

**ALLEGATIONS OF DISCRIMINATION  
AND RETALIATION WITHIN THE  
CONSUMER FINANCIAL PROTECTION  
BUREAU, PART THREE**

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**HEARING**  
BEFORE THE  
SUBCOMMITTEE ON OVERSIGHT  
AND INVESTIGATIONS  
OF THE  
COMMITTEE ON FINANCIAL SERVICES  
U.S. HOUSE OF REPRESENTATIVES  
ONE HUNDRED THIRTEENTH CONGRESS  
SECOND SESSION

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JUNE 18, 2014  
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**ALLEGATIONS OF DISCRIMINATION  
AND RETALIATION WITHIN THE  
CONSUMER FINANCIAL PROTECTION  
BUREAU, PART THREE**

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**Wednesday, June 18, 2014**

U.S. HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON OVERSIGHT  
AND INVESTIGATIONS,  
COMMITTEE ON FINANCIAL SERVICES,  
*Washington, D.C.*

The subcommittee met, pursuant to notice, at 2:05 p.m., in room 2128, Rayburn House Office Building, Hon. Patrick T. McHenry [chairman of the subcommittee] presiding.

Members present: Representatives McHenry, Fitzpatrick, Duffy, Fincher, Hultgren, Wagner, Barr, Rothfus; Green, Cleaver, Beatty, Kildee, and Horsford.

Ex officio present: Representative Hensarling.

Chairman MCHENRY. The subcommittee will come to order. The title of today's hearing of the Oversight and Investigations Subcommittee is, "Allegations of Discrimination and Retaliation Within the Consumer Financial Protection Bureau, Part Three."

Without objection, the Chair is authorized to declare a recess of the subcommittee at any time.

The Chair now recognizes himself for 5 minutes for an opening statement.

On Thursday, March 6, 2014, the American Banker published an article titled, "CFPB Staff Evaluations Show Sharp Racial Disparities." It provided evidence that the Consumer Financial Protection Bureau's (CFPB's) own managers have shown distinctly different patterns in how they rate employees of different races.

It is now apparent that the CFPB was aware of the racial disparities and key metrics well before the March 6th American Banker article. A study on diversity and inclusion commissioned by the CFPB and conducted by the revered consulting firm, Deloitte Consulting, was provided to the Bureau in September of 2013. That study noted sharp racial disparities in performance ratings, pay, hiring, and other areas.

In addition to racial disparities in the CFPB's performance reviews, the American Banker also reported that, "CFPB's management has been accused in several cases of favoring Caucasian men and of creating a hostile work environment." The article noted that CFPB employees had filed 115 official grievances with the National Treasury Employees Union (NTEU), which represents CFPB em-

ployees, and over 85 informal complaints, most of which pertained to allegations of unequal pay, and raised questions about the recent performance reviews.

This subcommittee held a hearing on April 2nd of this year, which addressed allegations of discrimination and retaliation at the CFPB. It featured the testimony of Angela Martin, a current CFPB employee and a whistleblower, as well as Misty Raucci, an investigator hired by the CFPB to examine Ms. Martin's claims of retaliation.

On May 21st of this year, the subcommittee held a second hearing on the topic of discrimination and retaliation within the Bureau. Liza Strong, Lead of Employee Relations for the CFPB, testified that the allegations of discrimination and retaliation made by Ms. Martin and Ms. Raucci were not consistent with her experience at the CFPB.

Ben Konop, an attorney within the CFPB's Enforcement Division, and the Executive Vice President of the union chapter representing CFPB employees, testified on CFPB's resistance to addressing sharp racial disparities on its performance management review ratings from the period of March 2014 through May 6, 2014. And that is when the American Banker article was published, that March 6th date. Mr. Konop also testified about sharp racial disparities and pay in the Bureau.

Today's hearing will feature testimony from two whistleblowers who both allege that they experienced discrimination and retaliation at the Bureau. Both whistleblowers will also testify regarding operational deficiencies within their respective divisions at the CFPB.

Ali Naraghi currently serves as an examiner in the Division of Supervision, Enforcement and Fair Lending at the CFPB. Mr. Naraghi alleges that he has experienced both discrimination and retaliation at the CFPB. Mr. Naraghi will also testify about deficiencies in the bank examination process as well.

Kevin Williams is a former term employee of the CFPB's Office of Consumer Response. Mr. Williams will testify on the culture of discrimination and retaliation within the Office of Consumer Response, as well as the mismanagement and inexperience of leaders within the office. Mr. Williams will also testify about serious problems with the CFPB's consumer call center.

These problems include a significantly larger than expected number of breaches of personally identifiable information (PII), a lack of training for call center staff, and inadequate CFPB oversight of its two call centers.

CFPB's funding—I believe and many believe—and structure afford Congress an extremely limited ability to influence the Bureau's operations and policies. And yet these allegations of discrimination and retaliation at the CFPB underscore the significant need for greater congressional oversight and much better management.

I thank the witnesses for their bravery in coming forward, and your willingness to come forward. I appreciate your fortitude.

With that, I ask unanimous consent to include a letter in the record, and I will give context to my colleagues. Yesterday, the subcommittee received a letter from John Dowd, legal counsel for Liza



Strong, a high-ranking CFPB official who previously testified before this body, asking that the testimony of one of today's witnesses, a whistleblower, be stricken from the committee's official record.

This letter is deeply troubling because it is apparently an attempt to prevent certain testimony from coming before the subcommittee and the American people. That is problematic. And I would like to make it public.

It could be construed as an effort to intimidate other witnesses at the Bureau as well who may wish to blow the whistle to Congress. And it may interfere with the congressional oversight that our subcommittee and other committees are attempting to provide.

I ask unanimous consent that the letter, and a June 17th Washington Examiner article reporting on that letter, be entered into the record. And I would like to make clear that this subcommittee intends to thoroughly investigate whether this letter was an effort to, in any way, constrain this investigation.

I ask unanimous consent to include those items in the record.

Chairman MCHENRY. Without objection, it is so ordered. And I would certainly welcome those who are testifying today, and would be willing to include in the record of this day's proceedings your or your attorney's responses to that.

At this point, we will recognize the ranking member of the subcommittee, Mr. Green of Texas, for 5 minutes.

Mr. GREEN. Thank you, Mr. Chairman.

I thank the staff for the very fine work it has done in preparing for this hearing today. I also thank the witnesses for appearing today. And I have several things that I would like to note in terms of what I am committed to.

I am committed to getting to the bottom of the allegations of discrimination. I believe that discrimination is abhorrent and that it must be eradicated. And to this end, I pledge to do all that I can to help eliminate invidious discrimination.

I have to also add, having been a judge for some number of years, I have learned that until you hear both sides of a story, you should not draw conclusions. I welcome your testimony. But I cannot draw conclusions until I have heard from other sides as well. I think that is a fair way to proceed.

In fact, it is the American way to give all persons the opportunity to be heard before conclusions are drawn. So, I am committed to getting to the bottom of allegations of discrimination.

I am also committed to protecting the institution, the CFPB, the Consumer Financial Protection Bureau. And I believe the witnesses are committed. And I shall make inquiry when appropriate. But I believe you are committed to this as well.

I believe that the institution is absolutely necessary. It is the cop on the beat. It is there to protect the consumer. And as such, I liken any allegations of invidious discrimination to concerns that may emanate from a police department.

