October 21, 2020

The Honorable Kathleen Kraninger  
Director  
Consumer Financial Protection Bureau  
1700 G St., NW  
Washington, DC 20552

Dear Director Kraninger:

I write to follow-up on our telephone call on October 19, 2020 and ask you, again, to delay implementing a reorganization of the Consumer Financial Protection Bureau’s Division of Supervision, Enforcement, and Fair Lending (SEFL). A reorganization of this magnitude is inappropriate just weeks before an election that will determine whether you continue as Director past January 20, 2021.

During our call, I voiced my concerns that the SEFL reorganization will weaken the Bureau’s ability to hold financial institutions accountable for violating the law and obtain redress for harmed consumers. In response, you claimed that the SEFL reorganization will provide the Office of Enforcement (Enforcement) with additional technical resources and reporting capabilities. The Bureau documents you provided me, that describe the reorganization, contradict this claim and identify specific areas where Enforcement will be stripped of tools, resources, and authority.¹ According to these documents, the SEFL reorganization:

- Disbands Enforcement’s Policy and Strategy Team (PST), a group of subject matter experts on consumer finance law and markets that provides specialized advice and support to Enforcement attorneys, serves as a liaison between Enforcement and other Bureau offices, and determines Enforcement’s overall priorities and strategy;

¹ See Appendix A, which contains the following Bureau documents related to the reorganization: (1) SEFL Organizational Review Decisions Information; (2) SEFL Organizational Review Background Information; (3) SEFL Organizational Charts; and (4) SEFL Reorganization FAQs.
- Strips Enforcement of its seat at the table and vote to determine whether potential violations of federal consumer financial law should be resolved through supervisory examinations or through an enforcement action;
- Strips Enforcement of its authority to open new research matters (precursors to investigations) or new investigations of potential violations of federal consumer financial laws;
- Strips Enforcement of its E-Litigation Team, which provides specialized technology expertise and manages electronic data discovery from initial Enforcement investigations through trial; and
- Strips Enforcement of its representation in the “Clearance” process, which will exclude Enforcement from sharing its views and potential concerns with other the Bureau offices regarding proposed rules, regulations, guidance, advisory opinions, or other public Bureau statements.

According to the Bureau’s documents you provided me, the claimed objective of the SEFL reorganization is to allow for “centralization and streamlining” and “establishment of a consistent and unified SEFL approach to policy and strategic planning.”\(^2\) While these objectives may have merit, how they are achieved matters. Here, to the extent the reorganization achieves any desired consistency or efficiency, it is by cutting out Enforcement’s voice and role in critical SEFL decisionmaking processes. It also introduces inefficiency and confusion by taking dedicated Enforcement resources, such as the E-Litigation team, and asking them to do non-Enforcement work and report to a new SEFL-wide office.

Despite your attempts to characterize the SEFL reorganization as supporting Enforcement, it is clear that it will diminish the resources, authority, and ultimately the effectiveness of an office that returned almost $12 billion to more than 29 million consumers under your predecessor. I recognize that, as Bureau Director, you have the authority and discretion to reorganize the SEFL Division—but so does a successor. It is inappropriate to undertake such a major reorganization just weeks before an election that will determine whether you continue on as CFPB Director. You claimed the reorganization would benefit the next Director, but at this point, that is a call that a potential new Director should make, not you.

After seeing details of the SEFL reorganization, I am even more convinced that it is misguided and will weaken the Bureau’s ability to protect consumers from exploitation, abuse, and discrimination in the marketplace. If you insist on going down this ill-advised path, you should at least not move forward with the SEFL reorganization until it is clear that you will continue as Director. In the interim, I ask that Brian Schneider, the Bureau’s Associate Director for the SEFL

\(^2\) See SEFL Organizational Review Decisions Information at p. 2.
Division, and Thomas Ward, the Director of Enforcement, provide my staff with a briefing on the reorganization, including any timeline for implementation, next week. Thank you for your attention to this important matter.

Sincerely,

[Signature]

Sherrod Brown
Ranking Member
SEFL Organizational Review
Decisions Information

During my tenure as Associate Director, I have been continually impressed by your dedication to the Bureau’s mission of promoting fair and transparent consumer financial markets and protecting consumers as well as by the quality of work and effort that you deliver each and every day in order to protect the American people. I want to thank you for that commitment and, in particular, for your perseverance through such an uncertain and challenging time.

