureau filed notices of charges against five title lenders operating in Arizona—Auto

Cash Leasing, LLC; Interstate Lending, LLC; Oasis Title Loans, LLC; Phoenix Title Loans, LLC; and Presto Auto Loans, Inc.—alleging they failed to disclose the APR in online advertisements about title loans. Specifically, the Bureau alleged that the companies advertised a periodic interest rate for their loans without listing the corresponding annual percentage rate. The Bureau issued consent orders against all five companies between November 1, 2016 and March 13, 2017. The orders prohibit Auto Cash Leasing, Interstate Lending, Oasis Title Loans, Presto Auto Loans, and Phoenix Title Loans from advertising a periodic rate of interest unless the advertisement also discloses the corresponding APR. The orders also require Auto Cash Leasing to pay a civil money penalty of \$10,000, Interstate Lending to pay a civil money penalty of \$4,000, Oasis Title Loans to pay a civil money penalty of \$20,000, Presto Auto Loans to pay a civil money penalty of \$125,000, and Phoenix Title Loans to pay a civil money penalty of \$40,000.

Consumer Financial Protection Bureau v. Intercept Corporation, Bryan Smith, and Craig Dresser (D.N.D. No. 3:16-cv-144). On June 6, 2016, the Bureau filed a complaint against payment processor Intercept Corporation and two of its executives, Bryan Smith and Craig Dresser. The Bureau alleged that the defendants engaged in unfair acts or practices by continuing to electronically debit consumers' accounts despite warnings that the payment requests were illegal or fraudulent. On August 8, 2016, the defendants moved to dismiss. The court dismissed the Bureau's lawsuit without prejudice on March 17, 2017, holding the Bureau failed to plead sufficient detail in the complaint.

Consumer Financial Protection Bureau v. All American Check Cashing, Inc., Mid-State Finance, Inc., and Michael E. Gray (S.D. Miss. No. 3:16-cv-356). On May 11, 2016, the Bureau filed a complaint against two companies, All American Check Cashing, Inc. and Mid-State Finance, Inc. that offer check-cashing services and payday loans, and their president and sole owner, Michael Gray. The Bureau alleges that All American tried to keep consumers from learning how much they would be charged to cash a check and used deceptive tactics to stop consumers from backing out of transactions. The Bureau also alleges that All American made deceptive statements about the benefits of its high-cost payday loans and failed to provide refunds after consumers made overpayments on their loans. The Bureau's lawsuit seeks injunctive relief, restitution, and the imposition of a civil money penalty. On July 15, 2016, the court denied defendants' motion for a more definite statement. The defendants moved for judgment on the pleadings on May 24, 2017, and the court denied that motion on March 21, 2018. The Bureau moved for summary judgment on August 4, 2017, and the court has not yet ruled on that motion. The case remains pending.

Consumer Financial Protection Bureau v. D and D Marketing, Inc., d/b/a T3Leads, Grigor Demirchyan, and Marina Demirchyan (C.D. Cal. No. 2:15-cv-9692); ***Consumer Financial Protection Bureau v. Dmitry Fomichev*** (C.D. Cal. No. 2:16-cv-2724); and ***Consumer Financial Protection Bureau v. Davit Gasparyan aka David Gasparyan*** (C.D. Cal. No. 2:16-cv-2725). On December 17, 2015, the Bureau filed a complaint against T3Leads and its current executives, Grigor Demirchyan and Marina Demirchyan, alleging that T3 engaged in unfair and abusive acts and practices in the sale of consumer-loan applications to small-dollar lenders and others acting unlawfully, and in operating a loan-application network that prevented consumers from understanding the material risks, costs, or conditions of their loans, and further alleging that the Demirchyans substantially assisted those acts and practices. On April 21, 2016, the Bureau filed two separate but related complaints against the company's past executives—Dmitry Fomichev and Davit Gasparyan—alleging that they substantially assisted T3's violations. The complaints seek monetary relief, injunctive relief, and penalties. On November 17, 2016, the court denied the defendants' motions to dismiss but found the Bureau unconstitutionally structured. The Ninth Circuit granted interlocutory appeal on that issue. That issue has not been decided. On September 8, 2017, the district court entered a stipulated final judgment and order against one of the defendants, Davit Gasparyan. The order imposed injunctive relief and required Gasparyan to pay a \$250,000 penalty. The case remains pending in the district court against the remaining defendants.

