

Testimony of Richard Cordray
Director, Consumer Financial Protection Bureau
Before the House Committee on Financial Services
Subcommittee on Oversight and Investigations
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Chairman McHenry, Ranking Member Green, and Members of the Subcommittee, I am glad to be here today to address certain personnel and management matters at the Consumer Financial Protection Bureau.

Although I am the Director of the Bureau and I am the one who is squarely responsible to you for its oversight, the many significant accomplishments of this new agency are achieved not by me but by my dedicated and talented colleagues. In just three years, they have formed a strong team that is busy improving everyday life for consumers all over this country, in each of your congressional districts. They have taken enforcement actions that put more than \$4.6 billion back in the pockets of millions of American consumers. They have adopted new mortgage rules, as required by Congress, to make the world's largest single consumer financial market safer for consumers and for our economy. I am proud of our Consumer Response team, which so far has handled over 400,000 complaints, secured both monetary and non-monetary relief on behalf of many consumers, and constructed a public database of complaints that is generating more careful focus on customer service at our larger banks and financial companies.

At the same time, the strong CFPB team has also been doing all the work necessary to build a brand-new federal agency from the ground up. That work has not been easy, and some of the working conditions have been especially difficult for people. We have been consistently short-staffed, and working space had been challenging. Management structure had to be developed from scratch, and for a long time employees have not had settled expectations around key matters like performance reviews, pay adjustments, and promotions, which created some anxiety. Looking back, I can also see that we felt tremendous pressure. We were created in the wake of the largest financial crisis since the Great Depression and there were high expectations amongst the public and aggressive goals set for us by Congress. From the beginning, I believed that it was extremely important for us to get things done, to show clear progress, and to deliver on our promise to make things better for American consumers. All of that increased the workload and made it harder for everyone to cope with the demands of this new situation.

I take very seriously the concerns aired at your previous hearings about the Bureau's work environment. I am committed to ensuring that all Bureau employees are treated fairly and that they receive the respect and dignity they deserve. Across the board, they are highly dedicated to public service and to the mission of this agency. In turn, I want them to be in position to do their best work and to be able to see that they are making a difference to the future of this country.

Because of the speed with which we tried to build this new agency, we have found that we did not get everything right for our own employees. One especially sore spot was the system for reviewing and assessing the performance of CFPB employees. During the second year we had that system, we heard complaints and concerns from employees about it. After we had completed the second year of performance reviews, we began to analyze the numbers in more

detail, and we found that many different categories of employees were seeming to be treated unevenly. Whether the distinction was headquarters versus field, or one part of the Bureau versus another, or bargaining unit versus non-bargaining unit employees, or other categories like age and race, we perceived that the review system was creating differential outcomes that indicated the system was unsatisfactory and not working out as intended. Notably, about half of our employee grievances filed to date have concerned performance reviews.

Having recognized these issues, we took decisive and comprehensive actions to address them. We self-initiated a more detailed analysis that ultimately showed ratings disparities across a wide range of employee characteristics, which you have seen in the form of the Snapshot report that we released earlier this year. We also put on the table in our union negotiations whether to discard the system, which we agreed to do after bargaining over it. For the next two fiscal years, we will be moving to a new, two-level performance review system, and we have agreed to a joint working group with our union to design a new system to use after that. We also announced that we would adjust prior performance-related compensation for the two years during which our employees may have been adversely affected by the flaws in the prior system. By self-correcting and self-remediating disparities in our performance ratings, we are holding ourselves to the same standards of fairness that we expect from the financial industries we oversee.

Although the Bureau has had good diversity numbers around hiring and contracting, we need to focus more consciously on how to improve our culture, so that diversity and inclusion are more deeply ingrained in our everyday work life. To that end, I have elevated our Office of Minority and Women Inclusion to work directly out of my office and tasked the head of OMWI, Stuart Ishimaru, with conducting dozens of Bureau-wide listening sessions to hear directly from our employees about their experience with equality and fairness. Hundreds of our colleagues have participated in these sessions and we are listening closely to learn more about how to set a better direction for the future and to achieve some of the goals that I have touched on here today.

Chairman McHenry and Ranking Member Green, I am here today because I know you have been seeking to ensure Congressional oversight of this agency and these issues. As the sole Director of the Bureau, I am the responsible party to work with you in providing such oversight. Other issues have arisen involving individual allegations that are part of employee grievances and complaints. Like other federal agencies, the Bureau has an Equal Employment Opportunity complaint process and a grievance process for employees to initiate and seek resolution of any allegations of discrimination and harassment. It is important that those processes be able to work, that individual privacy and due process rights protected by federal law can be respected, and that both sides of every story can be heard and considered and assessed accordingly. Public discussion of those individual matters may have a chilling effect that prejudices individual rights and undermines the integrity of the legal process. For this reason, I must be very careful in speaking about any ongoing personnel matters in this public hearing. We take each of these allegations very seriously and we will continue to work diligently to resolve any issues through all appropriate channels.

Thank you for the opportunity to make this statement, and I would be happy to answer your questions.