The 3 Steps You Must Take to Ensure CFPB Compliance

With a 15 Minute Assessment to Learn Which Areas Your Business Should Focus on NOW
The aftermath of the financial crisis affected millions of Americans. The U.S. economy was devastated as companies crumbled, homeowners lost their homes, and the government ultimately stepped in to correct mistakes that had caused many of these issues. At the core of these problems was an overinflated real estate market, questionable lending practices, lack of consistent regulations and substantial inconsistency in the consumer financial marketplace.

Enter the U.S. Government’s creation of the Consumer Financial Protection Bureau (CFPB). One of the CFPB’s primary purposes is to protect consumers in financial transactions with banks and lending institutions. The focus of the CFPB is lending institutions, banks, collection agencies, student loan servicers, mortgage providers and anyone who markets or sells financial services or products.

The CFPB is the advocate for consumer protection in financial matters – reinvigorating the mortgage market with clear directions to protect consumers and lenders, changing complicated rules around credit cards, and protecting college borrowers from private and public student loan-related issues. Since the agency’s inception, the regulations and rulings enforced have helped to improve overall economic conditions – truly supporting banks, creditors, lending institutions, and other businesses in the U.S. as well.

The scope of the CFPB, however, is more broad than people may realize. As a result, not all businesses under the scope of CFPB oversight are aware of what it takes to comply with these regulations. Non-compliance can cost companies fines, fees and penalties. Perhaps more importantly, it can also effect brand reputation and good standing with your customer base.
# CFPB at a Glance

## What is the CFPB?
- Consumer Financial Protection Bureau
- Federal Government agency founded in 2010

## What is the purpose of the CFPB?
- To protect consumers in financial transactions
- Write rules, supervise companies, and enforce federal consumer financial protection laws
- Restrict Unfair, Deceptive, or Abusive Acts or Practices (UDAAP)
- Take consumer complaints
- Promote financial literacy
- Research consumer behavior
- Monitor financial markets for new risks to consumers
- Enforce regulations that outlaw discrimination and other unfair treatment in consumer finance

## Who will CFPB regulation affect?
- A service provider is defined as someone who:
  - Provides a consumer with a financial product or service
  - Is an extension of a company who provides a financial product or service (may or may not be affiliated with the consumer)
- A financial product or service includes:
  - Payment processing products or services by any technological means
  - Debt collection related to product or service
  - Credit extension or deferred payment of debt by an organization to a consumer
  - Stored value or payment instruments—sold, provided or issued

## How will CFPB regulation impact service providers?
- The consumer will have a voice in every transaction
- Service providers must track, record and proactively manage consumer complaints
- Companies of all sizes must begin putting consumer protection first
- Vendors who use deceptive or aggressive practices will now be held accountable—as will the service providers who hire them
- Non-compliant vendors can now cost service providers fees, fines and consumer payouts
CFPB’s definition of a service provider is wide-reaching because of the coverage included in “financial product or service.” In addition, the agency’s oversight does not end with the service provider’s activities alone. In fact, the CFPB does not require that a “service provider,” as specified in the Dodd-Frank Act, actually be affiliated with the consumer to whom services are provided. This means that CFPB regulations apply to a service provider’s vendors and, because the vendor is an extension of the service provider, the service provider is also responsible for the vendor’s compliance.

The Broad Scope of Financial Products and Services
Consumer financial products and services are generally thought of as banking products, mortgages, personal loans, student loans, auto loans, credit cards and lines of credit.

Since the CFPB was created, the definition of financial products and services has expanded. As defined by CFPB and the Dodd–Frank Act, a consumer financial product or service is a financial product or service “offered or provided for use by consumers primarily for personal, family, or household purposes.” This is a broad interpretation, including each of the following categories of products or services:

- The extension of credit or deferred payment of debt by an organization to a consumer
- Loan servicing
- Brokerage of leases of real or personal property
- Real estate settlement or appraisal services
- Deposit-taking activities or “otherwise acting as a custodian of funds or any financial instrument”
- Prepaid debit cards and other “stored value” instruments
- Check cashing, collection or guaranty services
- Payment processing or “other financial payment processing”
- Financial advisory services
- Credit reporting services
- Debt collection

For example, if your company offers net 30 terms or billed subscription services, you technically fall under CFPB enforcement. Your organization is now held accountable for the actions of your vendors when communicating with your customers. You may be subject to CFPB fines and payments to your customers if you or your vendors, both considered service providers under CFPB regulation, are not in compliance. This includes customer care and first-party collection vendors, as well as third-party debt collection agency partners.

