Q&A 2020

The RIMS Strategic and Enterprise Risk Center presents:

Marianne Roth
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ERM at the Consumer Financial Protection Bureau

By Russ Banham

RIMS
Formed in 2010 as an independent federal government agency in the aftermath of the financial crisis of 2007-08, the Consumer Financial Protection Bureau (CFPB) was created to provide a single point of accountability for enforcing federal consumer financial laws and protecting consumers in the financial marketplace. In this important work, the Bureau roots out violations of these laws including unfair, deceptive, or abusive acts or practices by supervising companies and enforcing the law, as well as writing rules to implement these laws. In addition, CFPB accepts consumer complaints and provides educational materials to consumers to improve financial literacy, including in the areas of mortgages, credit cards, and other loans.

Marianne Roth joined CFPB in 2017 as Chief Risk Officer. She previously served as the branch manager for ERM in the federal government's Transportation Security Administration, overseeing all of TSA's ERM activities and leading the effort to mature its ERM program. Her mandate at CFPB was to develop and launch the agency's ERM program. RIMS recently sat down virtually with Roth to discuss her approach to implementing ERM.

RIMS: First of all, congratulations are in order. You were named one of two 'ERM Leaders of the Year' in 2020 by the Association for Federal Enterprise Risk Management, for 'making exceptional contributions to advancing the ERM discipline within the federal sector.'

Roth: Well, thank you. I was honored to share the award. At CFPB, we're really committed to our ERM program, which addresses the entire spectrum of risk. Our risk taxonomy outlines six broad categories of risk—high-level strategic risks, operational risks, legal and compliance, reputational, external risks, and IT risks. Anything that affects the Bureau falls into one of those categories, which are managed by Bureau leadership.

RIMS: When CFPB was created in 2010 as a legislative response to the financial crisis, ERM was not part of the Bureau.

Roth: That's correct. While other federal regulators require banks and other financial institutions to implement ERM practices and procedures, there was not a requirement for federal agencies to do so. When I joined the Bureau in 2017, there was no ERM program. There was risk management, but it occurred in a very siloed manner. My goal was to establish an ERM framework so the leadership at CFPB—the Director and division heads—could consider the full spectrum of risks.

RIMS: Are these risks prioritized in some way?

Roth: In fact, one of the requirements the OMB (Office of Management and Budget in the Executive Branch) put on federal agencies was to develop and maintain a risk profile, prioritizing the most significant risks facing the organization. While other federal agencies tend to focus their risk profile on operational risks, which are very tangible, we decided to focus on our strategic mission risks—what might stand in the way of achieving our mission objectives. The majority of our efforts are focused on that category of risk within our risk profile.

RIMS: We have a broad idea of what CFPB does and the reasons thereof, and have great respect for its mission, given what happened to many consumers in the aftermath of the financial crisis and subsequent recession. People lost their homes and jobs and many young Americans still struggle with substantial student debt. In effect, preventing the abuses that led to these conditions is part and parcel of the Bureau's mission. Tell us more about this mandate.

Roth: We strive to prevent consumer harm by working to ensure that consumer financial markets operate transparently, efficiently, and fairly; that is the type of environment that benefits both consumers and industry. There are four main actions we use to prevent consumer harm. One way is to empower consumers to make informed decisions about financial transactions through financial education. For example, the Bureau publishes many "how-to" guides on topics faced by consumers, like "Buying a House" or "Paying for College". We also create materials that help consumers understand their rights. Take debt collection, for example. When a consumer is contacted by a debt collector, they may face a confusing and stressful process. So, the Bureau has developed various materials to help consumers – like sample letters they can use to respond to debt collectors or explanations of the debt collection process and consumers' rights, which are all posted on our website – consumerfinance.gov. Another way we help ensure markets operate transparently, efficiently, and fairly is by issuing regulations that provide clear rules of the road for companies to follow. For example, we recently issued a final rule amending Regulation F, which implements the Fair Debt Collection Practices Act (FDCPA), to prescribe Federal rules governing the activities of debt collectors. We also supervise financial companies to support a culture of compliance with consumer financial laws; and we enforce violations of the law to hold bad actors accountable and to deter potential future bad acts.

RIMS: So, the CFPB endeavors to understand possible ways in which consumers may be (or are being) harmed, provide consumers information to make more informed choices, communicate rules to companies, and enforce the law against bad actors.

Roth: And some regulated entities may not even realize they're violating the law; that's why our guidance and compliance resources are so critical. We provide different forms of guidance and compliance resources to help companies understand and comply with our rules and the statutes we implement.

RIMS: Could you provide an example of noncompliance unearthed by the Bureau?

Roth: We look at all sorts of bad practices, like companies using very aggressive techniques to contact people with high credit card or auto loan debts, sending debt collectors in some cases to intimidate consumers. In partnership with the Federal Trade Commission and other state and federal law enforcement agencies, we launched Operation Corrupt Collector targeting debt collectors trying to collect on nonexistent debts through scare tactics. It also is not uncommon for a debt collector to contact someone other than the person with the debt to discuss the debt, such as a neighbor or child of the person, which is a prohibited tactic. We've even seen situations where a debt collector shows up at the person's place of employment and jeopardizes their job status.

RIMS: Has the pandemic and recession exacerbated these practices?

Roth: We're still assessing possible bad practices and we've taken a proactive approach by providing clear guidance to industry. For example, we acted swiftly to emphasize to firms that they must comply with the CARES Act. We provided the necessary guidance to companies on how to do so as well as how they should work with consumers to provide relief, including mortgage forbearances and other options.

We also quickly put up a coronavirus resource page on consumerfinance.gov to provide consumers guidance in response to the pandemic.

RIMS: Let's return to the ERM program and its role in creating a structure and processes around the Bureau's strategic mission.

Roth: Our mandate is to strengthen leadership decision-making and improve overall organizational performance. We do this through ongoing monitoring and review of the six risk areas mentioned earlier. Internally, we collaborate with the Bureau's divisions, such as Research, Markets and Regulations, which is where the in-depth analyses of potential consumer impacts from changes in the market occurs; and Consumer Education and External Affairs, which is where we develop the materials educating consumers to improve their financial literacy. I coordinate with the division leadership in reporting to the Bureau's director, Kathy Kraninger, on the status of risks.

RIMS: In the nearly three years since implementing the ERM program, does a particular moment stand out that underlines the program's value to CFPB?

Roth: Yes, back in March and April 2020 as COVID-19 began to spread in the U.S., it quickly became apparent that we were not only facing a pandemic but challenges to the nation's economy as well. That was certainly a galvanizing moment. The Bureau was created because of the financial crisis in 2007-08, so we are well positioned to address the financial challenges facing Americans during this current national emergency. It was an all-hands-on-deck effort to redirect our resources and make sure we rapidly created materials for consumers on the possible impacts. We wanted to be as proactive as possible to head off things before they materialized. I can say the ERM program helped ensure the Bureau was actively focused on external market trends, and our holistic approach to risk helped the Bureau to be well positioned to respond to consumers' needs through coordinated application of our policy tools. The ERM program also helped highlight the importance of organizational resiliency.

RIMS: What's next in the works for the program's continuing maturation?

Roth: We're looking for ways to embed an ERM perspective at lower levels of the organization. We started from scratch, so our focus has primarily been on building a top-down ERM program. Now we are building from the bottom up, focused on how to get managers and supervisors to better understand the Bureau's risk appetite and the processes in place to protect consumers. ■

Russ Banham is a Pulitzer-nominated financial journalist and best-selling author.