To the Point: CFPB Audits

Answers from insideCompliance

Complimentary Preview

Complimentary Preview

Copyright © 2014 insideARM.com. All rights reserved.

NOTICE:

This transcript is offered for sale by insideARM.com. Purchase of this transcript entitles the buyer to share this information only among his or her immediate management team of up to five individuals.

Site licenses or multiple copy discounts are available.

insideARM.com

Phone: 240.499.3834

E-mail: editor@insideARM.com | Website: www.insideARM.com

Legal Disclaimer

This information contained in this transcript is not intended to be legal advice and may not be used as legal advice. Legal advice must be tailored to the specific circumstances of each case. Every effort has been made to assure this information is up-to-date. It is not intended to be a full and exhaustive explanation of the law in any area, however, nor should it be used to replace the advice of your own legal counsel.

Complimentary Preview

Table of Contents

How to Survive a CFPB Audit **4**
- **Timeline** **4**
- **Important Laws and Regulations** **6**

Anatomy of an Audit **8**
- **How many collection agencies have been audited by the CFPB? How big are they? How much are these audits costing them?**

Constructive Criticism **9**
- **How should collection agencies respond to consumer complaints? What's the difference between making sure the customer is satisfied and making sure the CFPB is satisfied?**

Spotlight on: EFTA **10**
- **For compliance, and as a general rule, should remotely-crested checks follow EFTA or are RCCs not considered part of it according to the CFPB? Is call recording a sufficient measure of consent for Regulation E?**

Appendix: Rules and Regulations **11**

Complimentary Preview

How to Survive a CFPB Audit

Timeline

Notice of Exam and Pre-Exam Request	•Weeks/months before CFPB's actual arrival •CFPB will request pre-exam materials
Examination conducted	•Audit timeframe will be the prior calendar year •Length of the exam depends on the size of the agency
Draft of findings/Exit meeting	•Less formal than a formal draft of findings
"Matters requiring attention"	•What the examination team found and why corrective actions, if any, are required
Subsequent monitoring	•CFPB checks for follow-through on "matters requiring attention" and issues brought up in the exit meeting
Enforcement action	•2 years after original audit

Complimentary Preview

The purpose of pre-exam materials is for the CFPB to identify the various areas of inquiry that they're going to be looking at in detail and really just focus their efforts on particular areas. These materials can include training materials, policies or reports or documents from day-to-day business.

Here's a Tip:

"My suggestion during this time: When you're looking at the pre-exam is to start thinking about where is the CFPB going to be located within your office. I mean, probably you're not going to want them in the middle of your operation, so that they're set up at some desk on your collections floor. So, you're going to want to set aside a conference room or an office of a good size depending upon how large you are, so that you can set up the space for the CFPB, and also prepare any access systems that are required."

Nicole Strickler
Partner, Messer & Stilp Ltd.

Once the audit itself starts, the CFPB will bring in a variety of people to help: a Bureau manager as a point person, auditors and experts from within the collection industry. The collection industry professionals will be the ones reviewing your call recordings and specific accounts. The auditors, on the other hand, will take specific files and do a top-down analysis of your accounts from acquisition to closeout. They will also take sample cases and really give a thorough look at them.

The CFPB's objectives during a collection agency audit are:

1. **Assess** the quality of the regulated entity's compliance management systems, including internal controls and policies and procedures
2. **Identify** acts or practices that materially increase the risk of violations of Federal consumer financial laws
3. **Gather** facts that help to determine whether a regularity entity engages in acts or practices that violate the requirements of Federal consumer financial laws
4. **Determine** whether a violation of a Federal consumer financial law has occurred and whether further supervisory or enforcement actions are appropriate

Complimentary Preview