I have also noticed opportunities for improvement: achieving more effective and consistent coordination and collaboration across our component offices; working more closely as a team with a unified strategy; and generally executing more efficiently. These were some of the goals I brought to the SEFL Organizational Review when it kicked off in February of this year.

As this review took shape, I made a conscious decision to ensure that all SEFL staff had multiple opportunities to provide feedback directly. It was very important to both the Director and me that the foundation of this effort come from you; we wanted to ensure we considered what you thought was working well and wasn’t, and how you thought SEFL could improve.

Thus, we launched an extensive data gathering effort that consisted of a SEFL-wide survey, interviews with SEFL leadership and Bureau stakeholders, and focus groups that engaged directly with SEFL staff. We heard from 63% of you through the survey, a remarkable response rate that demonstrates just how many SEFL voices sought to be heard. In interviews, we heard from 59 SEFL managers representing every SEFL component office and region. And in the focus groups, which were open to everyone in SEFL, we talked with more than 120 SEFL staff who candidly shared their perspectives. Thank you to everyone who participated in this effort and for the high-quality feedback you provided.

In addition to the above data gathering, the Assistant Directors of ENF, OSE, and OSP all submitted materials in which they articulated what they identified as SEFL’s improvement opportunities as well as how they recommended addressing those opportunities.

Lastly, I requested that the working group consult with academic sources related to organizational design; the working group, in consultation with OHC, synthesized more than 20 academic sources into a research paper for my review.

Based on all of this information, I made specific recommendations to the Director, which she approved. While these changes will affect the way we do our work, and will improve how we serve the American public, I want to note that each and every one of you will be staying in SEFL and will have a job at the same pay band and with the same pay, and some promotional opportunities may be available. Some of these changes will require bargaining with NTEU over impact and implementation.

The Director’s approval of my recommendations resulted in the decisions listed below. Brief information supporting each decision is included below as well as relevant notes concerning certain positions. Please refer to the Supplemental Information Attachment for more relevant information that informed these decisions. Please also review the attached notional future state organizational charts that reflect these decisions at your convenience.

I. Overall SEFL Structure

The Bureau will create the Office of SEFL Policy & Strategy (OSPS), disband the Office of Supervision Policy (OSP), rename the Office of Supervision Examinations (OSE) to the Office of Supervision (SUP), and establish a SEFL Operations Section (SEFL OPS) to deliver operations services SEFL-wide, resulting in the following SEFL offices and section:

- Supervision, Enforcement and Fair Lending Front Office (SEFL FO)
  - SEFL Operations Section (Reports to the Deputy Associate Director in the SEFL FO)
- Office of Enforcement (ENF)
- Office of SEFL Policy & Strategy
- Office of Supervision
This reorganization allows for more effective and consistent delivery of policy, strategic planning, tool choice and operational/administrative functions SEFL-wide. The centralization of these functions will increase efficiency, promote role clarity, reduce friction, establish consistency in policy and strategic outcomes SEFL-wide, and leverage existing expertise across SEFL.

II. Office of SEFL Policy & Strategy

Most of OSP (except some administrative/operational staff transitioning to SEFL OPS and some staff from the Compliance Technology Supervision Support Team relocating to SUP), OSE HQ’s Reporting Analytics, Monitoring, Prioritization and Scheduling (RAMPS) Team, and Enforcement’s Policy and Strategy Team (ENF PST) personnel and functions will be moved to the Office of SEFL Policy & Strategy to concentrate all SEFL policy and strategic functions into one organizational unit. OSPS will be organized by Institution Product Line (IPL), mirroring the current distribution of subject matters in OSP. ENF PST attorneys will be reassigned onto IPL teams and will have the opportunity to express preferences with respect to the IPLs. They will also be able to compete for five of the six IPL Manager roles and the second Deputy Assistant Director position. Each IPL Manager will report directly to the Principal Deputy Assistant Director of OSPS while RAMPS and other cross-coordination staff will report to a second Deputy Assistant Director of OSPS.