In a police department, you can have concerns raised about discrimination and other issues as well. We have had some raised in my city. But we didn't eliminate the police department. We dealt with the issues. And they should be dealt with. But you keep the department.

I see the CFPB as a department that may have some concerns that have to be addressed. But we keep the department. And we want to make sure that we keep it strengthened.

We don't want to eviscerate. We don't want to emasculate. We want to make sure that we maintain a strong Consumer Financial Protection Bureau.

And the third thing that I am committed to is a widening of these investigations. The ranking member of the full Financial Services Committee and I have so much as asked the Inspectors General to look into allegations of discrimination, widen the range and breadth of these allegations, and check to see if there are other agencies that may be having similar circumstances.

We should not focus on the Consumer Financial Protection Bureau to the exclusion of others. It can be a part of a process, but not the end of a process. To this end, I pledge and I am committed to widening the range of the investigation.

And finally, I want to say that this hearing today is important to me. It is important to me for a multiplicity of reasons. I shall cite but one.

In my lifetime, I have been discriminated against. I know what it feels like to be discriminated against. I have seen invidious discrimination.

I know what it smells like. I have had to go to the colored water fountains that were such that no one would want to drink the water. I know what it looks like. I have had the Klan burn a cross related to some of my efforts. I know what it sounds like. I have been called ugly names, names that I don't even speak.

So I know what it is about. But I also know this: We have a duty to be fair to all persons associated with any allegations. So I pledge to do all that I can, which means to be fair to all sides and not draw conclusions based upon what I hear from any one side.

Mr. Chairman, in the interest of time and because votes have been called, I will yield back my time.

Chairman MCHENRY. I thank the good judge.

With that, we will now recognize Mr. Hultgren for 2 minutes.

Mr. HULTGREN. Thank you, Mr. Chairman.

There is something deeply wrong with the day-to-day operations at the Bureau. We will hear allegations of rampant favoritism, discrimination, cronyism, and mismanagement at the CFPB alongside a culture of intimidation and retaliation that make it difficult to address these problems. We will also hear disturbing concerns about the efficiency and efficacy of the CFPB's examination process, which are essential to the CFPB's alleged mission to protect consumers.

Unfortunately, not only do CFPB employees feel helpless to do anything about this, but there is also inexplicably no meaningful accountability mechanisms in place that could help fix these problems. The independent Inspector General for the Federal Reserve and the CFPB is stretched thin overseeing around 3,200 employees. The CFPB, one of the most unaccountable agencies in our Nation's history, could certainly use its own IG.

What is more, unlike the SEC and other regulatory agencies, the CFPB is governed by one lone Director instead of a bipartisan

board. Not only that, Congress is hampered from using its power of the purse to encourage much-needed changes.

The CFPB's champions hold that these features that make the Bureau unaccountable are an asset because they help it function smoothly without outside interference, and better serve consumers. This hearing should put that myth to rest.

Consumers are not protected by unrestrained bureaucrats unbound by the Constitution's structure. The founders knew better than to create agencies unaccountable to the American people. They knew as we do that government programs don't function well without healthy oversight and accountability features in place.

While we all want these disturbing allegations of discrimination and incompetence to be addressed in a way that vanquishes these problems for good, until the CFPB structure is significantly altered, I am not holding my breath.

Thank you, Mr. Chairman. I yield back.

Chairman MCHENRY. I thank my colleague.

In the interest of Members' time we will, after Mr. Cleaver's opening statement, recess and then return once we have Members back. And then, we will hear the testimony.

Mr. Cleaver is recognized for 5 minutes.

Mr. CLEAVER. Thank you, Mr. Chairman. I appreciate you calling the hearing and dealing with this issue of discrimination.

I think discrimination is regrettable. It is stupid. It is heartless. And it is about as unseemly as a human being can get.

Much of my adult life has been spent dealing with the issue. I hate discrimination and all of its manifestations. I think that we ought to shed light on discrimination in any of the Federal agencies that report to this committee.

As I have done before, I will continue to say that the one department that I think the whole world recognized as having the most serious problems in the Federal Government on the issue of discrimination was the Department of Agriculture. So much so that the Federal courts awarded African-Americans, Latinos, and Native Americans awards, financial awards because the discrimination was so blatant.

And it went on for decades and decades that actually started right there at the Department of Agriculture. Most of that has been corrected with the Disparity Study. And recommendations have been brought forth. And the Secretary has tried to deal with them.

But not one hearing was held in the U.S. House of Representative or the U.S. Senate to deal with an individual case. It went to the courts. And the courts, after years, ruled that discrimination in fact had occurred. And the money, frankly, is still being disbursed even as we meet here today.

And so my caution, Mr. Chairman, is that we get bogged down in doing something the Federal agencies and the committees of the Congress were not equipped to do, and that is actually hold a trial. I am going to depend on my longtime friend and colleague who has a law degree and has been a judge. But I am not equipped, I don't think.

I did get an "A" in political science, but I don't think that has equipped me to deal with a trial-like situation and then at the end

say we did have discrimination or this has been an act of discrimination. Because that means we are a jury.

So I am pleased to see the corrective actions that are being taken. I think that your interest has probably caused the department to become a lot more conscious of and sensitive about anything that could be seen as discrimination. And so, that has been good.

I caution you, members of the committee, that we don't end up becoming the jury for discrimination cases in one Federal agency.

Thank you, Mr. Chairman. I yield back the balance of my time.

Chairman MCHENRY. I appreciate my colleague's sentiments and words.

We will recess, and once Members return, we will hear from the witnesses. This committee is in recess.

[recess]

Chairman MCHENRY. The committee will come to order. We will now recognize the distinguished panel before us.

I will first introduce Mr. Ali Naraghi. He is an examiner for the Southeast Region in the Division of Supervision, Fair Lending and Enforcement for the CFPB. He has worked as an examiner at the CFPB since July 2011. Prior to joining the CFPB, Mr. Naraghi served as a Supervisory Financial Analyst at the Federal Reserve Board for 14 years.

Mr. Naraghi is a graduate of the American Bankers Association Stonier Graduate School of Banking at Georgetown University, and received a Masters of Business Administration from Mississippi State University. Mr. Naraghi has also received numerous awards during his tenure at the Federal Reserve Board, including the Excellence Award for examination of mortgage servicing.

Our second witness is Mr. Kevin Williams. Mr. Williams is a former Quality Assurance Monitor for the Office of Consumer Response for the CFPB. Mr. Williams was hired in March 2011 as a term employee, and his service at the CFPB ended in February of 2014. Mr. Williams was responsible for CFPB's contract call centers, and ongoing maintenance of the quality assurance program, including contract call center performance issues. Prior to his hiring at the CFPB, Mr. Williams managed private sector call service centers and performed operational analysis for various consulting firms.

Mr. Williams is a graduate of Trinity University in Deerfield, Illinois, and received a Masters of Business Administration from the University of Phoenix. He also received professional certification for contracting contact centers and management.

The witnesses will each be recognized for 5 minutes. And as this is the first time either of you has testified before the committee, we ask that you please pull the microphone uncomfortably close to you; they are directionally sensitive. And so, if you speak a little more slowly, it will obviously be more helpful.

We have a lighting system: green means go; yellow means go faster; and red means stop.

First, we will recognize Mr. Naraghi for his opening statement.

