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CFPB Supervisory Highlights
Spring 2022 (26th) Edition

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Overview of the CFPB's Supervisory Highlights

In its latest and now **26th edition of *Supervisory Highlights*** (May 2, 2022), the Consumer Financial Protection Bureau (CFPB) published its key supervisory findings from recent examinations of financial institutions.¹ The CFPB's goal is to help institutions better understand how the CFPB examines, and what it is finding, relative to compliance with Federal consumer financial laws and regulations. Our summary provides insights and considerations for institutions to help focus compliance risk management efforts.

Items of note

Auto Servicing: Wrongful repossessions deemed unfair, deceptive, or abusive acts or practices (UDAAPs) prohibited by the Consumer Financial Protection Act of 2010 (CFPA), particularly were previously described in multiple issues including Issue 23 (Winter 2021), Issue 17 (Summer 2018), and Issue 16 (Summer 2017). Increased concern and supervisory emphasis on repossessions is reflected in the agency's bulletin released this past February.

Student Loan Servicing: Servicers failed to make incentive payments they offered in advertisements and agreed to make in the relevant consumer contracts. Student loan issues were previously described in multiple issues including Issue 24 (Summer 2021), Issue 23 (Winter 2021), and Issue 21 (Winter 2020). Increased concern and supervisory emphasis on public service loan forgiveness is reflected in the agency's bulletin released this past February, as well as assessment of civil money penalties against a student loan servicer.

Consumer Reporting: Reasonable investigations were not performed by furnishers and consumer reporting companies of disputed information and providing written notices response to consumer credit report disputes, which are repetitions of issues documented in prior editions of Supervisory Highlights. Consumer Reporting issues were previously described in multiple issues including Issue 24 (Summer 2021) Issue 23 (Winter 2021) Issue 22 (Summer 2020) Issue 20 (Fall 2019) and Issue 19 (Summer 2019). Increased supervisory emphasis is reflected in the agency's bulletin released this past January focusing particularly on medical debt collection and credit reporting.

Enforcement actions

Recent enforcement actions by the CFPB highlight **repeat violations of consumer protection law, violation of a consent order, and deceptive statements to student loan borrowers.**

Supervisory developments

Since its last issuance of Supervisory Highlights, the CFPB has [invoked](#) dormant authority to examine nonbank companies posing risks to consumers, [targeted](#) unfair discrimination in consumer finance, [moved](#) to thwart illegal auto repossessions, [stepped](#) up scrutiny of student loan servicers that deceive borrowers about the Public Service Loan Forgiveness program, and [issued](#) a bulletin to prevent unlawful medical debt collection and credit reporting.

¹ Source: Consumer Financial Protection Bureau (CFPB), "[Supervisory Highlights](#)," May 2022.
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Previously identified issues

Supervisory Observations



[Auto Servicing](#)

- 2 previously identified issues



[Consumer Reporting](#)

- 13 previously identified issues



[Credit Card Account Management](#)

- 6 previously identified issues



[Debt Collection](#)

- 6 previously identified issues



[Deposits](#)

- 3 previously identified issues



[Mortgage Origination](#)

- 4 previously identified issues



[Prepaid Accounts](#)

- 2 previously identified issues



[Remittances](#)

- 4 previously identified issues



[Student Loan Servicing](#)

- 6 previously identified issues

How to use this guide

01

For each observation area (e.g., Fair Lending, Mortgage Origination), **review the root cause and description** to find commonly observed issues at financial institutions.

- Root causes are broken into two potential issues:
 - **Process** describes a root cause related to policies, procedures, and automated issues such as coding.
 - **People** describes a root cause related to training or incentives.

02





Review the thematic issues highlighted in the Appendix from previous issues three years' issues of *Supervisory Highlights*. Examiners will likely provide less leeway for issues that have been previously raised by the CFPB, as it is expected that root causes for commonly identified issues should be remediated.

03

After reviewing root causes and previously identified issues, **consider areas of potential improvement** in your compliance program.



Auto Servicing

	 Description	 Violation	 Root Cause	 Similar Findings
01	Wrongful Repossessions Servicers wrongfully repossessed vehicles after consumers took action that should have prevented the repossession. This caused substantial injury to consumers by depriving them of the use of their vehicles. Consumers experienced consequences such as missed work, expenses for alternative transportation, repossession-related fees etc.	Unfair Acts or Practices	Process-Procedures	Summer 2021 Winter 2021
02	Misleading consumers about the final loan payment amount after deferral Servicers misled consumers about the final loan payment amount after a deferral. Servicers sent consumers notices about their final payment amounts that included only imprecise conditional statements without additional information about the magnitude of the final payment. This misled the consumers to believe that payment would only increase somewhat, whereas the final payment increased dramatically.	Unfair Acts or Practices	Process-Procedures	Summer 2021 Winter 2021
03	Overcharging for add-on products Servicers failed to request refunds from the third-party administrators for “unearned” fees related to guaranteed asset protection (GAP) products and failing to apply the applicable refunds to the accounts after repossession and cancellation of the contracts which resulted in inaccurate deficiency balances.	Unfair Acts or Practices	Process-Procedures	Summer 2021 Winter 2019

Similar findings looks across the eight most recent versions of *Supervisory Highlights* (Winter 2019) to direct the reader to previously highlighted violations.



