

Consumer Financial Protection Bureau (CFPB) Equity Action Plan

Due Date: Thursday, January 20th, 2022 (Upload by 5:00 PM)
Method of Submission: MAX: <https://collect.max.gov/x/Ms6gnO>
Maximum Length of Report: See guidance below.
Format: Microsoft Word Document, 12 pt. font, normal margins

Agency Name: Consumer Financial Protection Bureau

Date Agency Head Review: January 18, 2022

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(1) Executive summary

- Agency name and mission

The Consumer Financial Protection Bureau (CFPB) mission is to make consumer financial markets work for consumers, responsible providers, and the economy as a whole. We protect consumers from unfair, deceptive, or abusive practices, and from discrimination, and act against companies that break the law. We arm people with the information, resources, and tools they need to make informed financial decisions.

- Summary of Action Plan

The concept of Racial and Economic Equity (REE) is embedded in the mission of the Bureau. In order to make financial markets work for all consumers, the Bureau uses its authorities and tools to address the systemic barriers to equitable financial access and the legacy of historical discrimination, as well as discriminatory practices. The Bureau also takes proactive steps to address disparities in equal access to credit, as appropriate. There is an interdependence between what we do externally and how we do our work internally. By examining how we operate, eliminating any systemic barriers to equal access of opportunities for Bureau employees, and fostering a culture of equity for all employees, the Bureau can best achieve its responsibility to protect consumers and ensure that the needs of traditionally underserved consumers are met. For the Bureau to maintain credibility with consumers and financial institutions, it must strive to be the exemplar for racial and economic equity.

(2) Summary of early accomplishments

The Bureau has taken the following actions to advance REE, consistent with Executive Order 13985, released on January 20, 2021:

- On January 20, 2021, Acting Director Uejio announced racial and economic equity as a Bureau priority and established the cross-agency REE Taskforce to develop a framework for advancing REE.
- On March 9, 2021, the Bureau issued an interpretive rule clarifying that the prohibition against sex discrimination under the Equal Credit Opportunity Act (ECOA) and [Regulation B](#), includes sexual orientation discrimination and gender identity discrimination.
- In March 2021, the Bureau launched its first dynamic Supplier Diversity Registry for Minority- and Women-owned Businesses (MWOBs).
- In May 2021, to understand more about the consumers that submit complaints, the Bureau added a demographic section within the existing consumer complaint form and expanded the demographic section within the existing consumer complaint form, adding both household size and household income questions approved through the Paperwork Reduction Act (PRA).
- On September 1, 2021, the Bureau proposed a new rule designed to help small businesses gain access to credit. The rule to implement section 1071 of the Dodd-Frank Act amended ECOA to require financial institutions to submit to the Bureau specific data on applications from MWOBs, and small businesses. The rule will help these businesses gain access to much-needed credit and increase transparency in the lending marketplace.
- September 23, 2021, the Bureau released its first in-depth report analyzing complaint submission patterns by U.S. Census tract, titled *Consumer complaints throughout the credit life cycle by demographic characteristics*.
- On October 22, 2021, in collaboration with DOJ and OCC, the Bureau took action against Trustmark National Bank for deliberate discrimination against Black and Hispanic families.
- On November 16, 2021, the Bureau issued a Request for Information (RFI) to seek input on detecting discrimination in mortgage lending.

(3) Equity action plan

Please clearly identify **three to five** actions that your agency plans to undertake and list them **in order of priority**; provide evidence-based reasoning for selection; and outline high-level elements of implementation. (Actions should address the institutional resources available to offices responsible for advancing **civil rights** pursuant to Section 5(d) and **procurement and contracting** pursuant to Section 7(a) of EO 13985, but may also focus on other significant priorities identified by the agency regardless of whether they were included in the agency's equity assessment.)

Equity Action #1: Incorporating Racial and Economic Equity (REE) principles into the Bureau's strategic planning and divisional review process.

- Barrier to Equitable Outcome (s):
The lack of REE prioritization in the planning and execution of Bureau operations and mission business, specifically in strategic planning and procedures.
- Specify the program, policy, or regulation that contributes to this barrier:
The Bureau's overall Strategic Plan and the Bi-annual Divisional Performance Review.
- Indicate which populations are most impacted by this barrier:
The populations impacted by this barrier are the consumers and the small business owners (including MWOBs) the Bureau serves and the workforce of the Bureau; both external and internal stakeholders are impacted.
- List the evidence indicating that this barrier meaningfully impacts full and equal participation:
REE is embedded in the statutory mission of the CFPB, which includes protecting consumers from discrimination and ensuring that markets for consumer financial products and services operate transparently and efficiently to facilitate access. The CFPB is committed to integrating diversity, equity, and inclusion in the way we meet our mission. The CFPB continually works to foster an inclusive work environment by examining how we operate; eliminating systemic barriers to equal access of opportunities for CFPB employees; fostering an equitable and inclusive work environment; and expanding recruiting practices to increase workforce diversity; ensuring the diverse experiences and perspectives of CFPB employees are valued and respected; and implementing policies and programs that promote a model workplace that is free of discrimination, harassment, and retaliation, which allows all employees to perform at their best level. The Bureau uses strategic plans and reviews to advance these efforts.