Consumer Financial Protection Bureau and Anthony J. Albanese, Acting Superintendent of Financial Services of the State of New York v. Pension Funding, LLC; Pension Income, LLC; Steven Covey; Edwin Lichtig; and Rex Hofelter (C.D. Cal. No. 8:15-cv-1329). On August 20, 2015, the Bureau and the New York Department of Financial Services (NYDFS) filed a complaint against two companies, Pension Funding, LLC and Pension Income, LLC, and three of the companies' individual managers, alleging that they deceived consumers about the costs and risks of their pension-advance loans. The Bureau and NYDFS alleged that from 2011 until about December 2014, Pension Funding and Pension Income offered consumers lump-sum loan payments in exchange for the consumers agreeing to redirect all or part of their pension payments to the companies for eight years. The Bureau and NYDFS also alleged that the individual defendants, Steven Covey, Edwin Lichtig, and Rex Hofelter, designed and marketed these loans and were responsible for the companies' operations. The Bureau and NYDFS alleged that all of the defendants violated the CFPA's prohibitions against unfair, deceptive, and abusive acts or practices. On January 8, 2016, the court appointed a receiver over defendants Pension Funding and Pension Income. The receiver's responsibilities include taking control of all funds and assets of the companies and completing an accounting of all pension-advance transactions that are the subject of the action.

On February 10, 2016, the court entered a stipulated final judgment and order as to two of the individual defendants, Lichtig and Hofelter. The order imposes bans on these individuals' participation in pension-advance transactions and requires them to pay money to the receivership estate. On July 11, 2016, the court granted a default judgment against the final individual defendant, Covey, who did not appear in the case. The court's order imposes a ban and requires Covey to pay disgorgement of approximately \$580,000. The court-appointed receiver's work with respect to the companies is ongoing.

In the Matter of Integrity Advance, LLC and James R. Carnes (File No. 2015-CFPB-0029). On November 18, 2015, the Bureau filed a notice of charges against an online lender, Integrity Advance, LLC, and its CEO, James R. Carnes, alleging they deceived consumers about the cost of short-term loans. The Bureau alleges that the company's contracts did not disclose the costs consumers would pay under the default terms of the contracts. The Bureau also alleges that the company unfairly used remotely created checks to debit consumers' bank accounts even after the consumers' revoked authorization for automatic withdrawals. The Bureau is seeking injunctive relief, restitution, and the imposition of a civil money penalty. On September 27, 2016, the Administrative Law Judge issued a Recommended Decision finding liability and recommending injunctive and monetary relief. The Recommended Decision was appealed to the Director, but further activity on that appeal was held in abeyance pending a decision in *PHH Corp. v. CFPB*, No. 15-1177 (D.C. Cir.). The case remains pending.

Consumer Financial Protection Bureau v. Global Financial Support, Inc., d/b/a Student Financial Resource Center, d/b/a College Financial Advisory; and Armond Aria a/k/a Armond Amir Aria, individually, and as owner and CEO of Global Financial Support, Inc. (S.D. Cal. No. 3:15-cv-2440). On October 29, 2015, the Bureau filed a complaint alleging that Global Financial Support, Inc., which operates under the names Student Financial Resource Center and College Financial Advisory, issued marketing letters instructing students to fill out a form and pay a fee in exchange for the company conducting extensive searches to target or match them with individualized financial aid opportunities. The Bureau alleges that consumers who paid the fee received nothing or a generic booklet that failed to provide individualized advice. The Bureau also alleges that the defendants misrepresented their affiliation with government and university financial aid offices and pressured consumers to enroll through deceptive statements. The complaint seeks injunctive relief, restitution, and the imposition of a civil money penalty. This matter has been stayed since May 17, 2016 based on an ongoing criminal prosecution of one of the defendants. The case remains pending.