**STATEMENT OF ALI NARAGHI, EXAMINER, SOUTHEAST REGION, DIVISION OF SUPERVISION, ENFORCEMENT AND FAIR LENDING, CONSUMER FINANCIAL PROTECTION BUREAU**

Mr. NARAGHI. Thank you, Mr. Chairman. My name is Ali Naraghi, and I currently serve as an examiner in the Southeast Region of the Supervision, Enforcement and Fair Lending Division at the Consumer Financial Protection Bureau. Thank you for allowing me this opportunity to share my experience at the CFPB with you.

Ms. Angela Martin mentioned me in her testimony on April 2nd of this year. I am the naturalized U.S. citizen that Bureau management referred to as an "F'ing foreigner." I take great pride in serving my country for 14 years with distinction at the Federal Reserve Board of Governors, prior to joining the Bureau 3 years ago at its inception. And I am proud of my Persian heritage.

Like many others, I feel fortunate to have immigrated to the United States, and love to serve my country. I do not deserve to be referred to in derogatory terms by Bureau management.

I hope by telling you my story it will further enlighten the committee about the cultural intimidation and retaliation at the Bureau, and how it makes it very difficult for employees to raise concerns about mistreatment, mismanagement, and abuse of authority.

Many managers, especially within the Southeast Region, are withholding promotions of internal candidates while bringing external candidates from their personal or other connections. In short, favoritism and cronyism runs rampant at the Bureau.

My testimony is based specifically on my experience with management of the Southeast Region and management in the Office of Supervision at the headquarters at the Bureau, and is not a reflection of my fellow examiners, who like me are highly dedicated to serving the American consumers.

Our lead examiner for the first year of CFPB examination, which was started in October of 2011, during those 5 months in that assignment I raised concerns about not having a risk model to show equitable assessment across institutions: inexperienced exam managers, field managers, and the examiner in charge; the examiner in charge being unduly influenced by the institution being examined, allowing the institution to dictate what CFPB examiners can and cannot do; inefficient use of Bureau resources, for example, they flew in examiners from around the country for weeks just to plan the examination and later to conduct an exam when we had plenty of locally available examiners who would have saved taxpayers up to 5 months' travel expenses, an average expense of \$2,000 per week per examiner.

I soon found that voicing a professional dissenting opinion that is in any way at odds with Bureau management, even in the smallest of ways, would result in retaliation, for example, after suggesting to the Chief Human Capital Officer, Dennis Slagter, that senior management should consider including experienced staff from the Federal Reserve, the Office of the Comptroller of the Currency, and the FDIC when strategizing about large banks supervision program because CFPB's supervision seemed too OTS-centric.

In response, Mr. Slagter stated, "If you don't like it, go back to the Federal Reserve Board." This is in direct contradiction of CFPB's stated policy of welcoming feedback.

In addition, I have raised concerns to management and the Office of Inspector General of the Federal Reserve about the following issues: the Bureau has hired inexperienced managers whose only qualification appears to be personal or other connection to Bureau hiring officials; gross mismanagement that wastes taxpayers' funds, for example, in the Southeast Region, about 50 to 75 examiners were kept at their home essentially without work for 8 months between approximately September 2011 through May of 2012. In my opinion, this was one of many examples of wasting taxpayers' funds due to Supervision management's incompetence.

Result-oriented examinations in which the Bureau at the headquarters appears to have decided at the outset to find a violation even if none are identified. I worked on examination for 3 weeks reviewing 52 mortgage modification applications and did not find any violations. The field manager told me that I must not have done my job right because I had not identified any violations. Others in my team were told to expand their sample size if no violations were identified in the initial sample. This is contrary to sampling procedures of the FFIEC and prudential regulators. Furthermore, there is no statistically sound rationale in conducting examinations in this manner.

CFPB management imposes cumbersome and inefficient national exam procedures for examinations, and doesn't give examiners or the EICs any discretion in applying those positions. The exams are very inefficient. They take at least 6 weeks on-site, regardless of the size in assets and our footprint. Whereas exams performed by other regulators take size, risk, and complexity of institutions into consideration during the planning and scoping phase of the examination, resulting in a more efficient and cost-effective process.

The Enforcement Division joined the examiners and occasionally mentioned plans to bring enforcement actions prior to completion of exam work and of discovering a violation. I did my best to work within the Bureau's management and oversight instruction to address this issue. However, once management had started to retaliate, and as they are being subjected to disparate treatment, I filed an EEO complaint against the Southeast Region's management.

I immediately became one of the targets of Regional Director Jim Carley and Assistant Director of Supervision Paul Sanford at the CFPB headquarters as a result of questioning examination management and filing a formal case about abuse and disparate treatment. They proceeded to make my professional, and also I think, personal life a living hell by repeated retaliation and creating a hostile work environment.

Examples of retaliations include immediately after filing an EEO complaint in May of 2012, management issued me a reprimand letter for not attending a training class which I was registered for by management without my knowledge. Removing me from being an EIC and requiring me to attend training to serve as an EIC as a requirement only for me and no other at my grade. In fact, I haven't been assigned an EIC role since filing my EEO case, de-

spite it being a requirement in my position description, the highest examiner grade for the Bureau.

Reporting me absent without leave for an entire week for requesting sick leave, despite having a doctor's note requiring bed rest to avoid getting pneumonia due to severe bronchitis. Accused of asking bank management to show me how to do my job, when in fact I was trying to protect the integrity of the Bureau by helping the field manager recover from asking questions that demonstrated his incompetence and lack of knowledge about mortgage banking.

Being wrongfully accused of—accused and written up for falling asleep at a meeting with the institution's president. The fact as reported by the EEO independent investigator that I was awake and most active when was confirmed by several colleagues and a CFPB enforcement attorney who were present. However, Mr. Carley insisted that my field manager issue a written warning threat of disciplinary action.

I was issued "unsatisfactory," which is our lowest performance evaluation rating, in 2012, when in fact at midyear I was rated "commendable." This was my punishment for raising concerns about my manager during the last 3 months of the evaluation period. And in February of 2014, my field manager informed me that he knows I am well-qualified, but the order that I cannot be an EIC came from above the Assistant Regional Director level.

Like Ms. Martin, the retaliation against me continues to this day. Like Ms. Martin, my story is a microcosm. And when you look at me, you should see dozens and even scores of employees instead of just me. The Labor Relations Office within the Office of Human Capital is broken, and is more harmful than helpful to employees who suffer discrimination or retaliation.

Because I was concerned about examiners who work with me as well as my own treatment, I wrote an urgent email on July 26, 2012, asking the Deputy Human Capital Officer and Employee Relations Lead, Ms. Liza Strong, for help. I pointed out the mistreatment I was receiving as well as listing directives provided to examiners by field manager Jerome Uberu, which according to my experience was unprofessional, contrary to the standard supervisory protocols, and possibly illegal.

It took from July 26, 2012, until October 18, 2012, nearly 3 months, for Ms. Strong to reply to me. Unlike her testimony before you that she investigates all complaints, her response was simply to add retaliation claims to my EEO complaint.

I was stunned that she did not show any interest or concern regarding management's mistreatment of myself and my fellow examiners, or at least potentially illegal directives. As a matter of fact, not only did she not investigate my complaint, she refused to be interviewed by the EEO investigator assigned to my EEO case.

Pursuant to an announcement on CFPB's internal Internet titled, "CFPB Wants You to Blow the Whistle on Lawbreakers," I felt compelled to report my observations to the Inspector General of the Federal Reserve Board.