Strategic plans and divisional reviews that do not include REE principles and actions negatively affect Bureau employees, consumers, and small business owners. Evidence of the absence of REE principles in strategic planning indicates the absence of inclusive actions and a focus on REE.

- Action and Intended Impact on Barrier:
OMWI is working with the Office of Strategy to establish metrics at the Bureau and division levels to ensure accountability for the implementation of the Bureau's REE priority. In addition, the Bureau is working to incorporate this priority into the Bureau divisions' Bi-annual Performance Review (BPR) process. The Bureau's Office of Strategy and the OMWI Office are collaborating to integrate the Bureau's REE principles into the development of the Bureau's next strategic plan and DEIA Strategic plan, which are both currently under development. In addition, OMWI has worked with Bureau divisions to incorporate the REE principles into their annual divisional D&I

strategic action plans. OMWI has also developed a guidance tool to assist Bureau divisions in interpreting the REE definition adopted by the Bureau in April.

The Bureau prioritized these actions to address the barrier in the most direct way possible; including REE principles in these processes and products will immediately bring equity more directly to our internal and external work. The actions described above are expected to result in reducing or eliminating the barrier to equitable outcomes in the Bureau's internal structure by prioritizing REE principles at the highest level of the Bureau structure – the organization's Strategic Plan. Its impact will be seen in the top down strategic planning across the Bureau - from the DEIA strategic plan to the Divisional strategic plans – all which model their goals from the overall strategic plan.

- **Tracking Progress:**

The Bureau will use the metrics included in the Bureau strategic plan, the Bureau's DEIA strategic plan, and the Bureau's annual D&I strategic action plans, along with the divisional BPR process to track the agency's progress on this action. Key factors from the plans include: Fair enforcement of the law to protect consumers from deceptive practices and discrimination, engagement with underserved populations, expansion of cultural knowledge and diversity and inclusion training, and increased Bureau use of MWOBs.

In 2-4 years, we will use the following factors to determine if the barrier has been substantially reduced: 1) Have the goals and actions in the Bureau's overall strategic plan been implemented? 2) Have the goals and actions in the Bureau's DEIA strategic plan been implemented and are they reflected in the divisional strategic plans? 3) Are the Key Performance Indicators (KPIs) in the Bi-annual Performance Reviews showing improvement?

In 5-8 years, success will be evident in the following ways: 1) A high percentage of divisional diversity and inclusion strategic plan goals were completed 2) Diversity and inclusion achievements and challenges from the past goals will inform the new 5-year Bureau strategic plan 3) There are regularly REE KPIs included in the divisional performance review process and the measurement of success has increased, and 4) Future strategic planning at the Bureau includes REE principles.

- **Accountability:**

The Bureau will hold itself accountable to implementing this action by establishing metrics at the Bureau and division levels and integrating REE Taskforce metrics into the Bureau's division performance review process and Annual Performance Plan. Also, by publishing the Bureau's strategic plan on our public-facing website. The Bureau will also hold itself accountable by reporting on the progress of these efforts in the Bureau's Semi-Annual Report to Congress and Annual OMWI Report to Congress.

Equity Action #2: Ensure bad actors do not harm consumers and small businesses by denying fair, accessible, and equitable banking options in their communities (especially the traditionally underserved).