The Office of SEFL Policy & Strategy will assume responsibility for the following functions critical to the effectiveness of SEFL:

- Tool-Choice Processes/Recommendations (e.g., ARC, Triage)
- Triage process remains the same for discretionary supervisory events (e.g., Type 20s, etc.) with negative option for OSPS for discretionary supervisory events that would not otherwise enter triage
- Management of Clearance
- Policy/Legal Issue Analysis and Determinations
- Exam Support (e.g., Coordination with the Legal Division and Office of Regulations, Novel/Complex Legal Issues from Examinations, etc.) with the exception of training in support of examinations (which will move to SEFL OPS)
- Supervisory Highlights
- Prioritization/Strategic Planning (ENF and SUP)
- Approval of RAMs and OIMs originating from ENF

Tool Choice determinations and processes were identified as a critically important issue throughout the SEFL organizational review. The relocation of most of OSP (with the exception of certain administrative/operational staff), RAMPS, and ENF PST personnel and functions, and specifically those functions listed above, into OSPS will allow for:

- The centralization and streamlining of critical tool-choice decisions, thereby reducing friction and promoting efficiency across SEFL.
- The establishment of a consistent and unified SEFL approach to policy and strategic planning across both enforcement and supervision tools, which will also allow SEFL to more effectively interface with other Bureau stakeholders when coordinating across policy matters, including, for example, the Research, Markets & Regulations Division; the Office of Fair Lending and Equal Opportunity; and the Legal Division.
- Increased role clarity across SEFL.
- The preservation of the expertise of the affected staff.

Position Notes:
- **OSPS Assistant Director:** Peggy Twohig will be reassigned from Assistant Director of OSP to Assistant Director of the Office of SEFL Policy & Strategy.
- **OSPS Principal Deputy Assistant Director:** Alice Hrdy will be reassigned from Principal Deputy Assistant Director of OSP to the Principal Deputy Assistant Director of Office of SEFL Policy & Strategy.
- **OSPS IPL Managers and Deputy Assistant Director:** will be reassigned to the Originations IPL Manager position. The other IPL Manager positions, as well as the other Deputy Assistant Director position, will be competed with only impacted employees eligible to compete.

**III. Office of Enforcement & Office of Supervision Functions**

The Office of Enforcement and the Office of Supervision will retain the following functions respectively:

- **Office of Enforcement:** Litigation & Litigation Support (except e-Law Litigation Support which will move to SEFL OPS); Investigations; and Monitoring & Compliance of Non-Supervised Entities under Consent Order.
- **Office of Supervision:** Supervisory Activity (e.g., Examinations, Continuous Monitoring, and other supervisory contacts); Monitoring & Compliance of Supervised Entities under Consent Order; and Nationwide Multistate Licensing System & Registry (NMLS) and Interstate Land Sales (ILS).

The retention of these functions in their current organizational units will allow for the effective execution of a unified SEFL strategy developed by the OSPS under the direction of the SEFL Associate Director. It also limits the scope of any potential disruption caused by the recommended structural and functional reorganization. Furthermore, it does not overburden the new OSPS with functions better and more efficiently performed by line attorneys in ENF and/or commissioned examiners in SUP. The NMLS and ILS functions are being retained in SUP to minimize disruption and because they are regulatory in nature, similar to a licensing function.

Additionally, I will instruct the newly constituted OSPS to develop recommendations for me to further improve tool-choice decision making, prioritization, strategic planning, and coordination both across the regions and SEFL overall. In this way, OSPS will serve as the primary input to my decision-making on the use of the enforcement and supervision tools. ENF and SUP are thus tasked solely with executing against my policy and strategy decisions based on the recommendations from the new OSPS. In addition, this proposal eliminates the second deputy position in OSE.