I was promptly contacted by an IG staff member and as instructed on July 25, 2012, sent an email detailing my situation, as well as bullets enumerating what I thought to be mismanagement

by division senior management, waste of government resources, favoritism in hiring practices, as well as what I thought may be illegal labor practices. I was told that the IG office will be in touch if necessary. However, no one has contacted me since that date.

Furthermore, I attempted to engage my Regional Director, Jim Carley, by sending him an email requesting time to discuss an important matter. I never got a chance to discuss my concerns with him. Mr. Carley never attempted to follow up with me to ask what was so important.

One of my concerns at the time was that during examination, the field manager, Mr. Uberu, was inappropriately telling examiners to find issues against the supervised entity that did not exist, but were solely based on his opinion that the subject bank had issues. All affected examiners felt uncomfortable with Mr. Uberu's approach at the time, but were afraid to speak out for fear of retaliation.

After I pointed out Mr. Uberu's mistake, he wrote the worst evaluation I have ever received in my professional career. The evaluation intentionally misrepresented incidents and sometimes even falsified the records of what took place in the Bureau of Examination.

Management's mischaracterization has been proven wrong by an independent investigator from the Internal Revenue Service assigned to my EEO case. In that investigation, one of my colleagues bravely testified that the field manager, Mr. Uberu, "felt intimidated by Mr. Naraghi's experience and credentials." My colleague further reported that, "Mr. Uberu's management style is one of intimidation and force."

Unfortunately, Ms. Strong wholly ignored my complaint about this manager. And now others have suffered and are continuing to suffer under his mismanagement. Subsequent to my complaint at least two other examiners have also reported their own serious complaints about Mr. Uberu's boorish intimidation tactics.

Ms. Strong's outright dismissal of my own legitimate concerns of mismanagement has caused Mr. Uberu to become more brazen in his intimidation and abuse of my fellow examiners. I am deeply saddened with the realization that my colleagues' hardship could have easily been avoided if the Bureau had acted promptly and responsibly to the concerns of its employees.

Employee Relations Lead Liza Strong is failing to adequately protect Bureau employees, and in fact causes us further harm by holding herself out as point of contact for us to address our concerns, when actually she is just another arm of management and another example of the Bureau's management abusing their power.

I appealed my manager's unfair evaluation of me, and all CFPB management across other divisions who were supposed to complete an independent review of my appeal circled the wagons. As a result, in the most humiliating experience, Mr. Carley, who himself has lesser to no experience in Federal mortgage servicing laws, forced me to attend remedial mortgage servicing training with the threat of being fired if I cannot pass the exam.

My field manager expressly told me that I am untrainable. By point of fact, I told my management and Labor Relations staff that I have earned two bachelor's degrees, an MBA, and graduated from



ABA Stonier Graduate School of Banking. So, CFPB's mischaracterization of me as untrainable is demonstrably false.

When my fellow examiners found out that I may be appearing as a witness here, many of them personally contacted me and urged me to be certain to shed light on the unfair and sometimes deceptive practices of supervision management. Unfortunately, the Southeast Region examination program is run by intimidation. And like a dictatorship, there are significant consequences to disagreeing or disobeying the king.

Almost every examiner I know has pending or rejected grievances. Management espouses collaboration and respect with the staff and shows no respect with examiners. And there is no accountability for their abusive power.

Contrary to Ms. Strong's testimony, legitimate concerns and complaints filed by examiners are rejected outright without due consideration. I believe that the Labor Relations Office, headed by Ms. Strong, is a common denominator in the mistreatment of examiners and other employees.

It seems like Labor Relations will side with management no matter how egregious their actions may have been, which has caused resentment and distrust amongst the employees. The lack of prompt attention and resolution by the CFPB to legitimate employee concerns causes problems to fester needlessly and detracts from the ability to focus on the mission of helping American consumers.

I believe that the root cause of the problems encountered at the Bureau is management's lack of accountability. The only consistent thing about CFPB management is its inconsistency.

It is my sincere hope that the Bureau will take immediate steps to remedy these fundamental management issues and thereby become more efficient in carrying out this vital mission for our country.

Thank you.

[The prepared statement of Mr. Naraghi can be found on page 40 of the appendix.]

Chairman MCHENRY. Thank you.

Mr. Williams, you are now recognized to summarize your opening statement.

**STATEMENT OF KEVIN A. WILLIAMS, FORMER QUALITY ASSURANCE MONITOR, OFFICE OF CONSUMER RESPONSE, CONSUMER FINANCIAL PROTECTION BUREAU**

Mr. WILLIAMS. Good afternoon, Mr. Chairman, and subcommittee members. It is without any joy that I appear before you today.

My name is Kevin A. Williams. In the fall of 2011, I enthusiastically applied to help build and launch the Consumer Financial Protection Bureau, the financial regulatory agency that was dubbed a 21st Century organization. I served as the CFPB Office of Consumer Response's first Quality Assurance Monitor from July 2011 to February 2014.

The terms of my employment were a year-to-year term contract. Understanding the provision of my contract, I made it paramount that I will work hard and secure permanent employment as soon as possible. At various times, I approached management about my

status, and in every term they lied. Whether I inquired, or the National Treasury Employees Union inquired on my behalf, we were both consistently lied to.

Sadly, instead of the positive, modern government agency I expected, my experience at the CFPB was reminiscent of past eras of injustice, cronyism, discrimination, and retaliation. The events that transpired at the Bureau occurred because basic measures were not in place to properly supervise its untested management. In particular, the managers in the Office of Consumer Response ran the unit as their own personal fiefdom, unfettered by any oversight they inadvertently might receive.

The divisiveness and disharmony in CR, Consumer Response, did not occur because of unruly employees, underperformers or disenchanted team players. It occurred because Consumer Response's unproven management team was not properly prepared for the big job we face. No policies or procedures were implemented to ensure that they abided by applicable laws and followed accepted management practices.

I was the only member of the implementation team who was not offered permanent employment or a promotion. Yet, some of the people I worked with now lead Consumer Response. My treatment was especially notable because I was a lone team member who performed most of the quality assurance function for the entire agency's contact centers.

My statement is not long enough to respond to all of the aspersions that were directed at me. But I ask you to question how a person responsible for your consumer interaction quality assurance function for a new Federal agency could be excluded from meetings, and branded as lazy and unproductive.

I am proud of my principles and my work. My best response to any management disagreement of my job performance, Consumer Response continuously touted the results I produced. Consumer Response's management team continuously received bonuses based in part on my work.

I worked on the quality assurance team supervised by two Black women managers. One of my managers was a manager in name only. For over 2 years, she did little more than discredit my work, disparage my character, and downplay my achievements.

I was attacked, maligned, and humiliated on a daily basis. For example, I was rated as an "average" employee despite being either the primary or the only quality assurance monitor for the entire agency's contact center vendor. I listened to more calls, talked to more consumers, and made more correspondence than anyone in the agency. And yet, I received absolutely no credit for my work.

Make no mistake about it. It was clear I was treated this way and allowed to be treated this way by my few Black managers at the Bureau because of the "plantation" mentality that exists there. If my managers had been White managers instead of Black managers allowed to mistreat a Black male, every civil rights organization in America would have protested my treatment and the treatment of others in my unit.

I told Consumer Response's management team that the scorecard used to evaluate consumer interaction with contacts in personnel was ineffective. Consumer interactions were randomly selected and

evaluated either by myself primarily or later, when the team expanded, by others. The scorecard was ineffective because it was weighted so that the vendor was never heavily penalized.

