

July 21, 2011

Re: CFPB Supervision CEO Letter No. 1

Dear Chief Executive Officer:

As you are aware, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) assigns the Consumer Financial Protection Bureau (CFPB) with responsibility for supervising depository institutions with more than \$10 billion in assets and their affiliates for certain consumer protection purposes, including ensuring compliance with Federal consumer financial law. The CFPB will assume that responsibility effective July 21, 2011.

Based on the information currently available to us,<sup>1</sup> your institution will be supervised by the CFPB. Consequently, we are writing to you today to provide an update on the progress that we have made to stand up this function, as well as to provide an overview of the approach that the agency will take in carrying out its supervision and examination responsibilities.

First, the Bureau has made significant strides in assembling a diverse and talented team of individuals to handle these responsibilities, including experienced managers and examiners from federal and state banking and consumer financial services regulatory agencies, as well as seasoned compliance officers from the financial services industry. The work of these individuals will be coordinated by the regional directors of the Bureau's New York, Washington, D.C., Chicago, and San Francisco offices, and overseen by our Washington, D.C. headquarters office. Those regional managers and staff responsible for the supervision and examination of your institution will be contacting you in the near future to introduce themselves, to start the process of establishing a strong foundation of communication between our respective organizations, and to begin familiarizing themselves more fully with your organization. We look forward to gaining a better understanding of your organization, your business strategy, your compliance risks, and your compliance management program.

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<sup>1</sup> We have relied on the information published in the March 31, 2011 Consolidated Reports of Condition and Income (Call Report) and Thrift Financial Report, as well as data gathered from the National Credit Union Administration.

With respect to our approach to protecting consumers, and compliance with the Federal consumer financial laws, we expect that three main principles will guide the CFPB supervision and examination process:

#### *Focus on consumers*

The CFPB will focus on risks to consumers, and compliance with the Federal consumer financial laws, when it evaluates the policies and practices of a financial institution. We expect that institutions will offer consumer financial products and services in accordance with Federal consumer financial laws, and will maintain effective systems and controls to manage their compliance responsibilities. As we conduct our reviews, we will focus on an institution's ability to detect, prevent, and correct practices that present a significant risk of violating the law and causing consumer harm.

#### *Data Driven*

Like all CFPB activities, the supervision function rests firmly on analysis of available data about the activities of entities it supervises, the markets in which they operate, and risks to consumers posed by activities in these markets.

#### *Consistency*

The CFPB will supervise institutions that operate with a range of business strategies: depository institutions that offer a wide variety of consumer financial products and services; depository institutions with a more specialized focus; and non-depository companies that offer one or more consumer financial products or services. In order to fulfill its statutory mandate to enforce Federal consumer financial laws consistently, the CFPB will apply consistent standards in its supervision of all types of institutions. To help accomplish this, the CFPB will use the same procedures to examine all supervised entities that offer the same types of consumer financial products or services, or conduct similar activities.

Such consistency, however, does not dictate uniformity in supervisory expectations. While all of the firms under our jurisdiction must follow the law, we understand that the means that they employ to achieve that goal will – and likely should – differ. Our supervisory expectations are principles-based, and we recognize that large, complex entities may well have different compliance oversight and management systems than much smaller entities or those offering a more limited number of products and services.

## Implementation

The CFPB plans to discharge its supervisory responsibilities through a combination of on-site examinations and offsite monitoring. For most depository institutions supervised by the CFPB, we will conduct periodic point-in-time examinations. For the largest and most complex depository institutions, we will implement a continuous supervision program that will be customized to reflect the consumer protection risk profile of the organization. In carrying out its responsibilities, the CFPB will:

- Coordinate its supervision and examination efforts with other federal and state regulators;
- Strive for transparency, efficiency, and consistency in our supervision and examination processes (while maintaining the confidentiality of supervisory information);
- Make our best efforts to advise you about upcoming examinations well in advance of the time that they start;
- Promote open communication throughout the examination process;
- Meet with you and your management teams to discuss our examination findings and conclusions prior to finalizing our examination reports; and
- Work constructively with you to address compliance risks and issues and, as necessary, to strengthen your organization's compliance program and practices.

Our goal is to have an open and candid dialogue and a constructive relationship in which we can work together to carry out our respective responsibilities, correct any problems that arise, and help ensure that consumers have access to and can benefit from fair, transparent, and competitive markets for consumer financial products and services. We hope that you will keep the CFPB informed in a timely manner about developments and issues at your organization that relate to consumer financial protection matters.

In the coming weeks, the CFPB will be communicating additional information about the initial phase of its supervision policies and procedures. We look forward to discussing our approach with you and to hearing your feedback on how we can improve it.

Very truly yours,

A handwritten signature in black ink, appearing to read 'EW', with a long horizontal flourish extending to the right.

Elizabeth Warren

Special Advisor to the Secretary of the Treasury

A handwritten signature in black ink, appearing to read 'SLA', with a long horizontal flourish extending to the right.

Steven L. Antonakes

Assistant Director, Large Bank Supervision