**Position Notes:**

- **Office of Enforcement:** There are no structural or positional changes in the Office of Enforcement with the exceptions of the relocation of the Enforcement Policy & Strategy team to the Office of SEFL Policy & Strategy and the relocation of the e-Law Litigation Support Team, ENF training personnel, and ENF RMO/AO resources to SEFL OPS. Tom and Cara will continue their tremendous leadership as Assistant Director and Principal Deputy.
- **Office of Supervision:** There are two important notes regarding the leadership of the Office of Supervision.
  - **Assistant Director:** Given the retirement of former OSE Assistant Director Paul Sanford, the new Office of Supervision Assistant Director position will be competed. SEFL leadership is working with OHC to post for the position as soon as possible.
  - **Deputy Assistant Director:** There will no longer be two deputies in the Office of Supervision. Instead, a revised role will be developed and will serve as the sole deputy in the Office of Supervision. This position will be at the CN-81 level and competed internal to SEFL.
IV. SEFL Operations Section

The Bureau will consolidate all SEFL operational and administrative functions into a single organizational unit, called the SEFL Operations Section (SEFL OPS), which will report to the Deputy Associate Director in the SEFL FO. The unit will consist of e-Law Litigation Support and ENF training personnel from ENF; Supervision Learning & Development, the OSE Management & Strategy Team, and the OSE Systems Team, except the NMLS and ILS Teams from OSE; and the RMOs/AOs from all SEFL component Offices except for the regions. SEFL OPS will be tasked with the following core, operational duties for all of SEFL:

- Audit & Enterprise Risk Management Functions
- Budget
- Human Capital
- Internal & External Operating Metrics
- Learning & Development (including Examiner Commissioning)
- Procurement
- Technology & Data Management (including Records Mgmt., Privacy, Knowledge Mgmt., etc.)
- Administrative and operational support in the Regions will continue to report to their respective Regional Directors and they will have an informal reporting relationship to the new SEFL Operations Section.

Position Notes:

- **SEFL Operations Section Chief:** This position will manage the new SEFL OPS organizational unit and will report directly to the Deputy Associate Director of SEFL. This position will be competed internal to SEFL.

- **SEFL Operations Learning & Development Lead:** This position will manage a SEFL-wide Learning & Development strategy and team. [Name] will be reassigned into this position.

- **SEFL Operations Support Lead:** This position will manage a centralized team of SEFL AOs and RMOs. [Name] will be reassigned into this position. I have requested that [Name] submit to me an organizational plan for his team, and any manager positions in [Name] unit will be competed across his unit.

- **SEFL Operations Technology & Data Management Lead:** This position will manage technology and data across the SEFL division. [Name] will be reassigned into this position. [Name] will be reassigned to SEFL OPS to continue leading the e-Law Litigation Support team under [Name].

Under the Director’s leadership, we have stressed the importance of division-level accountability for operational/administrative functions across the Bureau’s divisions, including those functions outlined above. This decision will improve, strengthen, and unify the delivery of these functions throughout SEFL by consolidating them into a single centralized unit, allowing for efficiencies of scale and opportunities to improve our current processes and service delivery. Additionally, SEFL FO management will allow for a greater degree of oversight and visibility into the operation of these functions.
Office of SEFL Policy & Strategy
Throughout the review, we heard from many SEFL staff about concerns with current tool-choice processes and the lack of unified SEFL policy, strategic planning, and prioritization functions. In addition, survey, interview, and focus group participants often identified issues with different aspects of SEFL’s overall and component office structures. Tool-choice and SEFL structure were the third and fourth most prominent issues identified in the survey, each with more than 20% of surveyed SEFL staff suggesting change. This feedback was equally prominent throughout the interviews and focus group sessions.

Much of this feedback addressed communication, coordination and information sharing issues, which was also a highly prominent (consolidated) stand-alone issue with approximately 18% of SEFL supporting change. In the interviews and focus groups, we learned more about the challenges coordinating use of the enforcement and supervision tools, and the tension between the episodic and continuous natures of the tools respectively. This feedback made clear the need to address these critical SEFL challenges.

I therefore recommended to the Director that we unite the policy and strategic functions of SEFL into a single Office of SEFL Policy & Strategy (OSPS). OSPS will be tasked with the critical role of promoting consistency, gathering and sharing information, supporting coordination, and making informed tool-choice, strategy, and prioritization recommendations to me. The Offices of Enforcement and Supervision respectively will retain many of their functions but will be tasked primarily with execution of the strategic and policy decisions that I make based on the recommendations of OSPS.