This had two results. One, it would appear that the vendor was providing superb service because their score was in the 90s. Two, it would appear that Consumer Response was effectively managing the contract even though it was not.

When I expressed a problem with the way the scoring was weighted and the results utilized, my African-American managers, a quality assurance manager and section chief, their response was to inform the bosses that I was incapable of doing anything, of even doing the basics. And this wasn't because I was incorrect, but because she was offended that I, notwithstanding that I am a Black male, questioned the scoring methodology.

My Black managers, and thus the Bureau, treated me as a pariah because as a Black male I was not qualified to question the information provided by consultants, precisely and mainly because most of them were young White men.

Another example stems from the vendors being very concerned about receiving high quality assurance scores so as not to get penalized in Bureau contracting decisions. Thus, when we would evaluate an agent more than once in this short amount of time, the vendor would call and complain to my manager that we were singling out an individual.

However, we would have no idea of certain functions about the individual we would even evaluate. The way we selected items to evaluate was typically random. Consequently, in response, one of my former coworkers who is an African-American male told the quality assurance manager it does not matter who you evaluate because we are not looking at the interaction of any particular agent.

The quality assurance manager did not agree with this statement from the male African-American QA monitor. However, she agreed with the same statement from a White male consultant.

Another example how Black managers at the Bureau were allowed to mistreat Black employees as part of misguidedly defending the Bureau is when I did a presentation. I told the QA manager and the section chief that the two-way scoring system was out of line. I reported it to the QA manager, told them that it was distorting Bureau assessments of vendor performance. In response, my QA manager spoke to her superiors about my performance.

The Bureau's leadership allowed my manager and section chief to undermine me and even my career, but not allow me to make the same insightful observation that the managers would accept from White male consultants who patronized them by cluing them in about the distorted evaluation system. This is discrimination.

The frequency and duration of these occurrences created a hostile work environment for all Blacks at the Bureau, whether they were unwitting, manipulated Black managers or mistreated, hard-working Black employees. It is just that we, the latter, suffered the objective adverse consequences. Despite establishing the quality assurance team, my efforts generally were discounted.

The exception proven to this rule, however, was when Consumer Response's managers themselves would be rated based on the contact center being presented as being successful. In this regard,

while I was there the managers I reported to were rated at the 4/5 level based on the center's success. Yet the person doing the work, me, was rated as average, a 3.

This was a Bureau-wide problem confirmed by this result. Since the managers were in fact being rewarded for discriminating against me, they were believing they were retaliating against a Black male whistleblower, since criticisms like mine were apparently being reported to overseers by unknown persons, leaving my managers to guess it had to be me. That it was both discrimination and retaliation became evident after a while through the intensity of it.

My few errors continued to be raised 2 or 3 years after their occurrence. Yet the errors that my managers continued to make every month, every week, or even daily were overlooked, excused, and ignored by others for them to continue to perform "field hand control functions."

Unfortunately, I was a charter member in the intake unit, which indeed came to be referred as "the plantation." There, I personally witnessed and was the victim of racial discrimination by Black managers as well as others. The unit was dubbed "the plantation" because when we started, the majority of Black employees were assigned to intake, which was basically data entry.

The one Caucasian man at the intake unit who demonstrated an interest in software testing was offered a permanent detail to another group which led to the creation of a new position for him. Someone then remarked that this looked like a "damn plantation," and the nickname stuck.

Thereafter, one of my former coworkers went to Consumer Response's management and asked why did they recruit him for an investigator's position, but when he arrived he was given a data entry job. Management responded by calling him into a room to berate him, curse him out, and denigrate his character.

I witnessed this firsthand, Black managers denigrating a Black worker for, in effect, complaining about the discrimination. It deeply reinforced the plantation imagery.

In fact, the extent of the adherence to this imagery became ludicrous. During plantation team meetings, management often volunteered to feed the team. But one day one of my team members remarked, this does not only look like a plantation, but they keep feeding us greasy fried chicken and pizza. He said if they are going to feed us, they should offer us some healthy food at least once in a while.

I initially defended management until someone pointed out that we were a unit comprised entirely of Black employees standing around eating low-caste food, fried chicken, doing low-caste grunt work, the key attribute of being low caste, not receiving any respect.

In addition, we did not have any career path. There wasn't a route we could take that would lead to a managerial position. If you were a Black employee on the plantation you were either a team lead or in the field. Not one team lead from my unit has ever been promoted to management.

Rather than allow the plantation workers to compete for vacant leadership positions, my managers hired two White males to over-

see us, one directly from the contact center vendor, the other from Booz-Allen Hamilton, the consulting firm that has been well-compensated by CFPB.

I want to make this clear. The issue is not about those gentlemen's character. It is the process whereby they became managers. It perpetuates the narrative of Consumer Response Intake being the plantation.

The plantation is where Black women and White men oversee a unit of Black employees who are never considered or groomed for management, despite their competitive qualifications. Bureau management excluded them from the outset as part of a strategy of domination and completely deprived them of any meaningful opportunity for advancement.

If one exhibits too much merit or insight, one gets beaten down. The recognition of merit or insight, even when they are in the Bureau's interest, remains reserved for a few others to the injury of all of us depending on the Bureau to reform.

I am responding to your question today while under subpoena. I am prepared to amplify upon the instances related above and furnish additional testimony to the committee upon its request.

[The prepared statement of Mr. Williams can be found on page 45 of the appendix.]

Chairman MCHENRY. I thank you both for coming forward. And I now recognize myself for 5 minutes for questions.

Mr. Naraghi and Mr. Williams, I will just ask you both a couple of questions. Do you believe that you were discriminated and retaliated against at the Consumer Financial Protection Bureau?

Mr. WILLIAMS. Yes.

Mr. NARAGHI. Yes.

Chairman MCHENRY. Do you have reason to believe that other employees at the Bureau were discriminated against and retaliated against?

Mr. NARAGHI. Yes.

Mr. WILLIAMS. Yes, sir.

Chairman MCHENRY. To your knowledge, have any of your managers been fired or received formal sanctions for discriminating or retaliating against either of you?

Mr. NARAGHI. None that I am aware of, sir.

Mr. WILLIAMS. No, sir.

Chairman MCHENRY. Do you believe that the Director has to take action with managers and hold them responsible for creating this culture of retaliation/discrimination?

Mr. NARAGHI. Yes, I do.

Mr. WILLIAMS. Yes, sir.

Chairman MCHENRY. Do you believe the Director's continued reluctance to do that, to remove managers for discrimination/retaliation against you, has emboldened other managers to do the very same thing that you experienced?

Mr. NARAGHI. I believe so. As a matter of fact, when the Director came out recently after Ms. Strong's testimony and defended her as a public servant and said that she didn't deserve to be treated that way by the committee, I saw that as insult and I had a lot of my colleagues contact me and encourage me to testify because

they feel like nothing is going to change. It is just being “white-washed” is the reference—

Chairman MCHENRY. Thank you.

Mr. Williams?

Mr. WILLIAMS. Sir, managers were absolutely emboldened and empowered by the lack of response from executive leadership at CFPB. They did nothing. And the longer it takes for anyone to respond, the worse it will become.

Chairman MCHENRY. Let me ask you, notwithstanding your experiences of being discriminated against and retaliated against, do you both still support the mission of the Consumer Financial Protection Bureau?

Mr. NARAGHI. Absolutely.

Chairman MCHENRY. Mr. Williams?

Mr. WILLIAMS. Absolutely, sir

Chairman MCHENRY. Okay. All right. I just want to make sure that we have that on the record.