Compliance is a Concern for Many Industries

“Service provider is generally defined in section 1002(26) of the Dodd–Frank Act as “any person that provides a material service to a covered person in connection with the offering or provision by such covered person of a consumer financial product or service.” (12 U.S.C. § 5481(26)). A service provider may or may not be affiliated with the person to which it provides services.”
New regulations and audit procedures under the CFPB are causing concern among several companies in the banking and collections industry, as well as several other affected industries. The latest fines and violations have forced many companies to pay out hundreds of millions of dollars. Telecommunications, healthcare, utility, cable, satellite and other subscription vendors face specific challenges in understanding where CFPB accountability and enforcement begins and ends, as well as where there are opportunities to be proactive about compliance.

Early compliance can protect your most valuable assets, most importantly, your brand. It doesn’t matter how well your vendors perform if they’re breaking the rules, your company is still held accountable for their actions. Your company faces fines and a tarnished reputation if it chooses to partner with unethical or non-compliant vendors.

There is a responsibility shift on organizations that offer consumers financial products and services. This includes every single consumer at each individual touch point. Never has it been more important to hear the consumer’s voice and consider it in every decision. This requires getting into the minds of your consumers, as well as coming to the table with the perspective you have as a consumer in the marketplace.

**Fees, Penalties, and Fines**

Today, under the CFPB, creditors are held accountable for the actions of their vendors at every stage of the consumer experience. This includes everything from marketing to enrollment to payment to debt collection. The financial risk is significant, as revealed in the table below for CFPB’s first three enforcement actions on major banks.

The landscape is shifting. While this can be troubling for companies who are unprepared, it also serves as a
valuable opportunity for companies to be proactive in compliance. Most importantly, companies should listen to consumer concerns. From there, it is possible to speak on behalf of the consumer and provide a superior customer experience that will not only improve compliance and reduce complaints, but enhance the strength and continuity of a brand over time.

It is a widely held belief that in many industries it costs five–to–10 times more to acquire a new customer than it does to keep an existing customer. That means once your business invests marketing and advertising dollars to obtain a new customer, it’s critical to retain that customer.

In today’s social media-driven society, every action (or lack thereof) is an opportunity to gain new customers, obtain low cost online promotion and enhance your referral network. For companies that are not taking this into account, the cost can be devastating. Consumer polling from *Next Big Thing* shows that complaint handling BEFORE it becomes a public and social issue is critical to brands who are seeking to further their presence.

In the survey, 33 percent of respondents stated they would post complaints and negative experiences only if they tried to complain to the company directly but received no reply and 20 percent if they couldn’t find a way to complain to the company directly. What becomes even more problematic is the fact that most respondents (87 percent) stated that seeing a complaint about a product on their social media feed would negatively impact their feelings toward that product.

**No Trade-Offs Necessary**

The challenge for service providers is to create an environment, both internally and with their vendors, where performance and customer service does not suffer from the impact of the new regulations. In reality, most companies engaged in financial matters, such as credit terms and store credit, are facing tougher credit checking and collection processes under CFPB oversight. They may be finding it difficult to hold themselves and their vendors accountable to strict scope of work objectives. Meanwhile, like most businesses, they are looking at budget cuts and margin squeezes. In light of all this, you should not accept vendors that require trade–offs. All agents must learn to balance recoveries with an overall positive customer experience. Service providers must employ timely and efficient processes. Consumer data must be fully understood and leveraged in order to adapt to consumer behavior and adjust communication processes. CFPB regulation cannot justify a decreased focus on providing superior consumer experience or financial performance.
Is your business prepared for CFPB oversight? Answer these six questions to find out how you rank and read on to learn how to prepare. Select the answer (a, b, c or d) that is most similar to the way your business operates today.