The new OSPS office will allow SEFL to more seamlessly make tool-choice decisions, allowing for greater consistency and role clarity; alignment with broader SEFL goals, strategy and policies; reduced friction and inefficiency when making these critical decisions; and more timely and efficient information sharing between experts in both the supervision and enforcement spaces. It is my firm belief that this structure will make SEFL a more effective and efficient organization.

SEFL Operations Section Consolidation
In the survey, interviews, and focus groups, we also heard about the disjointed nature of SEFL operational services and how consolidating those groups into a single organizational body would allow for the more effective delivery of human capital, technology, budget and procurement functions. Approximately 10% of survey respondents suggested change in how SEFL delivers its technology and 11% outlined issues related to the current organization of work functions across SEFL, which included feedback about administrative/operational functions.

For example, a subject we heard a lot about was knowledge management, which is currently decentralized across SEFL, with ENF and Supervision managing their own separate systems and improvement initiatives. By centralizing the performance of these duties, SEFL can better manage knowledge and work together to meet SEFL-wide goals.

Lastly, centralizing budget, hiring, technology, procurement and other operational functions will help achieve greater consistency in the delivery of these services while promoting alignment with broader SEFL strategy and goals.

Research Support
As I mentioned, I also received a summary of more than 20 academic research papers on organizational design to inform my recommendations to the Director. That research discussed the importance of specialization and centralization. Informed by the academic research performed by the working group, the
complexity and interdependence of the work SEFL performs will be more effectively managed in a centralized and highly specialized environment.

Based on my review of the academic research, it is clear that consolidating the above-mentioned functions for both enforcement and supervision tools and offices will allow SEFL to more effectively control gaps in information sharing, manage task interdependencies, and promote coordination. The specialization of these teams and the subject matter expertise they possess aligns neatly with the scope of their new/relocated duties, allowing for greater and more consistent management of tasks. This is critical because these tasks often involve multiple processes (e.g., ARC, Triage, EAP, etc.) and require a complex assessment of the market environment, nuanced legal issues, broader operational initiatives, etc. It also promotes more effective communication between subject matter experts, something that was challenging in SEFL’s former generalist-specialist hybrid structure. Indeed, given the complexity, nuance and required subject matter expertise to make informed tool-choice, prioritization, and operational decisions, greater specialization of these work functions will provide significant utility to SEFL over time. These changes will help us achieve SEFL’s overall aims to protect consumers, promote fair, transparent, and accessible consumer financial markets, and meet our statutory responsibilities.

Additionally, these changes will create a more united, team-focused, and cooperative environment for SEFL staff. By specializing the duties assigned to respective offices and centralizing functions, we will reduce the scope and nature of disagreements across the division. A united SEFL is a more effective one.

**Continuous Improvements**

Uniting these functions will not only provide immediate benefits in the operation and performance of SEFL’s duties, but also open the door for continuous improvement.

Indeed, these changes provide an environment conducive to future changes. Whether to rethink and recalibrate the decision rights with other stakeholders, to limit the amount of exam report review, improve clarity of the PFL/PSA process, or support the development of a comprehensive knowledge management system, the establishment of OSPS and SEFL OPS provide the foundation to make SEFL a more effective and efficient tool for the American people.

Finally, I want to reiterate my thanks to everyone who participated in this review. Your feedback was essential to this effort, and it will inform future endeavors in SEFL for quite some time.
SEFL Reorganization FAQs

Please send any additional questions to SEFL_Reorg@cfpb.gov.

1. Why are we reorganizing?

We are reorganizing SEFL to address long-standing pain points and perform our mission better. In particular, the reorganization will address two issues.

First, for a long time SEFL has had challenges working together efficiently in areas like strategy, prioritization, and tool choice. To be candid, we spend too much time in SEFL arguing over which institutions to examine or investigate and, over the years, this has deteriorated morale. This came through loud and clear in the survey, interviews and focus groups during the organizational review. To begin to address this problem, we are creating a new Office of SEFL Policy and Strategy (OSPS) to be responsible for all of our policy, clearance, prioritization, strategy, and tool choice decisions. This will significantly streamline our decision-making processes and reduce friction within SEFL. The other two SEFL Offices, Enforcement and Supervision, will be focused almost exclusively on the execution of their respective tool.