Mr. Naraghi, you outlined that you had some serious concerns about the bank examination process. Just in short, what would the most serious problems be?

Mr. NARAGHI. The most serious as I see it, having had experience at the Fed overseeing corporate governance, and at the Federal Reserve Banks, as well as the large institutions, is that you have managers being put in charge of areas that they don't have expertise in. And that causes them to make wrong decisions. It is inefficient and ineffective.

I can only speak about the Southeast Region. They have all the way up on top somebody who does not understand supervision banking at all. And then, he tends to hire folks who don't know much either. He tends to hire folks from his past experience—

Chairman MCHENRY. Is it a lack of experience?

Mr. NARAGHI. It is lack of experience, lack of—

Chairman MCHENRY. At that management level?

Mr. NARAGHI. At management level, a lack of experience, as well as a total insensitivity to basic labor laws or basic interpersonal skills.

Chairman MCHENRY. Okay.

Mr. Williams, about the call centers, we had questions this morning about personally identifiable information (PII) from consumers who call in. And did you centers do that, take personally identifiable information from consumers?

Mr. WILLIAMS. Absolutely, sir. They would take it in what we could call a channel. A channel in the contact center world means the ways that you can communicate with the contact center.

If I call on the phone, that is one channel. If I send a letter, that is another channel. If I send a fax, it is another channel.

So when a consumer would submit a complaint through any of the channels, it would have to contain PII so we could send it off to the bank so the bank could review the complaint.

Chairman MCHENRY. Okay. Did consumers mistakenly receive other consumers' PII?

Mr. WILLIAMS. It did happen, yes, sir.

Chairman MCHENRY. And did you see a high number of those incidences relative to call volume and every—those channel volumes?

Mr. WILLIAMS. What I saw, sir, was an abnormal number. It wouldn't come consistently like we know there are 10 that are going to come every week, no. It would come in spurts.

We might see three this week. We might see five. We might not see any for a few weeks. But then, it would sprout up again.

That is abnormal. You should not see that many in years. You should never see that type because there should be security measures and training in place to prevent this from happening.

Chairman MCHENRY. Thank you both for coming forward.

Mr. Cleaver is recognized for 5 minutes.

Mr. CLEAVER. Thank you, Mr. Chairman.

Mr. Williams, you believe you have been discriminated against.

Mr. WILLIAMS. Yes, sir.

Mr. CLEAVER. On the basis of what?

Mr. WILLIAMS. Same-race discrimination primarily, sir.

Mr. CLEAVER. On the basis of race.

Mr. WILLIAMS. Some race, some gender, sir, primarily. Would you like me to expound, sir?

Mr. CLEAVER. Especially the gender part.

Mr. WILLIAMS. Yes, sir. My quality assurance manager and section chief seemed to have an issue with African-American males. And it was an obvious issue that they had.

I can give you an example of at a certain point before I left, sir, the work for the quality assurance was done primarily by two African-American males, myself and another. Both of us at the behest of my quality assurance manager were placed on performance improvement plans. Both of us were scrutinized and we received negative marks on our performance review. This did not occur to the other gentleman who was not African-American in our unit.

Mr. CLEAVER. Okay. I get it.

Now, on Page 2 of your statement, I am a little confused: "If my managers had been White instead of Black managers every civil rights organization in America would have protested my treatment."

Mr. WILLIAMS. Yes, sir. Because they were Black women, people don't seem to understand that discrimination can happen inter-race. You don't have to be White to discriminate against a Black person or vice versa. They discriminated against me, and we are the same race, the same ethnic group.

Mr. CLEAVER. So they were discriminating against you on the basis of what?

Mr. WILLIAMS. Race. I would say race and gender. The reason why—

Mr. CLEAVER. You just—okay.

Yes. I did the commencement at law school. I am not a lawyer. My commencement was really good, but my address—so I don't—you know I don't—here is my—you are saying they discriminated against you. These are Black men who discriminated against you because you were Black.

Mr. WILLIAMS. Please—

Mr. CLEAVER. Well, that is what you said. You said you had Black managers. I asked if they discriminated against you and you said yes. And I said why and you said race and gender.

Mr. WILLIAMS. Yes.

Mr. CLEAVER. So the Black people didn't like you because you were Black.

Mr. WILLIAMS. Yes, sir. They devalued our work. It is the same thing that the Deloitte report alluded to. The same thing the Defense Investigators Group alluded to. They devalued our work. It wasn't treated the same.

Mr. CLEAVER. Okay.

So this is to both of you. I am really confused. I have a headache. But this is the reason we shouldn't be involved in this. What would you like for Congress to do?

Mr. WILLIAMS. Are you asking me, sir?

Mr. CLEAVER. Both of you.

Mr. NARAGHI. I think that—

Mr. CLEAVER. That we have the capacity and power to do.

Mr. NARAGHI. Yes, sir. In my opinion, given the way that I have observed the Southeast Region management as being unaccountable for, I think that at the examiner level they could still use some supervision and basically some sort of repercussion. Because right now each division—each Regional Director runs it like a fiefdom without any recourse for the examiners.

Mr. CLEAVER. So you want Congress to do what?

Mr. NARAGHI. To provide some sort of an oversight or something. Put in place some sort of accountability, if you will, for middle management and top management of CFPB so such things don't come to the level of explosion that you are seeing most of me and my colleagues are having to come to Congress to seek justice.

Mr. CLEAVER. But does not the EEOC provide that legal opportunity for redress?

Mr. NARAGHI. Here is the thing, sir. I filed the EEO case, okay. And it took them a year-and-a-half to do the investigation.

Mr. CLEAVER. Then, that is Congress' fault because we are not funding EEOC adequately to reduce the caseload. You are absolutely right. It is that way all over the country.

So you are saying you want Congress to approve more money—

Mr. NARAGHI. No.

Mr. CLEAVER. —for the EEOC?

Mr. NARAGHI. I am saying, for example, Ms. Liza Strong runs that office without any limits, without anybody overseeing her. What she says goes. And that is—

Mr. CLEAVER. I hate to cut you off. So what you want us to do is to get all the people who said they have been discriminated against and bring them before this committee and then do some kind of congressional something that I don't know about?

Mr. NARAGHI. No, sir. That is not what I am suggesting.

Mr. CLEAVER. My time has run out. Thank you.

Chairman MCHENRY. I am willing to let that—

Mr. CLEAVER. I just want somebody to tell me very precisely what you want Congress to do.

Mr. NARAGHI. I think that CFPB management needs to have some sort of oversight in order to—and what do I mean by that?



I mean that there should be some sort of accountability for the management of the CFPB. Because right now, when I complain about a Director, he goes up to his boss. And there is no accountability. I have appealed the case unrelated to EEO, unrelated to what I am here, what I have testified about, since Christmas of last year.

Chairman MCHENRY. Okay.

Mr. NARAGHI. It has been pending. There is no recourse—

Chairman MCHENRY. Mr. Williams, we will give you an opportunity to answer the same question if you wish.

Mr. WILLIAMS. I would like Congress to come in because you have the ability to level the playing field through your power. Disparate treatment, we talk about the disparate impact at CFPB about banks and their impact upon consumers. You are having Federal employees experience disparate impact.

Congress can authorize an investigation by an investigator that is unrelated to the CFPB, an independent to come in that has oversight authority. That is an option.

Chairman MCHENRY. Okay.

We will now go to Mr. Fincher of Tennessee.