Consumer Financial Protection Bureau v. Orion Processing, LLC d/b/a World Law Processing, Wld Credit Repair, and World Law Debt; Family Capital Investment & Management, LLC a/k/a FCIAM Property Management, et al. (S.D. Fla. No. 1:15-cv-23070). On August 17, 2015, the Bureau filed a complaint against the World Law Group alleging it violated the Telemarketing Sales Rule (TSR), and the CFPA by running a debt relief operation that charged consumers illegal upfront fees, falsely promised a team of attorneys to help negotiate debt settlements with creditors, failed to provide legal representation, and rarely settled consumers' debts. The Bureau alleged that World Law collected fees from consumers before providing any debt-relief services. On August 1, 2016, the court entered a default judgment against the World Law corporate defendants and FCIAM, and a stipulated final judgment against two of the individuals, who admitted violations of the Telemarketing Sales Rule. The court entered a default judgment against Bradley Haskins on November 29, 2016, and a stipulated final judgment and order against Orion Processing, LLC on March 22, 2017. The orders permanently ban the defendants from participating in telemarketing of any consumer financial product or service, or from selling, advertising, or offering debt relief products. The court also ordered the defendants to pay nearly \$107 million in consumer redress, ordered Haskins, FCIAM, and the World Law corporate defendants to pay a civil money penalty of \$40 million, and ordered Orion to pay a \$20 million civil money penalty.

Consumer Financial Protection Bureau v. Gordon, et al. (C.D. Cal. No. 12-cv-6147). On July 18, 2012, the Bureau filed a complaint against a nationwide mortgage relief operation alleging the defendants took advantage of financially distressed homeowners by falsely promising to help them obtain loan modifications and illegally charging them advance fees ranging from \$2,500 to \$4,500. On February 1, 2013, the court entered a stipulated final judgment and order for permanent injunction as to defendants Abraham Michael Pessar, Division One Investment and Loan, Inc., and Processing Division, LLC. On June 26, 2013, the court granted summary judgment in favor of the Bureau against defendants Chance Edward Gordon and the Gordon Law Firm, P.C., finding that those defendants violated the Dodd-Frank Act by falsely representing: (1) that consumers would obtain mortgage loan modifications that substantially reduced their mortgage payments or interest rates and (2) that defendants were affiliated with, endorsed by, or approved by the U.S. government, among other things. The court also found that Gordon violated Regulation O by charging up-front payments, failing to make required disclosures, wrongly directing consumers not to contact lenders, and misrepresenting material aspects of defendants' services. After the order entering summary judgment against Gordon was largely affirmed on appeal, the court awarded an \$8,606,280.86 judgment for equitable monetary relief against Gordon on December 19, 2016. Gordon's petition for certiorari in the U.S. Supreme Court was denied on June 26, 2017.

Consumer Financial Protection Bureau v. Borders & Borders, PLC, et al. (W.D. Ky. No. 3:13-cv-1047). On October 24, 2013, the Bureau filed a complaint alleging that Borders & Borders, a law firm specializing in real estate closings, violated RESPA by paying kickbacks to local real estate and mortgage brokers in exchange for referrals of settlement service business to the defendants. The Bureau seeks injunctive and other equitable relief. On February 12, 2015, the court denied the defendants' motion for judgment on the pleading, but on July 13, 2017, granted defendants' motion for summary judgment, finding the arrangement qualified as an affiliated business relationship under section 8(c)(4) of RESPA, and that the arrangement was independently allowed under section 8(c)(2) of RESPA. On August 10, 2017, the Bureau moved for reconsideration, and the court has not yet ruled. The case remains pending.

Consumer Financial Protection Bureau v. NDG Financial Corp., et al. (S.D.N.Y. No. 15-cv-5211). On July 6, 2015, the Bureau filed a complaint against the NDG Financial Corporation and nine of its affiliates alleging it engaged in unfair, deceptive, and abusive practices relating to its payday lending enterprise. The Bureau alleges that the enterprise, which has companies located in Canada and Malta, originated, serviced, and collected payday loans that were void under state law, represented that U.S. federal and state laws did not apply to the Defendants or the payday loans, and used unfair and deceptive tactics to secure repayment, all in violation of the CFPA. On December 2, 2016, the court denied the defendants' motions to dismiss. On December 6, 2017, the clerk entered default against the Maltese defendants. On February 5, 2018, the court voluntarily dismissed the former owners and their holding corporations as defendants and/or relief defendants. The Bureau has moved for terminating sanctions against the remaining defendants, and the case remains pending.