Consumer Reporting

	Description	Violation	Root Cause	Similar Findings
01	<p>CRC duty to conduct reasonable reinvestigation of disputed information</p> <p>Consumer Reporting Companies (CRCs) deleted thousands of disputed tradelines and failed to conduct reasonable dispute investigations when they failed to review and consider all relevant information submitted by the consumer in support of their disputes.</p>	<p>Fair Credit Reporting Act (FCRA) & Regulation V</p>	<p>Process - Policy</p>	<p>Summer 2020</p>
02	<p>CRC duty to provide prompt notice of dispute to furnisher</p> <p>CRCs failed to send notifications of dispute to furnishers within five business days of receiving the dispute.</p>	<p>FCRA</p>	<p>Process - Policy</p>	<p>Fall 2019</p>

Similar findings looks across the eight most recent versions of *Supervisory Highlights* (Winter 2019) to direct the reader to previously highlighted violations.



Consumer Reporting

	Description	Violation	Root Cause	Similar Findings
03	<p>CRC duty to provide written notice to the consumer of the results of the reinvestigation</p> <p>CRCs were not sending the required FCRA complaint statement within five business days of completing the dispute investigation. Moreover, CRCs' statements of results omitted material information necessary to understand the results of the investigation and in some cases the statement of results was incorrect.</p>	<p>Fair Credit Reporting Act (FCRA) & Regulation V</p>	<p>Process - Policy</p>	<p>Fall 2019</p>
04	<p>Furnisher duty to conduct reasonable reinvestigations of indirect disputes</p> <p>Credit card furnishers failed to conduct reasonable investigation of disputes due to erroneously deeming thousands of indirect disputes as frivolous and sent incorrect results of disputes to CRCs.</p> <p>Auto furnishers incorrectly calculated consumers' payment histories while processing dispute investigations, resulting in the including incorrect payment histories in the dispute results reported to the CRCs.</p> <p>Deposit furnishers failed to conduct any investigations of disputes received from specialty CRCs or send results of dispute investigations to specialty CRCs.</p>	<p>FCRA</p>	<p>People - Training</p>	<p>Summer 2021 Summer 2020 Summer 2019</p>

Similar findings looks across the eight most recent versions of *Supervisory Highlights* (Winter 2019) to direct the reader to previously highlighted violations.



Consumer Reporting

	Description	Violation	Root Cause	Similar Findings
05	<p>Furnisher duty to report the results of direct dispute investigations to consumers</p> <p>Furnishers conducted investigations of direct disputes and sent the consumers response letters, but the letters failed to communicate the results of the investigations, which created ambiguity.</p>	Fair Credit Reporting Act (FCRA) & Regulation V	Process - Procedures	Summer 2019
06	<p>Furnisher duty to correct and update information</p> <p>Credit card furnishers failed to send updated or correcting information to CRCs after making a determination that information was not complete or accurate. Additionally, the credit card furnishers violated this provision by failing to promptly update account statuses.</p>	FCRA	Process - Coding	Summer 2021 Fall 2019 Summer 2019

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Consumer Reporting

07





Furnisher duty to establish and implement reasonable policies and procedures concerning the accuracy and integrity of furnished information

Description	Violation	Root Cause	Similar Findings
<p>Credit card furnishers policies and procedures failed to specify how particular data fields should be populated when furnishing information about credit card accounts. The Procedures failed to provide for the retention of records for a reasonable period of time, and failed to perform account level analyses to determine which accounts should be reported in bankruptcy status after a consumer informs the furnisher of a bankruptcy filing.</p> <p>Auto loan furnishers failed to incorporate content relating to the specific activities in which the furnishers engaged.</p> <p>Deposit furnishers had no written policies or procedures for furnishing deposit account information to specialty CRCs and they did not consider and incorporate the guidelines in Appendix E to Regulation V.</p>	Regulation V	Process - Policy	Winter 2021 Fall 2019 Summer 2019

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Credit Card Account Management