Mr. FINCHER. Thank you. Thank you, Mr. Chairman.

And just to respond to the gentleman from Missouri, I think the budget is unlimited. I don't—well, we don't have authority in this committee over the budget. So, I don't think it is the money issue that is the reason why they can't—

Chairman MCHENRY. If the gentleman will suspend.

And just to address this, internally, the Office of Human Capital has resources to deal with this matter. And if it is not dealt with internally at the Bureau, my understanding of the operation of the law is that you can then have a hearing adjudicated in a formal EEOC process for remedy if the Bureau doesn't handle it internally.

So the question of internally, that capacity is unlimited. The question is that budget. And Mr. Cleaver is indeed correct on that. But Mr. Fincher is also indeed correct. Internally, they have an enormous capacity to do this.

Mr. Green, if you wish to—

Mr. GREEN. I would only add, Mr. Chairman, that—

Chairman MCHENRY. And I just ask unanimous consent that this does not affect Mr. Fincher's time.

Mr. FINCHER. Thank you.

Mr. GREEN. I would agree that it should not impact his time. But I would also agree that Mr. Cleaver's statement was with reference to the EEOC itself and its budgetary concerns, which are without the purview of the CFPB.

Chairman MCHENRY. Yes. And I appreciate that. And I would agree with my colleagues that the budget needs to be remedied to deal with that capacity.

I would ask unanimous consent to—

Mr. GREEN. Mr. Chairman, if I may, would the gentleman yield? If you are agreeing with your colleagues, you are not agreeing with the colleagues on this side, for the most part. When you said you agree with your colleagues that budget should be remedied, are you talking about the EEOC budget?

Chairman MCHENRY. Both the CFPB and the EEOC process, but in very different ways.

Mr. GREEN. With reference to the EEOC, we are in agreement. Chairman MCHENRY. Thank you.

I ask unanimous consent to return Mr. Fincher to 5 full minutes for his questioning. And I appreciate the witnesses' indulgence on that.

Mr. FINCHER. Thank you, Mr. Chairman. I appreciate my colleagues from that side of the aisle responding.

Mr. Naraghi, after filing your EEO complaint in May 2012, you went through what you describe in your testimony as a living hell. You also describe in your testimony that the retaliation against you by CFPB managers has continued. Can you describe what has occurred to you since 2012?

Mr. NARAGHI. Since 2014 or—I am not sure I understand since what date?

Mr. FINCHER. Since 2012.

Mr. NARAGHI. Yes. Besides what I enumerated, basically I was blackballed. The assignments that they were giving me are basically not utilizing my years of experience and expertise.

Minor things like almost I would say childish: cancelling a vacation that was already approved when my wife and kids had to go on vacation without me because they basically took back my approved vacation; being accused of falling asleep in a meeting when that wasn't the fact. The worse thing is giving me—

Mr. FINCHER. So you put in for a vacation but you were not allowed to take the vacation?

Mr. NARAGHI. Yes, sir.

Mr. FINCHER. Wow.

Mr. NARAGHI. They approved it. My manager approved it. But it was right at the time where I mentioned Mr. Uberu had problems with me. And as a result of that, one of my punishments was they rejected—they said we need you at the exam.

And yet, this is what is funny. They criticized my work on the exam. And I said if you are not happy with my work, because remember I was chastised for not filing an issue after looking at those, but yet you have canceled my vacation. And they said that is beyond your pay grade decision. You do what we tell you.

If they had the retaliation and retribution I am talking about is little, big. However they can come at you, they will.

That is why I don't want to—what the biggest retaliation, sir, was when I was right when a colleague at the time said that he was worried about me having a heart attack because of the mistreatment I was getting from these gentlemen.

And then getting all 1s that means you can barely—you are alive. Basically, 1s means you—and you have to remember. Look at me for 14 years at the Federal Reserve. I have done cash overs. I have performed well. And all of a sudden I come to the CFPB and the first 6 months I am commendable. Then—

Mr. FINCHER. The job before this job, where did you work before?

Mr. NARAGHI. I worked at the Federal Reserve Board in Washington, D.C.

Mr. FINCHER. And before that?

Mr. NARAGHI. Before that, I worked at Mayor International as a national accountant.

Mr. FINCHER. Have you ever been treated this way in any job ever in your life?

Mr. NARAGHI. No, sir. And I lived in Mississippi for 5 years.

Mr. FINCHER. Okay—

Mr. NARAGHI. No, I have encountered, like the gentleman said, I have encountered racism, being called horrible names. It has never been, never, ever like this kind of—and especially because you expect not only is the government entity, you are working with professionals. You expect more, more than this kind of childish, boorish behavior, in my opinion.

Mr. FINCHER. Thank you.

Mr. Williams, do you think there is a path out of the intake division for employees who work there?

Mr. WILLIAMS. After your last hearing, there is now. Initially, no. I wrote the training program. One of my contracts as a contract officer representative, I got with a vendor and I was responsible for the training for two to three divisions of the entire agency.

I had that vendor contract. I designed a training program with our training coordinator, presented it to a few section chiefs, and it was flat out rejected.

I explained to them how a person in intake could have been trained to go over to investigations. They have the building experience. They have been at the agency. So you don't have to orientate them to the mission. They are there.

So if you were not one of the section chief's favorites, if she did not care for you, you were not getting out of intake. They made sure if they did not like you—if you were one of their favorites, they would find you a detail. They would do something special.

Suddenly, that detail is going to become a permanent job. And guess who is the greatest candidate, you. This is how they would operate.

Mr. FINCHER. My time is almost expired. But we all are Members of Congress. The buck stops with us and representing our districts.

Whether we like it or not, Mr. Cordray is head of this agency. And there are some accountability problems here. And hopefully, we will get to the bottom of it. I appreciate you both coming in.

I yield back.

Chairman MCHENRY. The gentleman from Nevada, Mr. Horsford, is recognized for 5 minutes.

Mr. HORSFORD. Thank you very much, Mr. Chairman.

And I want to say in the outset, I know this is a hearing that we have had on this issue now several times. And I think it is important for us to state at the outset that an unfair discriminatory workplace for any individual, regardless of their background, race, gender, or sexual orientation should not be tolerated, period. Whether it is at the CFPB or any Federal agency or private agency it is not part of what we expect in the workplace in the 21st Century.

I have listened to your testimony and the testimony of individuals who have come before this subcommittee, and I continue to be troubled by the allegations of discrimination. And I want to be able

to hear from you about those concerns and your suggestions for what should be changed.

I also want to say that I think we need to focus on how we address these issues from a systemic point of view. That sometimes hearing the testimony of, in this case two individuals, and then to make decisions about an entire agency, I think is problematic. But since you are here, I do want to hear your suggestions.

So, Mr. Naraghi—

Mr. NARAGHI. Naraghi.

Mr. HORSFORD. Naraghi. Thank you. And Mr. Williams, after listening to your testimony throughout this hearing and reading your full written testimony, beyond the issues that you have already raised, what specific suggestions or changes do you have that would help improve the work culture of the Bureau?

Mr. NARAGHI. I would suggest there has to be some sort of mechanism. If this subcommittee had not formed this I would have no recourse because I genuinely as a naturalized U.S. citizen and as somebody, who like any other person, loves his country and obeys the law, I followed all the rules.

I asked the Human Capital Officer at the CFPB to let me know what I can do. I went through the protocol. At every turn I was turned down, sir. And I filed an EEO case and I am waiting. If this hadn't happened, I probably would be looking for another job—

Mr. HORSFORD. If what hadn't happened?