Consumer Financial Protection Bureau v. Universal Debt & Payment Solutions, LLC, et al. (N.D. Ga. No. 1:15-cv-859). On March 26, 2015, the Bureau filed a complaint against a group of seven debt collection agencies, six individual debt collectors, four payment processors, and a telephone marketing service provider alleging unlawful conduct related to a phantom debt collection operation. Phantom debt is debt consumers do not actually owe or debt that is not payable to those attempting to collect it. The Bureau alleges that the individuals, acting through a network of corporate entities, used threats and harassment to collect "phantom" debt from consumers. The Bureau alleges the defendants violated the FDCPA and the CFPA's prohibition on unfair and deceptive acts and practices, and provided substantial assistance to unfair or deceptive conduct. The Bureau is seeking permanent injunctive relief, restitution, and the imposition of a civil money penalty. On April 7, 2015, the Bureau obtained a preliminary injunction against the debt collectors that froze their assets and enjoined their unlawful conduct. In September 1, 2015, the court denied the defendants' motion to dismiss. On

August 25, 2017, the court dismissed the Bureau's claims against the payment processors as a discovery sanction against the Bureau. On November 15, 2017, the Bureau, and remaining defendants both moved for summary judgment. The court has not yet ruled, and the case remains pending.

Consumer Financial Protection Bureau v. Richard F. Moseley, Sr., et al. (W.D. Mo. No. 4:14-cv-789). On September 8, 2014, the Bureau filed a complaint against a confederation of online payday lenders known as the Hydra Group, its principals, and affiliates, alleging that they used a maze of interrelated entities to make unauthorized and otherwise illegal loans to consumers. The Bureau alleged that the defendants' practices violate the CFPA, TILA, and EFTA. On September 9, 2014, the court issued an ex parte temporary restraining order against the defendants, ordering them to halt lending operations. The court also placed the companies in temporary receivership, appointed a receiver, granted the Bureau immediate access to the defendants' business premises, and froze their assets. On October 3, 2014, the court entered a stipulated preliminary injunction against the defendants pending final judgment in the case. On March 4, 2016, the court stayed the Bureau's case until criminal proceedings against Moseley, Sr. are resolved. The case remains pending.

Consumer Financial Protection Bureau v. The Mortgage Law Group, LLP, d/b/a The Law Firm of Macey, Aleman & Searns; Consumer First Legal Group, LLC; Thomas G. Macey; Jeffrey J. Aleman; Jason E. Searns; and Harold E. Stafford (W.D. Wis. No. 3:14-cv-513). On July 22, 2014, the Bureau filed a lawsuit in federal district court against The Mortgage Law Group, LLP (TMLG), the Consumer First Legal Group, LLC, and attorneys Thomas Macey, Jeffrey Aleman, Jason Searns, and Harold Stafford. The Bureau alleges that the defendants violated Regulation O, formerly known as the Mortgage Assistance Relief Services (MARS) Rule, by taking payments from consumers for mortgage modifications before the consumers signed a mortgage modification agreement from their lender, by failing to make required disclosures, by wrongly directing consumers not to contact lenders, and by making deceptive statements to consumers when providing mortgage assistance relief services. On June 21, 2017, the district court entered a stipulated judgment against the bankruptcy estate of TMLG, which sought Chapter 7 bankruptcy. The court enjoined TMLG from operating, and ordered TMLG to pay \$18,331,737 in redress and \$20,815,000 in civil money penalties. A trial was held with the remaining defendants on April 24, 2017 through April 28, 2017, and the court has not yet issued findings of fact or conclusions of law. The case against the remaining defendants is ongoing.

Consumer Financial Protection Bureau v. ITT Educational Services, Inc. (S.D. Ind. No. 1:14-cv-292). On January 6, 2014, the Bureau filed a lawsuit in federal district court against for-profit college chain ITT Educational Services, Inc. The Bureau alleges that ITT encouraged new students to enroll by providing them funding for the tuition gap that was not covered by federal student loan programs with a zero-interest loan called “Temporary Credit.” This loan typically had to be paid in full at the end of the student’s first academic year. The Bureau alleges that ITT knew from the outset that many students would not be able to repay their Temporary Credit balances or fund their second-year tuition gap and that ITT illegally pushed its students into repaying their Temporary Credit and funding their second-year tuition gaps through high-cost private student loan programs, on which ITT knew students were likely to default. In September of 2016, ITT closed all of its schools and filed for bankruptcy. On September 8, 2017, the court entered an order administratively closing the case without prejudice to the right of either party to move to reopen it within sixty days of the approval of a settlement by the Bankruptcy Court overseeing ITT’s Chapter 7 case.