1. Do I have an audit process that inspects what I expect from my vendors?
   a. We have a process that is updated, documented and consistently measured.
   b. We have a process that is documented, but not measured.
   c. We have policies and procedures, but we have little accountability from vendors.
   d. We have few policies and procedures for vendors.

2. Do I have metric-driven insight for improved quality and compliance processes and scoring?
   a. We have analytic programs and metrics in addition to processes that use this information for compliance scoring that we track consistently.
   b. We have analytics programs and metrics that we track consistently, but we don’t use it to score compliance.
   c. We have compliance processes and scoring that we track, but we don’t have robust analytic programs and metrics.
   d. We have no processes or accountability in regards to vendor compliance.

3. Do I have a plan to mitigate and lower the risk of paying large CFPB fines and reputation damage from vendors that are not ready for a CFPB audit process?
   a. We have compliance plans and risk mitigation in place to ensure all vendors are compliant and protect our brand and assets. We track and report on this regularly.
   b. We have compliance plans and risk mitigation in place to ensure all vendors are compliant and protect our brand and assets. We are not tracking or reporting on this regularly and/or have not deployed the plan and accountability for the plan.
   c. We have discussed this, but are unsure of what compliance vendors should have and therefore, have no plan.
   d. We have no processes or accountability in regards to vendor compliance.

4. Does my vendor provide thought leadership, compliance support, innovative design and implementation?
   a. Our vendors consistently provide us with thought leadership and innovation. They are always monitoring and reviewing their own compliance and creating proactive plans.
   b. Our vendors comply with our monitoring and review of compliance and follow our proactive plans.
   c. Our vendors occasionally provide us with thought leadership and innovation. They do not monitor and review their own compliance or proactively plan.
   d. Our vendors provide little or no thought leadership, innovation or compliance support.

5. Am I focusing on long-term performance and consumer protection?
   a. We review performance reporting and customer satisfaction with our vendors multiple times each year and ensure that customer protection is our key priority.
   b. We have performance standards in place as well as reporting and customer satisfaction practices. We review these annually with our vendors.
   c. We review performance reporting with our vendors to maintain the performance accountability of each vendor.
   d. We work with each vendor on a case by case basis and do not have a clear system for our company or vendors to follow that outlines when to regularly review reporting or what performance levels are acceptable.

6. Am I actively learning and planning for upcoming CFPB compliance measures?
   a. Our core decision making team in this area has read reports, attended webinars and familiarized themselves with the regulations applicable to our company. We have had a proactive audit completed and can ensure vendor compliance with regulation.
   b. Our core decision making team in this area has read reports, attended webinars, and familiarized themselves with the regulations applicable to our company. We have not had a proactive audit completed, but we are working to become compliant and ensure vendor compliance with regulation.
   c. Our core decision making team in this area is familiar with the regulations that apply to our company, though confusion exists in certain areas. We have discussed plans to become more compliant and ensure vendor compliance with regulation.
   d. Our core decision making team in this area uncertain as to how these regulations affect our company and what changes need to be made. We understand there is risk and have discussed it, but have not moved forward on plans.
Compliance Risk Assessment
What’s Your Score?

Mostly A’s
Your company is proactively ensuring compliance, brand protection and results. The way that your company proactively manages compliance and consumer-focus is admirable. Check the areas where you did not answer “A” to see if improvements can be made in certain areas.

Mostly B’s
Your company is managing compliance, brand protection and vendor results; however, you could stand to be more proactive and include more accountability measures for vendors. Creating policies, systems and best practices based on thought leadership is essential. Reach out for resources to learn more about compliance and read on to learn the three things your company can do now to be more proactive.

Mostly C’s
It sounds like your company has made multiple efforts to manage compliance, brand protection and vendor results. Remember that structure, processes and accountability are key to creating an easy-to-manage system that does not strain your company’s resources. Reach out to thought leaders in compliance to understand compliance best practices and create a more proactive plan. Read on to learn the three things your company can do now to be more proactive.

