

## Partner Lucy Morris comments for Law360 on CFPB announcement of authority to supervise nonbanks posing risks to consumers

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On April 25, the Consumer Financial Protection Bureau (CFPB) announced that it has begun to invoke its Dodd-Frank authority that allows it to supervise nonbank financial companies when it has "reasonable cause to determine" the companies are engaged in potentially risky conduct. According to *Law360*, this authority, which has seen little previous use since it was implemented in 2013, gives the CFPB an additional tool to oversee individual companies that aren't already subject to its examination powers or federally regulated as a bank. The Bureau also issued a new procedural rule that will authorize it to publicly release its decisions on whether to start examining a particular nonbank under this authority.

"A determination of risk is not a determination of a law violation," said Lucy Morris, chair of Hudson Cook's Government Investigations, Examinations and Enforcement practice group and a former CFPB deputy enforcement director. "But in terms of the perception and how that would appear to the public, certainly that would cause reputable harm to companies." Lucy added, "If the Bureau wanted to release information about this process for transparency, they could do it through their existing Supervisory Highlights document, without naming names."

The new rule is set to take effect once it is published in the Federal Register. The Bureau is accepting feedback for 30 days and may make revisions "if it receives comments warranting changes."

Lucy counsels financial institutions and others in complying with federal consumer financial laws and prohibitions against unfair, deceptive, or abusive trade practices. She is an experienced advocate and litigator, representing clients in government investigations, examinations, and enforcement actions before federal and state agencies, including the CFPB, FTC, U.S. Department of Justice, and state AG offices. Previously, Lucy served as a founding member of the CFPB Implementation Team that organized the CFPB after passage of the Dodd-Frank Act, and subsequently served as a Deputy Enforcement Director at the Bureau. Before the CFPB, Lucy worked at the FTC for over 20 years in a variety of leadership positions, including as Assistant Director for Financial Practices and as Assistant to the Director of the FTC's Bureau of Consumer Protection.

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