Consumer Financial Protection Bureau v. CashCall, Inc., et al. (C.D. Cal. No. 15-cv-7522). On December 16, 2013, the Bureau filed a complaint against online loan servicer CashCall Inc., its owner, a subsidiary, and an affiliate, alleging that they violated the CFPA’s prohibition against unfair, deceptive, and abusive acts and practices by collecting and attempting to collect consumer-installment loans that were void or partially nullified because they violated either state caps on interest rates or state licensing requirements for lenders. The Bureau alleged that CashCall serviced loans it made in the name of an entity, Western Sky, which was located on the Cheyenne River Sioux Tribe’s land and which purported to make loans exempt from state and federal law. On August 31, 2016, the court granted the Bureau’s motion for partial summary judgment, concluding that CashCall was the true lender on the Western Sky loans, that the laws of consumers’ home states applied, and that the defendants engaged in deceptive acts or practices by demanding payment of amounts that consumers did not actually owe. A trial was held from October 17 to 18, 2017 on the issue of appropriate relief. On January 19, 2018, the court issued findings of fact and conclusions of law imposing a \$10.28 million civil penalty but denying the Bureau’s request for restitution and an injunction. On January 26, 2018, the court entered judgment ordering the defendants to pay the civil penalty.

6. Actions taken regarding rules, orders, and supervisory actions with respect to covered persons which are not credit unions or depository institutions

The Bureau's *Supervisory Highlights* publications provide general information about the Bureau's supervisory activities at banks and nonbanks without identifying specific companies. The Bureau published four issues of Supervisory Highlights between October 1, 2016 and September 30, 2017.⁷⁰

All public enforcement actions are listed in Section 5. Those actions taken with respect to covered persons which are not credit unions or depository institutions are noted within the summary of the action.

⁷⁰ Fall 2017, https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201709_cfpb_Supervisory-Highlights_Issue-16.pdf;
Spring 2017, https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201704_cfpb_Supervisory-Highlights_Issue-15.pdf;
Fall 2016, http://files.consumerfinance.gov/f/documents/Supervisory_Highlights_Issue_13_Final_10.31.16.pdf;
Consumer Reporting Special Edition, https://www.consumerfinance.gov/documents/2774/201703_cfpb_Supervisory-Highlights-Consumer-Reporting-Special-Edition.pdf.

7. Assessment of significant actions by State attorneys general or State regulators relating to Federal consumer financial law

For purposes of the section 1016(c)(7) reporting requirement, the Bureau determined that any actions asserting claims pursuant to section 1042 of the Dodd-Frank Act are “significant.” The Bureau is aware of the following State Attorney General actions that were initiated during the reporting period and that asserted Dodd-Frank Act claims. The reporting period for this information is April 1, 2017, through September 30, 2017.

Commonwealth of Massachusetts v. Pennsylvania Higher Education Assistance Agency, d/b/a/ FedLoan Servicing, No. 1784-cv-2682 (Mass. Super. Ct. Aug. 23, 2017).

On August 23, 2017, the Commonwealth of Massachusetts filed suit in the Massachusetts’ Superior Court against Pennsylvania Higher Education Assistance Agency (PHEAA), which also does business as FedLoan Servicing. Massachusetts alleged that PHEAA violated the Massachusetts Consumer Protection Law, M.G.L.A. c. 93A, § 2(a), by engaging in unfair and deceptive acts and practices and violating Massachusetts’ Debt Collection Regulations, 940 C.M.R. 7.07(16). In addition, Massachusetts alleged that PHEAA violated the Consumer Financial Protection Act, 12 U.S.C. 5531, by engaging in unfair acts and practices.

Office of the Attorney General, the State of Florida, Department of Legal Affairs, and Office of Financial Regulation, the State of Florida, Division of Consumer Finance, v. Ocwen Financial Corporation, a Florida corporation, Ocwen Mortgage Servicing, Inc., a U.S. Virgin Islands corporation, and Ocwen Loan Servicing, LLC, a Delaware limited liability company, No. 9:17-cv-80496 (S.D. Fla.