- Barrier to Equitable Outcome (s):
Barrier to equal access to credit based on the lack of accessible and equitable banking options that would benefit consumers and small businesses.
- Specify the program, policy, or regulation that contributes to this barrier:
Lenders who engage in discriminatory practices such as redlining and other unfair acts and practices.
- Indicate which populations are most impacted by this barrier:
The populations most impacted by this barrier are minority and underserved consumers and small businesses.
- List the evidence indicating that this barrier meaningfully impacts full and equal participation:
The Bureau has three main focus areas: (1) Stimulating more competition in consumer financial markets under the Bureau's jurisdiction (2) Monitoring repeat offenders, particularly those that violate agency or federal court orders and, (3) Restoring relationship banking in an era of big data, automation, and algorithms. These focus areas are built on the pillars of financial inclusion, racial equity, and fair competition.
The Bureau has found that underserved consumers and small businesses have been harmed by the lack of accessible and equitable banking options in their communities. For example, the Bureau recently determined that a National Bank engaged in redlining by discriminating against and discouraging prospective applicants from seeking credit in certain neighborhoods on the basis of race. Also, Congress has charged the Bureau with promulgating Section 1071 of the Dodd-Frank Act for the purpose of (1) Facilitating enforcement of fair lending laws, and (2) Enabling communities, governmental entities, and creditors to identify business and community development needs and opportunities for MWOBs, and small businesses, by creating a data collection and reporting regime for small business lending similar to the HMDA regime for mortgage lending. Attaining access to credit for home ownership and small business ownership contributes to wealth creation, especially for underserved consumers and communities.
- Action and Intended Impact on Barrier:
The Bureau embraces a whole of government approach on these issues by partnering with the Department of Justice (DOJ) and other federal agencies to root out redlining in mortgage lending. The Bureau will work with these other federal agencies to ensure that meaningful relief is provided to impacted consumers and that bad actors, especially repeat offenders, are deterred from committing such practices.

Also, the Bureau will use its small business lending data collection rulemaking per Section 1071 of the Dodd-Frank Act to increase access to credit to MWOBs, and small

businesses. Gathering this data is critical to regulators, lawmakers, and the public with understanding the flow of credit to small businesses and to exposing abusive and unfair lending practices. This data will be vital to advancing racial and economic equity. The ongoing lack of small business data, particularly for businesses owned by people of color, is a significant barrier to understand and address disparities. The new, detailed data on access to credit for businesses owned by people of color will help address racial and economic disparities in access to credit.

In addition, the Bureau will continue to encourage the use of Special Purpose Credit Programs (SPCPs) to expand access to credit to economically disadvantaged groups, including from underserved populations and small businesses, and which will permit lenders to offer advantageous loan programs, that might include special underwriting or pricing for historically disadvantaged groups that meet certain criteria. The Bureau will issue policy statements or guidance and collaborate with other agencies to create incentives for lenders to use SPCP authority to extend more affordable and accessible credit for small business loans, mortgages, and other uses.

- **Tracking Progress:**

In 2-4 years, we will use the following factors to determine if the barrier has been substantially reduced: 1) How many Bureau fair lending actions have resulted in relief? 2) Are more SPCPs being offered to consumers and small businesses? 3) Has the small business data collection final rule been completed?

- *In 5-8 years, success will be evident in the following ways: 1) Expanded access to credit and capital to underserved communities, 2) The use of small business lending data to support supervisory, enforcement, and community efforts to promote more equitable lending practices, and 3) Increased interagency support and incentives for SPCPs.*

- **Accountability:**

The Bureau will hold itself accountable to implementing these strategic priorities through its existing planning and monitoring processes.

Equity Action #3: Ensure that Big Tech’s involvement in consumer financial markets does not impede fair competition.

- Barrier to Equitable Outcome (s):
Big Tech companies who prevent consumers from effectively competing in the consumer financial markets.
- Specify the program, policy, or regulation that contributes to this barrier:
Big Tech’s surveillance of consumers and algorithmic bias that could limit consumers’ ability to fairly shop and navigate in the marketplace.
- Indicate which populations are most impacted by this barrier:
The populations that are most impacted by this barrier are consumers and small businesses (including MWOBs).
- List the evidence indicating that this barrier meaningfully impacts full and equal participation:
The Bureau is concerned about the use of any algorithms that could violate the consumer protection rights of consumers. Certain algorithms may be so operationally complex as to be “black boxes,” whose workings are unviewable to researchers, regulators, and even the institutions themselves. Indeed, some algorithms can create an anti-competitive chokehold for groups with particular protected characteristics, denying them fair participation in competitive markets. The Bureau is concerned about a two-tier system where financial institutions have to play by the rules, but Big Tech companies using mysterious black box algorithms are able to avoid little or no accountability.
- Action and Intended Impact on Barrier:
Pursuant to its market monitoring authority under Dodd-Frank’s Section 1022(c)(4), the Bureau recently ordered six major technology companies to turn over information on their payments’ platform practices and business plans. Of particular concern is tech companies’ ability to combine browsing, geolocation, health, and other information that can potentially put consumers at a market disadvantage. For instance, how do Big Tech companies ensure that their payment systems adhere to consumer protections?

The Bureau will continue its whole of government approach to address this barrier by working with federal and state partners to lead the fight to ensure consumer protections remain robust and enforceable as Big Tech companies enter many financial products and services markets. In 2021, the Bureau announced, in conjunction with other government agencies, a return to enforcement of critical protections for families and homeowners. Specifically, the Bureau ended the relaxed enforcement and supervision of certain requirements. For example, the Bureau will use its unfair, deceptive, or abusive acts or practices (UDAAP) authority to ensure that Big Tech companies and repeat offenders do not engage in anti-competitive practices that would impact communities of color the most. To the extent there have been violations of the consumer protection laws, the Bureau will seek significant remedies that really make sure that those business models are not choking off competition and innovation.