	 Description	 Violation	 Root Cause	 Similar Findings
01	<p>Billing error resolution violations</p> <p>Creditors failed to reimburse consumers after billing errors were determined to have occurred as consumers asserted; to mail or deliver correction notices to consumers resolving billing errors in their favor; to conduct reasonable investigations after receiving billing error notices due to human errors and system weaknesses; and provide consumers with the evidence the creditor relied upon to determine no billing error occurred.</p>	Regulation Z	Process - Policy	Fall 2021 Winter 2021
02	<p>Rate re-evaluation violations</p> <p>The creditors failed to conduct re-evaluations of rate increases once every six months after certain APR increases on acquired accounts and failed to consider appropriate factors when performing rate re-evaluations.</p>	Card Accountability Responsibility and Disclosure (CARD) Act	Process - Coding	Winter 2021
03	<p>Deceptive advertising of interest-free financing and failure to process refunds in accordance with account disclosures</p> <p>Certain entities advertised the interest-free financing feature of their credit card without adequately disclosing the preconditions for obtaining the financing. Further, certain entities failed to process refunds in accordance with their credit card account holder agreements.</p>	Consumer Financial Protection Act (CFPA)	Process - Policy	Fall 2021 Summer 2019

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Debt Collection

	 Description	 Violation	 Root Cause	 Similar Findings
01	<p>Using a false or misleading representation in connection with the collection of a debt caused by identity theft</p> <p>Examiners found instances where consumers informed debt collectors that the establishment of the account was the result of identity theft, they still implied that customers were responsible for paying charges on their accounts that were incurred as the result of fraudulent activity.</p>	Fair Debt Collection Practices Act (FDCPA)	Process - Policy	Fall 2021 Summer 2021 Summer 2020 Winter 2020 Summer 2019
02	<p>Engaging in an unfair practice in connection with a collection of a debt by failing to timely refund overpayments or credit balances</p> <p>The institutions failed to state that they would be debiting the excess amounts originally provisionally credited from the consumers' accounts, the dates the institutions would be debiting the excess provisional credits, or that the institutions would (as required by the regulation) honor certain transactions for five days after the notification.</p>	Consumer Financial Protection Act (CFPA)	Process - Policy	Winter 2021

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Deposits

	 Description	 Violation	 Root Cause	 Similar Findings
01	<p>Failure to remove a duplicative hold on an account</p> <p>Institutions failed to complete error investigations following consumers' notices of error because the consumers did not submit an affidavit. A financial institution cannot require a consumer to file a police report or other documentation as a condition of initiating or completing an error investigation.</p>	<p>Unfair acts or Practices</p>	<p>Process - Policy</p>	<p>N/A</p>
02	<p>Failure to honor a timely stop payment request</p> <p>Institutions violated the stop payment requirements by failing to honor stop payment requests for preauthorized transfers tied to debit cards.</p>	<p>Regulation E</p>	<p>Process - Policy</p>	<p>Winter 2019</p>

Similar findings looks across the eight most recent versions of *Supervisory Highlights* (Winter 2019) to direct the reader to previously highlighted violations.



Deposits (Cont'd)

	 Description	 Violation	 Root Cause	 Similar Findings
03	<p>Failure to investigate and determine whether an error occurred</p> <p>Institutions failed to complete error investigations following consumers' notices of error because the consumers did not submit an affidavit. A financial institution cannot require a consumer to file a police report or other documentation as a condition of initiating or completing an error investigation.</p>	Regulation E	Process - Policy	Summer 2021 Summer 2020
04	<p>Failure to provide consumers with notice of revocation of provisional credit</p> <p>Institutions failed to provide notices of revocation of provisional credit to consumers in connection with error investigations regarding check deposits at ATMs.</p>	Regulation E	People - Training	N/A

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Mortgage Origination

	Description	Violation	Root Cause	Similar Findings
01	<p>Compensating loan originators differently based on product type</p> <p>Certain lenders' loan originator compensation agreements provided for higher compensation where Fannie Mae conforming fixed rate loans surpassed a designated threshold percentage of the total loans closed by the loan originator, which was higher than for loans that did not surpass. This constituted paying compensation based on credit product type, which, in turn, violated the Loan Originator Rule.</p>	Regulation Z	People - Incentives	Summer 2021
02	<p>Insufficient documentation for changed circumstance</p> <p>Certain lenders failed to retain sufficient documentation to establish the changed circumstance's validity. The lenders disclosed an appraisal fee on initial Loan Estimates and subsequently disclosed appraisal rush fees, in a higher amount, on revised Loan Estimates. They later claimed that rush appraisals were requested for by the customers, but did not have evident documentation to back it, apart from a checkbox.</p>	Regulation Z	Process - Procedures	Summer 2021

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Mortgage Origination

01

Disclosures failed to reflect the terms of legal obligation



Description

Lenders' Closing Disclosures failed to reflect the fully-indexed-rate as required by the promissory note because the lenders' software miscalculated the disclosed rates. The software used a rounding method that is different from the method used in the corresponding promissory notes, which resulted in Closing Disclosures that do not reflect the terms of the legal obligation between the parties, and likely affected files and loans transferred to other loan servicers.



