



Prioritized Assessments FAQs

QUESTION 1:

What are Prioritized Assessments?

ANSWER (UPDATED 7/1/2020):

Prioritized Assessments (PAs) are a new, targeted supervisory approach that the Bureau has developed in response to the COVID-19 pandemic's impact on consumers and the consumer financial marketplace. Prioritized Assessments are higher-level inquiries than traditional examinations. They are designed to obtain real-time information from entities that operate in markets that pose elevated risks of consumer harm due to pandemic-related issues.

QUESTION 2:

Why is the Bureau conducting Prioritized Assessments?

ANSWER (UPDATED 7/20/2020):

The Bureau is adapting its supervision program to meet the needs of the current national emergency. Because COVID-19's financial impacts and associated relief efforts have significantly changed the financial marketplace, the Bureau is adjusting its supervisory approach and priorities. Through Prioritized Assessments, the Bureau will expand its supervisory oversight to cover a greater number of institutions than our typical examination schedule allows, gain a greater understanding of industry responses to pandemic-related challenges, and help ensure that entities are attentive to practices that may result in consumer harm.

QUESTION 3:

How are Prioritized Assessments different from the Bureau's more typical examination work?

ANSWER (UPDATED 7/1/2020):

Through both its more typical examination work and Prioritized Assessments, the Bureau is committed to using its supervisory authority to prevent violations of Federal consumer financial

law and consumer harm. Prioritized Assessments will be used to identify risk of violations of Federal consumer financial law and consumer harm, particularly in those markets that may be impacted by the COVID-19 pandemic, and to identify whether follow up work is necessary. This inquiry into the risk of violations of Federal consumer law and consumer harm impacted by the COVID-19 pandemic is narrower than the Bureau's more typical examination work in its time period of review and scope, focusing on the most recent few months and pandemic-related issues.

QUESTION 4:

What is the Bureau's legal authority to conduct Prioritized Assessments?

ANSWER (UPDATED 7/20/2020):

The Bureau is conducting Prioritized Assessments pursuant to its supervisory authority pursuant sections 1024 and 1025 of the Consumer Financial Protection Act of 2010, 12 U.S.C. §§ 5514, 5515. Under those provisions, the Bureau has supervisory authority to "require reports" and "conduct examinations" of covered persons and service providers subject to its supervisory authority for purposes of:

- Assessing compliance with the requirements of Federal consumer financial law;
- Obtaining information about the activities and compliance systems or procedures of such person; and
- Detecting and assessing risks to consumers and to markets for consumer financial products and services.

12 U.S.C. § 5514(b)(1); *see also* 12 U.S.C. § 5515(b)(1). The focus of the Prioritized Assessments will be to obtain information targeted on activities and compliance procedures related to current issues arising because of the pandemic, and assess risks of violations of Federal consumer financial law and risks to consumers. Unlike a traditional exam, the Prioritized Assessments are designed to focus on compliance risks, and not designed to find violations or assess compliance. Rather, they are designed to identify *risks* of violations and noncompliance.

QUESTION 5:

How did the Bureau determine which entities would receive a Prioritized Assessment?

ANSWER (UPDATED 7/20/2020):

The Bureau's supervision program reviewed and analyzed current pandemic related market developments to determine where COVID-related issues are most likely to pose a risk to consumers and where institutions may be seeking greater understanding of compliance risks associated with possible accommodations. As a result of that review, the Bureau is focusing its efforts on where it believes the risks are highest to consumers who have lost jobs or income and have trouble making loan payments that are due. The Bureau is also prioritizing markets where Congress provided special provisions to help consumers in the CARES Act.

QUESTION 6:

What type of information is the Bureau requesting from financial institutions during these Prioritized Assessments?

ANSWER (UPDATED 7/1/2020):

Bureau examiners will send a targeted information request pursuant to the Bureau's supervisory authority to each entity that is the subject of a Prioritized Assessment to obtain information necessary to assess risks of violations of Federal consumer financial law and risks to consumers. Each targeted information request is specific to the product market, the market's attendant risks to consumers, and the institution. Typically, targeted information requests will ask for information on how the institution is assisting consumers, challenges the institution is facing as a result of the COVID-19 pandemic, changes the institution has made to its compliance management system in response to the COVID-19 pandemic, information about the institution's communications with consumers, basic data regarding the institution's response to the COVID-19 pandemic, and information about service providers, as applicable. In many cases, the Bureau anticipates that entities with satisfactory compliance management systems will be able to respond to the information request by providing the Bureau with preexisting materials that the entity has already circulated to its board and senior management.

QUESTION 7:

What is the Bureau's process for conducting Prioritized Assessments?

ANSWER (UPDATED 7/20/2020):

The Bureau's examiners will contact institutions selected for a Prioritized Assessment to inform them that the Bureau will be conducting a Prioritized Assessment and will explain next steps. The Bureau's examiners will preview and discuss the targeted information request with the institution and then send the targeted information request to the institution. After receiving the institution's response to the targeted information request, examiners may follow up with additional questions or requests. The Bureau's supervisory personnel will use information obtained from the institution to assess the risks to compliance and to consumers at the institution and to evaluate next steps across entities and markets. At the conclusion of the Prioritized Assessment, the Bureau expects to communicate to the entity that it has completed its analysis, provide a brief assessment, and provide supervisory expectations, when warranted.

