

Getting to the Root Cause

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Note: This document was used in support of a live discussion. As such, it does not necessarily express the entirety of that discussion nor the relative emphasis of topics therein.



Outline

Today's discussion will cover:

- Compliance Program and Compliance Management System
- Issue identification and Thinking Critically
- Law Violations and Corrective Action
- Key Takeaways
- Questions

Compliance Program

Elements:

Monitoring and/or Audit

Consumer Complaint Response

Policies and Procedures

Compliance Management System

☐ Elements:

☐ Board and Management Oversight

☐ Compliance Program

Policies and Procedures

- Accurate and Current
- Reflective of Business Operations
- Address Applicable Laws and Regulations
- Based upon Risk Tolerance and Risk Appetite

Monitoring and/or Audit

- Balancing Function – **OR** – Matters
- Reflective of Business Practices
- Addresses Applicable Laws and Regulations
- Identifies Issues
- Reporting
- Reasonable

Training

- Accurate and Timely
- Available
- Reflective of Policies and Procedures

Identifying Issues and Critical Thinking

Identify

- Good or bad? Violation or not? Weakness or not?

Evaluate

- How big of a deal is it?

Summarize and Conclude

- What are we/you going to do about it?

Analyzing the CMS Component

Key: Not all violations of law are indicative of a CMS weakness.

Violations of Law

- When did it first happen?
- How was it identified?
- How many instances?
- Over what timeframe?
- Was anyone checking for compliance?
- Were there controls in place?
- Is it significant?
 - Number
 - Severity
 - Harm to Consumers

What to ask? What to do?

- ❑ Identify
 - ❑ Get the facts and stop guessing!
 - ❑ Determine how many facts you need.
- ❑ Look at the Regulation and Commentary
 - ❑ What does the Regulation require?
 - ❑ What does your institution require?
 - ❑ Anything else is a discussion topic.

What to ask? What to do?

- ❑ Root Cause

- ❑ Why did it happen?

- ❑ Preventive Control Weaknesses

- ❑ Policies, Procedures, Training and People

- ❑ Detective Control Weaknesses

- ❑ Monitoring, Audit and Complaints

Corrective Actions Do

- Addresses the root cause of the problem
- Makes sense and is actionable, realistic and reasonable
- Realistic and reasonable in scope
- It's something that you want to do (Be convinced!)

Corrective Actions Do

- Timeframes are reasonable
- Has an owner/responsible party
- Includes methodology for testing – pre/post implementation

Nuts and Bolts of the Root Cause

- Understanding the nature of the business.
- Understanding the source of the violation.
- Understanding the “why” behind the violation.
- Test before, during and after implementation.

Questions?



Consumer Financial
Protection Bureau