Second, SEFL’s administrative, training, and technology functions have been spread across the component offices since the beginning of our division. This has created a somewhat cumbersome, disjointed, and uncoordinated operations process that could use some improvement. This topic surfaced throughout the organizational review feedback. By bringing our operations functions together in one unit within SEFL, we will gain economies of scale, deliver operations functions more efficiently, and improve the support we provide to everyone in SEFL.

With these changes, we are taking important next steps to achieve our goal of working together as “one SEFL.” We will continue to explore more improvements to our processes that will bring us together as one cohesive team.

2. When will the SEFL reorganization happen?

We are beginning the process today but there are a lot of steps to complete before our reorganization will be final. For example, while there are some positions at the management level that we can fill immediately, we may need to bargain with the NTEU over the impact and implementation of any changes to condition of employment for bargaining unit employees resulting from the reorganization. We also need to create and/or revise position descriptions, finalize organizational charts, create or amend organizational codes, and identify and address other operational impacts. We also anticipate competing some of the new management positions created by the reorganization.

3. Which jobs will be competed?

All employees and managers will retain their current payband and salary.
Managers: Certain management positions will be competed as part of this reorganization. In the renamed Office of Supervision, both the Assistant Director and Deputy Assistant Director positions will be competed. In the new OSPS, certain pay band level 71 manager positions will be competed. In the new SEFL Operations Section, the Section Chief position will be competed.

Non-Managers: For non-manager IPL positions in OSPS, we will solicit preferences for reassignment from ENF PST attorneys for those attorneys not selected for an IPL Manager position. We do not expect other non-manager positions to be competed.

4. Who will lead the new OSPS?

Peggy Twohig will serve as the Assistant Director and Alice Hrdy will serve as the Principal Deputy Assistant Director.

5. How long will the reorganization take?

In general, similar reorgs have taken 6 months or more.

6. Will I have a job?

Yes. When the reorganization is final, all staff will have a job in SEFL which will be at their current pay band and salary, unless they choose to apply for a promotional opportunity. There will not be reductions in force.
SEFL Front Office

Bryan Schneider
Associate Director
SEFL

David Bleicken
SEFL Deputy
Associate Director

To Be Competed
SEFL Operations
Section Chief

- Learning & Development
  Management & Team

- Ops Support
  Manager & Team
  (includes MST, HQ
  RMOs/AOs & New
  RMO Lead)

- Tech. & Data Mgmt.
  Management & Team

NOTIONAL
YELLOW INDICATES
NEW POSITIONS

NOTE: ALL OTHER SEFL FO POSITIONS REMAIN.
THIS REPRESENTS THE REPORTING STRUCTURE
OF THE NEW SEFL OPERATIONS SECTION.

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Office of Enforcement

Tom Ward
Assistant Director
Enforcement

Attorney Advisor

Rebecca Gelfond
Supervisory
Attorney Advisor

Support Staff

Legal Support

Investigative Support

Lani Lee
Supervisory
General Attorney

Cara Petersen
Principal Deputy
Assistant Director

Litigation Deputy
Team Management & Staff

Litigation Deputy
Team Management & Staff

Litigation Deputy
Team Management & Staff

NOTIONAL
YELLOW INDICATES
NEW POSITIONS

NOTE: ENF REMAINS THE SAME, EXCEPT ENF PST MOVES TO OSPS AND E-LAW LITIGATION SUPPORT AS WELL AS ENF TRAINING PERSONNEL, MOVE TO SEFL OPS.

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Office of Supervision

To Be Competed
Assistant Director
Supervision

To Be Competed
Deputy Assistant Director

Compliance Technology
Supervision Support

Attorney Advisor

Kerry Morse
Oversight Manager & Team

Jamie Robenseifner
Registry Systems Manager & Teams

Executive Assistant

John Schroeder
MW Regional Director & Exam Staff

Mitchell Kent
NE Regional Director & Exam Staff

Jim Carley
SE Regional Director & Exam Staff

Laura Fiene
West Regional Director & Exam Staff

NOTE: RAMPS MOVES TO OSPS, SL&D AND ADMIN. FUNCTIONS MOVE TO SEFL OPS, REGIONS REMAIN THE SAME. COMP TECH SUP SUPP JOINS.

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