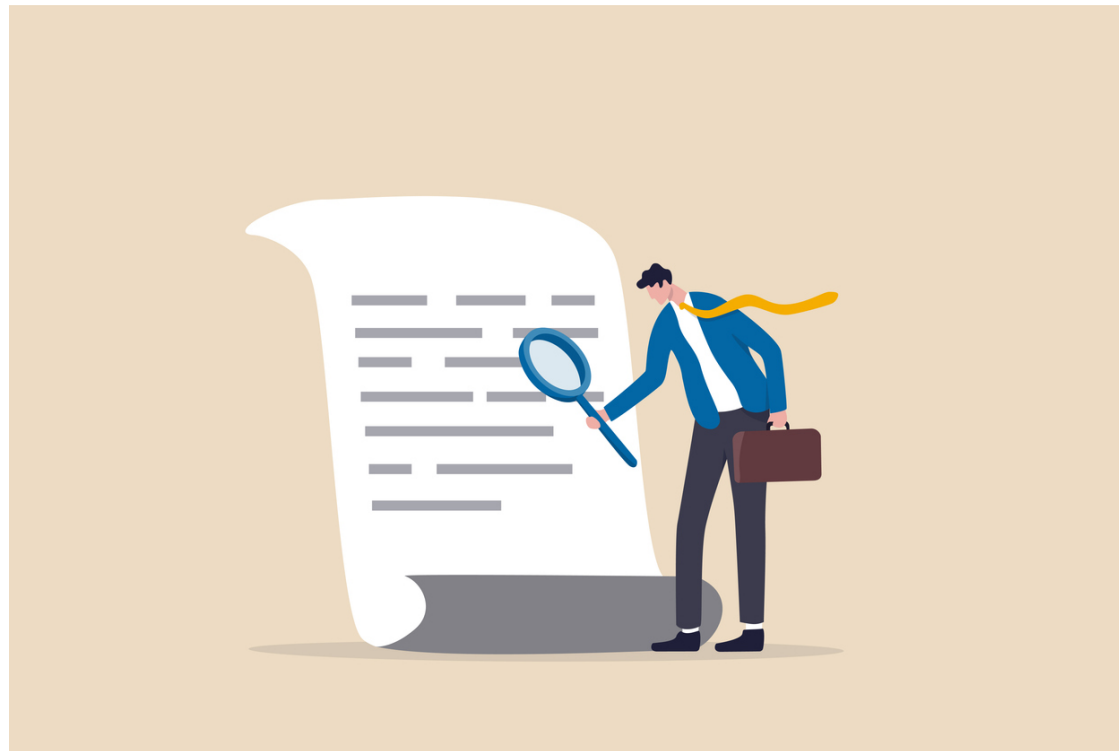




CFPB Compliance 101

Four Critical Steps to Stamping Out UDAAP



Case IQ™

What is UDAAP?

No primer would be complete without defining the core of the new CFPB requirements. UDAAP, an acronym for unfair, deceptive, or abusive acts or practices, is the Dodd-Frank Act's mandate to the CFPB to ensure that all consumer financial products and services are fair. All of the CFPB regulations are geared to eradicating UDAAP. It's a simple concept, but for the affected financial service providers, compliance is far from simple.



Steps to CFPB Compliance

As a starting point to compliance, financial service providers should tackle the following four initiatives.

1. Commit time and resources to a CFPB-specific compliance management system (CMS). Depending on the size of the institution, this could be part of the compliance function already present in the company, or could be a separate compliance initiative. Although the CFPB doesn't dictate the parameters of the CMS it does expect it to include: policies and procedures, training, monitoring and corrective action.
2. Appoint a senior management-level Chief Compliance Officer who is responsible for providing regular reports on CFPB compliance to top-level staff. This will ensure the program stays on track, and demonstrates a commitment to eliminating UDAAP.
3. Implement a robust customer complaint management system to ensure prompt and effective handling of complaints and provide an opportunity to resolve problems before they reach the CFPB. Using case management software to handle customer complaints ensures that no complaints go unaddressed and demonstrates commitment to tracking and resolving consumer issues and gathering information that helps to identify unfair practices so that they can be addressed.
4. Arrange independent compliance audits of the company, either by a third party or by someone who is not actively involved in the CFPB compliance management program. This provides management with an objective outsider's view and adds credibility to compliance efforts. The CFPB may consider this as evidence of a serious commitment to its mandate to stamp out unfair practices.



Self-Reporting

A CFPB compliance program should include a policy for self-reporting. By engaging in what the CFPB refers to as “responsible conduct” a company may influence favorably the resolution of an enforcement investigation.

Responsible conduct involves:

- self-policing for potential violations
- self-reporting any violations promptly to the CFPB
- remediating the harm resulting from violations
- cooperating with any CFPB investigation above and beyond what is required