Apr. 20, 2017). On April 20, 2017, the Office of the Attorney General and the Office of Financial Regulation for Florida filed suit in the United States District Court for the Southern District of Florida against Ocwen Financial Corporation, Ocwen Mortgage Servicing, Inc., and Ocwen Loan Servicing, LLC (collectively referred to as “Ocwen”). Florida alleged that Ocwen violated the Consumer Financial Protection Act, 12 U.S.C. 5531, by violating section 6(g) of the Real Estate Settlement Procedures Act (“RESPA”), 12 U.S.C. 2605(g), and sections 1024.17, 1024.34, and 1024.41 of RESPA’s implementing regulation, Regulation X, 12 C.F.R. pt. 1024. In addition, the Florida Attorney General alleged that Ocwen violated the Florida Deceptive and Unfair Trade Practices Act, Fla. Stat. 501.204(1), by engaging in unfair and deceptive acts or practices. The Florida Office of Financial Regulation alleged that Ocwen Loan Servicing, LLC, violated sections 494.00255 and 494.0063 of the Florida Statutes.

8. Analysis of the efforts of the Bureau to fulfill the fair lending mission of the Bureau

On April 14, 2017, the Bureau published its fifth report to Congress⁷¹ on the fair lending work of the Bureau. The April report provided an overview of the Bureau’s risk-based fair lending prioritization process; supervision tools; recent public enforcement actions; rulemaking and related guidance; interagency coordination efforts and reporting; and outreach activities during calendar year 2016.⁷² This Semi-Annual Report update is focused on highlights from the Bureau’s fair lending enforcement⁷³ and rulemaking⁷⁴ activities from October 1, 2016, through September 30, 2017, and continued efforts to fulfill the fair lending mission of the Bureau, through, for example, supervision, interagency coordination, and outreach from April 1, 2017, through September 30, 2017.⁷⁵

⁷¹ Dodd-Frank Act section 1013(c)(2)(D).

⁷² See Consumer Financial Protection Bureau, *Fair Lending Report of the Consumer Financial Protection Bureau* (Apr. 14, 2017), <https://www.consumerfinance.gov/data-research/research-reports/fair-lending-report-2016>.

⁷³ Dodd-Frank Act section 1016(c)(5).

⁷⁴ Dodd-Frank Act section 1016(c)(3).

⁷⁵ Dodd-Frank Act section 1016(c)(8).

8.1 Fair lending supervision

The Bureau's Fair Lending Supervision program assesses compliance with Federal fair lending consumer financial laws and regulations at banks and nonbanks over which the Bureau has supervisory authority. As a result of the Bureau's efforts to fulfill its fair lending mission in this reporting period, the Bureau's Fair Lending Supervision program initiated 11 supervisory events at financial services institutions under the Bureau's jurisdiction to determine compliance with Federal laws intended to ensure the fair, equitable, and nondiscriminatory access to credit for both individuals and communities, including ECOA and HMDA.

For exam reports issued by Fair Lending Supervision during the reporting period, the most frequently cited violations of Regulation B were:

- Section 1002.9(a)(1); (a)(2); (b); and (g): Failure to timely notify an applicant when an application is denied; failure to provide sufficient information in an adverse action notification, including the specific reasons the application was denied; and failure to provide an adverse action notification when an application is made on behalf of an applicant through a third party to more than one creditor;
- Section 1002.12(b)(1): Failure to retain in original form or copy for 25 months (12 months for business credit) any application, monitoring information or other information used in evaluating an application; and
- Section 1002.14(a): Failure to routinely provide a copy of an appraisal report to an applicant for credit secured by a lien on a dwelling.

In the current reporting period, the Bureau issued a number of matters requiring attention (MRAs) or memoranda of understanding (MOU) items that was similar to the number issued in the prior reporting period. Those items were issued across a number of fair lending supervisory events that was similar to the number of fair lending supervisory events from the prior period. MRAs and MOUs direct entities to take corrective actions and are monitored by the Bureau through follow-up supervisory events. In the current period, however, the Bureau cleared a higher number of MRAs or MOU items from past supervisory events.

8.2 Fair lending enforcement⁷⁶

The Bureau has the statutory authority to bring enforcement actions pursuant to HMDA and ECOA. In this regard, the Bureau has the authority to engage in research, conduct investigations, file administrative complaints, hold hearings, and adjudicate claims through the Bureau's administrative enforcement process. The Bureau also has independent litigating authority and can file cases in federal court alleging violations of fair lending laws under the Bureau's jurisdiction. Like other federal bank regulators, the Bureau is required to refer matters to DOJ when it has reason to believe that a creditor has engaged in a pattern or practice of lending discrimination.