Violation

Regulation Z



Root Cause

Process - Procedures







Similar Findings

[Summer 2021](#)
[Summer 2019](#)

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Prepaid Accounts

	 Description	 Violation	 Root Cause	 Similar Findings
01	<p>Prepaid account agreement submissions</p> <p>Institutions failed to submit prepaid account agreements to the Bureau within 30 days of the effective date after they amend certain prepaid account agreements. Additionally, they failed to submit, as part of their prepaid account agreement submissions, the names of the program managers and names of other relevant parties.</p>	Regulation E	Process - Procedures	N/A
02	<p>Stop Payment Requests</p> <p>Institutions violated the receipt of valid stop payment requests from prepaid account users. They failed to honor oral stop payment requests with respect to payments originating through certain bill pay systems, including those initiated with the merchant and within the bill pay system housed at the prepaid account program manager.</p>	Regulation E	Process - Procedures	Fall 2021
03	<p>Error resolution documentation notice</p> <p>Institutions failed to include a statement noting the consumer's right to request the documents that the institution relied on in making its determination after determining no error or a different error occurred as part of the report of the result. Institutions failed to fulfill consumers' subsequent requests to provide the documentation relied upon to make the determinations that no error occurred.</p>	Regulation E	Process - Procedures	Fall 2021

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Remittance

	 Description	 Violation	 Root Cause	 Similar Findings
01	<p>Deceptive claims on transfer speeds for remittance transfers</p> <p>Providers engaged in deceptive acts or practices by making false and misleading representations of “instant” and “30 second” transfers, even though the transfers may not be completed in 30 seconds, or they may be otherwise delayed, thereby misleading customers into adverse decision making.</p>	Regulation E	People - Training	Winter 2019
02	<p>Remittance transfer account agreement waiver violations</p> <p>Institutions violated the receipt of valid stop payment requests from prepaid account users. They failed to honor oral stop payment requests with respect to payments originating through certain bill pay systems, including those initiated with the merchant and within the bill pay system housed at the prepaid account program manager.</p>	Regulation E	Process - Procedures	N/A
03	<p>Disclosure and timing issues on receipts for remittance transfers</p> <p>Institutions failed to include a statement noting the consumer’s right to request the documents that the institution relied on in making its determination after determining no error or a different error occurred as part of the report of the result. Institutions failed to fulfill consumers’ subsequent requests to provide the documentation relied upon to make the determinations that no error occurred.</p>	Regulation E	Process - Policy	Winter 2019

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Remittance (Cont'd)

	 Description	 Violation	 Root Cause	 Similar Findings
04	<p>Failure to develop and maintain written policies and procedures</p> <p>Institutions failed to develop, maintain and implement written policies and procedures designed to ensure compliance with the error resolution and documentation retention requirements and of the Remittance Transfer Rule, resulting in violations including the erroneous exclusion of certain types of claims, improper delays in investigations, refunds and notices, and notices missing required information.</p>	Remittance Rule	Process - Policy	N/A
05	<p>Disclosure, timing and refund issues relating to error investigations</p> <p>Institutions failed to provide notice of the results of error investigations, including the notice of available remedies. Institutions failed to provide refunds in the amounts needed to resolve the errors within one business day, or as soon as reasonably practicable, after receiving the sender's instructions regarding the appropriate remedy. They failed to refund fees imposed for remittance transfers when the funds were not delivered to the designated recipients by the disclosed dates of availability and issued error claim denial letters that did not disclose to the sender that the sender has the right to request documentation used in the investigation.</p>	Remittance Rule	Process - Policy	Fall 2021 Winter 2019

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Student Loan Servicing

	 Description	 Violation	 Root Cause	 Similar Findings
01	<p>Failing to make incentive payments</p> <p>Servicers did not make incentive payments described in advertisements or loan contracts in a variety of circumstances. They failed to provide early repayment incentive payments, referral bonuses, and welcome bonuses due to system errors. Servicers did not make early repayment incentive payments based on policies that made incentive payments contingent upon maintaining a deposit account with a specific financial institution, although not disclosed this requirement in the loan contracts.</p>	Unfair Acts and Practices	Process - Procedures	Summer 2021 Winter 2021 Winter 2020
02	<p>Failing to issue timely refunds of specified payments after loan modifications</p> <p>Servicers failing to issue timely refund payments in accordance with the payment schedules in loan modifications. Some consumers made payments that were not due under the repayment schedule provided for in the modification agreement and were therefore entitled to refunds of those payments, but the servicers failed to issue timely refunds to these consumers.</p>	Unfair Acts and Practices	People - Training	Summer 2021 Winter 2021 Winter 2020

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