QUESTION 8:

Has the Bureau considered the burden on individual institutions that are subject to a Prioritized Assessment?

ANSWER (UPDATED 7/20/2020):

The Bureau will be working to ensure the burden of the Prioritized Assessment is as reasonable as possible in light of its supervisory goals. As an initial matter, examiners will be reasonable in considering and granting any requests for extensions of time needed to respond to the information request. Examiners are also tailoring Prioritized Assessment information requests to individual institutions in three primary ways to reduce burden. First, examiners will tailor the requests based on the information the Bureau already has about the entity and its operations. Second, examiners are working to obtain relevant information from sister federal and state regulatory agencies and are sharing draft information requests with applicable federal and state regulators to minimize duplicative requests. Third, examiners may further tailor the information request to the entity based on the preview discussion of the information request and otherwise will consider any reasonable concerns about the requests, which may include adjustments that enable the institution to provide pre-existing responsive materials..

QUESTION 9:

When will these Prioritized Assessments take place, and how long will they take?

ANSWER (UPDATED 7/1/2020):

The Bureau has begun to send information requests in the highest-risk areas, and will continue over the course of the next few months to send requests about additional priority markets. Although with this new effort the exact timing of the assessments is not certain, the Bureau intends to complete these assessments over the course of the next few months. In certain instances, follow up work may continue, depending on the information obtained and risk assessment.

QUESTION 10:

What is the process for requesting an extension of time to respond to the targeted information request?

ANSWER (UPDATED 7/20/2020):

Institutions needing an extension of time to respond to the targeted information request should request an extension from the examiner in charge of the Prioritized Assessment. Bureau examiners are committed to working with institutions throughout the Prioritized Assessment process and are being reasonable in considering and granting institutions' extension requests.

QUESTION 11:

Some financial institutions have received requests for assessments on the Paycheck Protection Program (PPP) created by the CARES Act. The Small Business Administration (SBA) is responsible for implementing the PPP and has set the eligibility criteria for small businesses to participate in the program. In light of the SBA's role in the program, why is the Bureau conducting these Prioritized Assessments?

ANSWER (UPDATED 7/20/2020):

The Bureau has supervisory authority over large insured depository institutions and insured credit unions, many of which have originated PPP loans. See 12 U.S.C. § 5515. The Bureau also has authority to ensure compliance with the Equal Credit Opportunity Act (ECOA), which covers business credit as well as consumer credit. Consistent with this authority, and with the

goals of its prioritized assessments, the Bureau is requesting information related to the PPP to assess potential fair lending risks attendant to the institutions' participation in the program. To assess these risks, the Bureau's targeted information requests include requests for information on: (1) the steps the institution is taking to ensure it complies with fair lending laws when implementing the program; (2) any additional restrictions the institution has placed on PPP loans that exceed the SBA's requirements for the program; and (3) the steps the institution is taking to ensure the institution complies with Regulation B's adverse action notice requirements. The Bureau recognizes that institutions implementing the PPP are not expected to conduct their own independent assessment of the applicant's credit worthiness, and the Prioritized Assessments will not assess compliance with the underlying requirements of the PPP or the CARES Act.

QUESTION 12:

Banks acted quickly to implement this important program amidst a constant flow of changing guidance. The PPP is still in progress; both loan origination and forgiveness are ongoing. Will the Bureau take these circumstances into account during the Prioritized Assessments, or consider delaying these requests until a later time when all data is available?

ANSWER (UPDATED 7/20/2020):

Prioritized Assessments are designed to (among other things): obtain real-time information from supervised institutions and to help ensure that entities are attentive to practices that may result in fair lending risks and consumer harm. The Bureau recognizes that Banks implemented the PPP amid tight timeframes and with evolving rules to meet statutory goals. Accordingly, examiners will conduct Prioritized Assessments with full knowledge and careful consideration of all relevant circumstances. For example, if an institution has limited information when it receives an information request on forgiveness, generally it will only need to provide the information available to it at the time of the request. Examiners will also be reasonable in considering efficient ways to seek necessary information and will consider any reasonable concerns about the requests or reasonable requests for extensions.

QUESTION 13:

Is the Bureau coordinating Prioritized Assessments with other regulators?

ANSWER (UPDATED 7/20/2020):

The Consumer Financial Protection Act of 2010 generally requires the Bureau to coordinate its supervisory activities with those of other regulators to reduce burden. See 12 U.S.C. §§ 5514(b)(3), 5515(b)(2). Prioritized Assessments are supervisory activities and the Bureau is coordinating its Prioritized Assessment work with other regulators, as required by statute. For example, examiners are working to obtain relevant information from sister federal and state regulatory agencies and are sharing draft information requests with applicable federal and state regulators to minimize duplicative requests and reduce the burden on supervised institutions.

QUESTION 14:

Is the Bureau planning to keep the public informed of its findings during Prioritized Assessments?

ANSWER (UPDATED 7/20/2020):

The Bureau is committed to being as transparent as possible (given the confidentiality required in supervision) about its supervisory findings. Consistent with that commitment, the Bureau will look for opportunities – whether in a future edition of *Supervisory Highlights*, a blog post, or other appropriate document – to share key anonymized findings from its Prioritized Assessments, once those findings are available.