Over the past year, the Bureau announced two fair lending public enforcement actions involving HMDA reporting and credit cards. First, as described in Section 5 of this Report, on March 15, 2017, the Bureau resolved an enforcement action against Nationstar Mortgage LLC for violating HMDA by consistently failing to report accurate data about mortgage transactions for 2012 through 2014. This matter was discussed in more detail in the Bureau's Spring 2017 Semi-Annual Report.⁷⁷

Second, as described in Section 5 of this Report, on August 23, 2017, the Bureau took action against American Express Centurion Bank and American Express Bank, FSB (collectively referred to as American Express), for violating ECOA by discriminating against consumers in Puerto Rico, the U.S. Virgin Islands, and other U.S. territories by providing them with credit and charge card terms that were inferior to those available in the 50 U.S. states.

The Bureau also continues to administer prior fair lending enforcement actions. On December 19, 2013, working in close coordination with the DOJ, the Bureau ordered Ally Financial Inc. and Ally Bank (Ally) to pay \$80 million in damages to harmed African-American, Hispanic, and Asian and/or Pacific Islander borrowers. In addition, Ally paid approximately \$38.9 million in September 2015, \$51.5 million in May 2016, and an additional \$48.8 million in April 2017, the

⁷⁶ Section 1016(c)(5) of the Dodd-Frank Act requires the Bureau to include in the semi-annual report public enforcement actions the Bureau was a party to during the preceding year, which is October 1, 2016, through September 30, 2017, for this report.

⁷⁷ Consumer Financial Protection Bureau, *Semi-Annual Report Spring 2017*, at 103–05 (June 2017), <https://www.consumerfinance.gov/data-research/research-reports/semi-annual-report-spring-2017>.

final year of the order, to consumers who Ally determined were both eligible and overcharged on auto loans issued during 2014, 2015, and 2016, respectively.

Finally, during this reporting period⁷⁸ and pursuant to section 706(g) of ECOA, the Bureau also referred five matters to the DOJ with regard to discrimination in mortgage lending on the basis of receipt of public assistance income; and discrimination in auto finance on the bases of national origin, race, and receipt of public assistance income. As a result of the Bureau's public enforcement actions enforcing Federal fair lending laws, including ECOA and HMDA, approximately \$97 million in monetary payments were made, consisting of remediation to harmed consumers and payments to the Bureau's Civil Penalty Fund.⁷⁹

8.3 Fair lending outreach

The Bureau is committed to hearing from and communicating directly with stakeholders on compliance and education relating to fair lending.⁸⁰ Outreach is accomplished through issuance of Reports to Congress, Interagency Statements, *Supervisory Highlights*, Compliance Bulletins, letters and blog posts, as well as through the delivery of speeches, meetings, and presentations addressing fair lending and access to credit matters. During the reporting period, Fair Lending staff participated in more than 30 events where they worked directly with stakeholders to educate them about fair lending compliance and access to credit issues, heard stakeholder views on Fair Lending's work to inform the Bureau, or provided speeches on fair lending topics.

8.4 Interagency coordination

The Bureau's fair lending activity involves regular coordination with other federal and state

⁷⁸ October 1, 2016, through September 30, 2017.

⁷⁹ Figure represent estimates of monetary relief for consumers ordered or required by the Bureau or a court as a result of enforcement actions on fair lending matters between October 1, 2016 and September 30, 2017, as well as other monetary payments such as civil money penalties.

⁸⁰ Dodd-Frank Act section 1013(c)(2)(C).

regulatory and enforcement partners.⁸¹ During the reporting period, Fair Lending continued to lead the Bureau's fair lending interagency coordination and collaboration efforts by working with partners on the Interagency Task Force on Fair Lending, the Interagency Working Group on Fair Lending Enforcement, and the FFIEC HMDA Data Collection Subcommittee.

⁸¹ Dodd-Frank Act section 1013(c)(2)(B).

9. Analysis of the efforts of the Bureau to increase workforce and contracting diversity consistent with the procedures established by the Office of Minority and Women Inclusion.