Also, the Bureau will rely on its whole of government approach to partner with the White House Office of Science and Technology Policy (OSTP) and the Equal Employment Opportunity Commission (EEOC) to help make certain that algorithmic programs do not result in discrimination to protected groups in areas such as housing, employment, etc. Further, the Bureau will work on a rulemaking under Section 1033 of the Dodd-Frank Act to facilitate the portability of consumer financial transaction data so consumers, including those that have been traditionally underserved, can more easily switch financial institutions and use innovative financial products. Also, the Bureau will share information about relationship and community banking that could assist, for example, rural communities that may be denied opportunities for credit. All of these measures are intended to combat the potential negative impact of Big Tech's involvement in the consumer financial markets.

- **Tracking Progress:**

In 2-4 years, we will use the following factors to determine if the barrier has been substantially reduced: 1) Are the Bureau, and other federal agencies, working to implement a structure that will effectively monitor potential anti-competitive practices of Big Tech companies? 2) Have the Bureau and other enforcement agencies developed meaningful accountability and penalties for Big Tech companies that violate the consumer protections laws to deter them from engaging in such practices in the future? 3) Is the Bureau progressing with its Section 1033 Rulemaking by completing its pre-rulemaking activity as specified in the government's unified agenda?

In 5-8 years, success will be evident in the following ways: 1) Big Tech companies that engage in unlawful acts are held accountable and appropriate actions are taken to deter such practices in the future, 2) A high % of financial institutions have implemented best practices to help prevent algorithmic bias from occurring, and 3) The Section 1033 Rulemaking has been completed in accordance with the timeline provided by the Bureau.

- **Accountability:**

The Bureau will hold itself accountable to implementing these strategic priorities through its existing planning and monitoring processes.

Equity Action #4: Collaborate with other organizations, regulators, and stakeholders, to ensure there is fairness and equity in property valuations.

- Barrier to Equitable Outcome (s):
The lack of equity in property valuations to support fair mortgage lending.
- Specify the program, policy, or regulation that contributes to this barrier:
Past federal policies contributed to housing segregation and led to market value gaps between communities of color and majority-white neighborhoods that persist today.
- Indicate which populations are most impacted by this barrier:
The populations impacted by this barrier are historically marginalized communities, which include but are not limited to Black, Hispanic, Asian, Native-American, low income White and rural communities.
- List the evidence indicating that this barrier meaningfully impacts full and equal participation:
President Biden announced the creation of an interagency effort (later called the Property Appraisal and Valuation Equity (PAVE) Task Force) in early June 2021 and charged the Department of Housing & Urban Development (HUD) to lead an interagency effort to address inequity in home appraisals. According to the PAVE Task Force, recent studies have found that houses in -majority Black neighborhoods are valued at less than half of those in neighborhoods with few or no Black residents, and statistical analyses show that accounting for neighborhood and property characteristics and amenities does not explain the entire disparity.
- Action and Intended Impact on Barrier:
The Bureau's commitments in the PAVE Task Force's Final Report demonstrate a whole of government approach aimed at increasing equity in property valuations. The Bureau has indicated that eradicating appraisal bias is a key priority of the agency. As a result, the Bureau embraced the opportunity to collaborate with other federal agencies as a member of the PAVE Task Force to address this important issue. It is anticipated that the PAVE Task Force Final Report will be released to the public in 2022.
- Tracking Progress:
In 2-4 years, we will rely on the following factors to determine whether the barrier has been substantially reduced: 1) Have Task Force members coordinated efforts to evaluate and identify the extent of, causes and factors that contribute to the persistent mis-valuation and devaluation of assets? 2) Have Task Force members coordinated agencies' guidance, enforcement efforts, and monitoring authority? 3) Has the authority of the Appraisal Subcommittee (ASC) been leveraged to strengthen oversight of the Appraisal Foundation (TAF), encourage diversity of state appraisal regulatory agencies, and create opportunities for transparent data sharing? 4) Have Task Force members coordinated data collection and reporting, and maintained data repositories (contingent upon feasibility and legal opinion)? 5) Have Task Force members recommended and

implemented actions within agencies' authorities, including concrete steps that federal, state, and local governments and industry will take as expeditiously as possible?

- *In 5-8 years, success might be evident in the following way: 1) All factors tracked from previous years will be substantially completed in this timeframe.*
 - **Accountability:**
The Bureau will hold itself accountable to implementing these strategic priorities through its existing planning and monitoring processes.
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