Mostly D’s
Your company is currently managing compliance, brand protection and vendor results in a very reactive manner. This often causes undue stress on your key decision makers, strains company resources and exposes your company to higher risk. Create a more proactive plan through discussion and planning with thought leaders in compliance to understand best practices and determine what vendors are the best fit for your business. Read on to learn the three things your company can do now to be more proactive.
Protect your brand, consumer relationships and financial assets by taking action now to mitigate CFPB compliance risks in your organization. Roll up your sleeves and dive into these three areas:

1. **Inspect your Vendors and Oversight Processes**
   - Conduct thorough due diligence to verify that your vendors understand and are capable of complying with CFPB-enforceable regulations.
   - Request and review your vendors’ training programs, policies, procedures and internal controls to ensure proper training and management of employees that interact with your consumers and/or are in a compliance role.
   - Revise your contract language to include expectations about compliance, as well as penalties for non-compliance, including engaging in unfair, deceptive, or abusive acts or practices as defined by CFPB.
   - Establish internal controls and on-going monitoring. When your vendor doesn’t utilize your internal technology, inquire as to whether they have access to call monitoring tools, such as speech technology, that allow for transparency into every consumer interaction conducted on your behalf.
   - When serious problems are identified, take action. This includes identifying current vendors whose risk outweighs value and implementing a replacement.

2. **Require Proactive Compliance with Internal Auditing for Vendors**
   - Require vendors to complete an audit prior to CFPB examination by an experienced third-party examiner.
   - Require vendors to deliver the audit findings report, along with mitigation plan and time line.
   - Conduct your own internal audit of your organization’s processes, policies and internal controls through a non-bias, external partner and take appropriate action based on findings.

3. **Put the Consumer’s Voice First**
   - Focus on finding vendors with a similar culture who can share your business’s values of customer service, complaint handing, and consumer experience.
   - Create checks and balances systems to ensure that all reporting is handled properly. Clearly define what is expected of your vendors when handling complaints.
   - Find partner vendors who value ethical, fair and honest practices and invest heavily in innovation and training that will support long-term customer care and retention strategies.

The CFPB regulations are not a negative and daunting hurdle. The key is to create a long-term manageable plan that breaks key audit areas into manageable phases so the project can be managed more effectively. The result is rewarding – regulations encourage companies to do something that can ultimately benefit them in the long-run by:

- Creating a more customer-focused organization
- Garnering insights from reporting on calls, complaints and concerns
- Managing vendors in a more process-driven and systematized way that is focused on overall brand benefit

Once you’ve taken proactive steps, educate other leaders in your organization so the actions you implement will be supported and wide spread. Create a mind-shift change in order to fully protect your organization now and into the future. Make sure that your vendors have the same mindset and culture of consumer-centric service and that you are creating a clear, measurable partnership to provide the kind of consumer experience your brand promises.
CBE Companies was formed in 2013 in an effort to expand CBE Group, leveraging its 80+ years of experience to emerge as a BPO organization. Today, CBE Companies is the parent company of CBE Group, CBE Customer Solutions and Argent Account Acquisitions.

The Mission of CBE Companies is to Make its Customers Better
- Focus on the deepest understanding of its customers’ business
- Provide innovative solutions that provide clear value in solving specific business challenges
- Foster a unique culture and investment in employee engagement

CBE Group was founded on the long-standing principle of consumer-focused solutions, ethical collections and superior performance. CBE Companies carries those beliefs into all of its subsidiaries to provide its clients with first-party and third-party collections, as well as customer care. CBE Companies’ depth of services is designed to meet the needs of its valued clients and provide security, risk management and compliance in all facets of consumer communication.

CBE’s success is achieved by the investment in and integration of past, present and future initiatives that focus on identifying its customers’ most critical needs and developing solutions that address these needs:

Conscious Communications
- CBE Core Values at the heart of all actions and decisions
- Code of Ethics written by employees, for employees
- Zero tolerance for complaints
- 100% call recording and speech technology utilization
- Employee compensation based on service quality and results – not results alone

Customer Satisfaction
- CBE’s workforce philosophy: satisfied employees create satisfied clients
- Develop leaders who foster trust and a collaborative work environment
- Most competitive performance without sacrificing quality or customer service
- Custom reporting and programming flexibility to meet all customer needs
- Reorganize to more effectively use best practices and best resources in all areas of CBE

Innovation
- Intuitive technology that facilitates high productivity and regulatory compliance
- Analytics group dedicated to continuous improvement of processes
- Employee development programs that teach communication styles and techniques