The Bureau has developed an agency-wide strategic plan (Diversity Strategic Plan) to guide the Bureau in its efforts to manage its diversity and inclusion goals, and objectives.⁸² The Bureau also publishes an Annual OMWI report in the spring of each year. The 2016 OMWI Annual report was published on March 31, 2017.⁸³

⁸² https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201611_cfpb_diversity-and-inclusion-strategic-plan-2016-2020.pdf.

⁸³ https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201703_cfpb_OMWI-2016-annual-report.pdf.

9.1 Increasing workforce diversity

As of September 30, 2017, an analysis of the Bureau's current workforce reveals the following key points:

- Women represent 49% of the Bureau's workforce in 2017 with no change from 2016.
- Minorities represent 39% of the Bureau workforce with a slight increase of the percentage of ethnic minority employees (Hispanic, Black, Asian, Native Hawaiian/Other Pacific Islander (NH/OPI), American Indian/Alaska Native (AI/AN) and employees of Two or More races) from 2016.

The Bureau engages in the following activities to increase workforce diversity:

9.1.1 Recruiting

The Bureau enhances diversity by recruiting and hiring highly qualified individuals from diverse backgrounds to fill positions at the Bureau. During the reporting period, the Bureau:

Participated in at least at six professional conferences and university events, with a focus on building relationships with diverse affinity organizations; and

Utilized intern and professional development programs to build a robust pipeline of talent to meet current and emerging workforce needs.

9.1.2 Workforce engagement

To promote an inclusive work environment, the Bureau focuses on strong engagement with employees and utilizes an integrated approach to education, training, and engagement programs that ensures diversity and inclusion and non-discrimination concepts are part of the learning curriculum and work environment.

9.2 Increasing contracting diversity

During FY 2017,⁸⁴ the Bureau awarded 30% of contract dollars to small businesses enterprises (SBEs), some of which are also minority-owned or woman-owned businesses (MWOBs). The Bureau's contracting rate to small businesses exceeds the Small Business Administration's recommended goal for each Federal agencies of 23%. Of the 30% of SBE contracts awarded at the Bureau in FY 2017, 10% went to small disadvantaged businesses (minority-owned). The total contract dollars awarded to woman-owned small businesses during this period was 11.9%.

In accord with the mandates in section 342(b)(2)(B), goal four in the Bureau's Diversity Strategic Plan describe the efforts the Bureau takes to increase contracting opportunities for MWOBs. The OMWI office and the Office of Procurement collectively work to increase opportunities for participation by MWOBs. Those activities include:

9.2.1 Outreach to contractors

The Bureau increases opportunities for participation of MWOBs and SBEs by:

- Creating and publishing a procurement forecast to assist contractors better understand upcoming business opportunities;
- Updating and distributing technical assistance guides for businesses including *A Guide to Doing Business with the Bureau*, in order to assist businesses understand the procurement process. These resources are also made available digitally on the Bureau website.⁸⁵
- Publishing the Bureau's supplier diversity policy on the Bureau website;⁸⁶ and

⁸⁴ Data source is from the Federal Procurement Data System (FPDS) for FY 2017 from October 1, 2016 through September 30, 2017. The data are current as of October 4, 2017. FPDS data is subject to an OMB annual validation each January for the previous fiscal year.

⁸⁵ <http://www.consumerfinance.gov/doing-business-with-us>.

⁸⁶ http://files.consumerfinance.gov/f/201409_cfpb_supplier-diversity-statement.pdf.

- Participating in four national supplier diversity conferences aimed at MWOBs, and SBEs and providing technical assistance meetings to businesses new to government contracting.

9.3 Diversity within the Bureau contractors' workforces

In accord with the mandates in section 342(c)(2) of the Dodd-Frank Act, goal six of the Bureau's Diversity and Inclusion Strategic Plan describes the efforts the Bureau takes to determine that a contractor will ensure, to the maximum extent possible, the fair inclusion of women and minorities in the contractor workforce, and as applicable, subcontractors workforce. To provide notice to contractors of this responsibility the Bureau developed a contract clause for any solicitation and contract exceeding the simple acquisition threshold, currently, \$150,000. The clause and implementing procedure fulfills the requirement of section 342(c)(3)(A) for the OMWI Director to make a determination about a contractor's (and, as applicable, a subcontractor's) good-faith efforts to include minorities and women in their workplaces.