Mr. NARAGHI. This subcommittee had not formed this—

Mr. HORSFORD. But what do you expect out of this subcommittee? Because I haven't heard anything from—

Mr. NARAGHI. All I am trying to do—

Mr. HORSFORD. —the other side on what they plan to do. Other than hearing your testimony and hearing the allegations. That doesn't fix the problem that the employees of the Bureau are facing. So what is it that you want to come from this process?

Mr. NARAGHI. I, as I am here to speak for myself. I am hoping by bringing this to your attention, to the Nation's attention and CFPB senior management's attention that they seriously try to fix it because everybody that I have come across, everybody I have had the honor to work for loves their job. They want to help consumers. Nobody—and this is interfering. This mismanagement—

Mr. HORSFORD. Okay. Mr. Williams?

Mr. NARAGHI. —that we are suffering is interfering with that.

Mr. WILLIAMS. As stated, sir, I appreciate the question. There should be an independent investigator coming from this committee. Congress has the ability to assign to leverage the playing field. You have the ability of oversight and to eliminate the disparate impact that employees are facing.

So that is my suggestion, an investigator. Someone without connection to the agency to come in, not the Office of Minority and Women Inclusion (OMWI), but someone from the outside to come in and look at what has happened. Take the report seriously.

You shouldn't have to come back here every couple of months and hear the same story from a neverending—from a cavalcade of current or former employees.

Mr. HORSFORD. And that is part of my concern, quite honestly, is at what point, Mr. Chairman, do we intend to actually propose

recommended steps based on the testimony that we have heard from witnesses? It is not doing them any good to continue to have hearings where we just hear the allegations and aren't acting to address it.

I, for one, and I know the ranking member and other members on this committee want to get to the point where we are fixing this. Not just for the CFPB, but for any agency where discrimination exists. And so, can I ask that of you and the full committee as to when we will get to that point in the process?

Chairman MCHENRY. Just as a subcommittee chair, and I appreciate the gentleman yielding in the spirit he is asking the question, I have not drawn any conclusions yet. I want to get to the bottom of what this is, if it is truly a structural problem.

That is why my questions this morning to Mr. Cordray were about what actions he has taken on the people whose subordinates have been awarded a settlement for the manager's discrimination. Yet that manager still receives high marks, promotions, and bonuses. That is problematic.

And so, I have gone into this with an open mind. And I certainly appreciate my colleagues on this committee coming with the same sentiment. I haven't come to the conclusion yet. But I do think that accountability is a measure.

And to Mr. Williams' point when he said that—you said that after the last hearing, there was a change. Apparently, the agency is listening. I don't know to what degree.

And I am sorry to take up so much of your time, but—

Mr. HORSFORD. No. I appreciate it, Mr. Chairman. I guess beyond having hearings though, that to me is not really addressing the problem.

We have the report. The issues were exposed. The ranking member told you from day one that discrimination exists. So what are we going to do to fix this?

Chairman MCHENRY. And I would be happy to work with the gentleman on solutions.

Mr. HORSFORD. Thank you, Mr. Chairman.

Chairman MCHENRY. I certainly appreciate it.

We will now go to Mrs. Wagner, the gentlelady from Missouri, for 5 minutes.

Mrs. WAGNER. Thank you, Mr. Chairman. I appreciate it. And I certainly thank our witnesses for their bravery in coming forward and testifying.

I would also remind this subcommittee that we did have a CFPB markup just last week. And I had the pleasure of speaking on behalf of the Stivers bill that asked and called for—it passed out of full committee—an independent IG that is outside of the purview of the Fed. I think that is one of many things that we can be looking at. But that actually is something that passed out of this committee, and I hope it will make it to the full Floor.

I have to tell you, one of the most stunning things that I have seen, and I have just read through this letter from the attorney of Ms. Liza Strong, who is again the Lead of Employee Relations for the CFPB. And she has sought to strike and bar the opening statements of employees, specifically Mr. Naraghi.

I have to tell you the arrogance, hubris, the doubling down of humiliation and retaliation is absolutely unconscionable. We do need reforms. We do need transparency. We do need accountability, oversight, power of the purse, all of the above.

I will get to my questions here.

Mr. Williams, you state in your testimony that you were the Quality Assurance Monitor at the Office of Consumer Response. In that role, you found problems with certain aspects of the program that were ineffective or inadequate or flawed. Did you ever raise these problems with anyone at the CFPB?

Mr. WILLIAMS. Absolutely, ma'am. I raised them on numerous occasions.

Mrs. WAGNER. Did you ever raise these problems to the CFPB's Inspector General?

Mr. WILLIAMS. No, ma'am.

Mrs. WAGNER. Did you ever get the sense that your managers at the CFPB thought that you had complained to the CFPB's IG?

Mr. WILLIAMS. Yes, ma'am. They misidentified me as a whistleblower.

Mrs. WAGNER. What made you think that?

Mr. WILLIAMS. One, the intensity of the scrutiny I faced, and in a confidential manner it was revealed to me that I was misidentified as the whistleblower.

Mrs. WAGNER. How did your managers find out that an employee had complained to the CFPB's Inspector General?

Mr. WILLIAMS. Someone in the IG's office—somehow this got leaked out to CFPB management. It was leaked out to not just executive leadership, but especially to Consumer Response.

Mrs. WAGNER. From the IG's office, Mr. Williams?

Mr. WILLIAMS. It had to be, yes, ma'am.

Mrs. WAGNER. Do you believe that your managers retaliated against you for being a whistleblower even though you were not?

Mr. WILLIAMS. Yes, ma'am, every day they could.

Mrs. WAGNER. And why is that?

Mr. WILLIAMS. Because they were bullies, plain and simple. I don't have any big words for it. They were bullies.

They were untrained. None of us were prepared for the enormity of the—me included. None of us were prepared to launch a Federal investigation under these circumstances and put together a major contact center. I, at least, knew we weren't prepared.

Mrs. WAGNER. Let me ask a question here. Has the CFPB hired any new African-American managers to work in the Office of Consumer Response?

Mr. WILLIAMS. No, ma'am.

Mrs. WAGNER. Is there any fathomable explanation for why the CFPB has failed to recruit new African-American managers in the Office of Consumer Response?

Mr. WILLIAMS. The current administration there, ma'am, is the answer. When you change the current administration, it might change the climate. But they have infused—there are so many of their cronies in Consumer Response that you are still going to have the roots of that there.

So you have to change the whole scheme. And that might get some results.

Mrs. WAGNER. Thank you, Mr. Williams.

Mr. Naraghi, is it true that you shared your concerns about the favoritism and the mismanagement with the CFPB's Inspector General in 2012?

Mr. NARAGHI. Yes, ma'am.

Mrs. WAGNER. How did the CFPB's Inspector General react to your concern?

Mr. NARAGHI. In my initial call, I was pleasantly surprised. I was immediately contacted. And they saw to get my—not only about my mistreatment, which they recommended for me to seek EEO help, but they asked me to let them know. And the main reason I called them is because I was concerned about my responsibility as a government employee to report any misuse of funds.

And after I sent them the email enumerating what I thought were wrongdoings, I never heard back from them.

Mrs. WAGNER. You never heard back—

Mr. NARAGHI. No, ma'am.

Mrs. WAGNER. —from the IG?

Has the CFPB's Inspector General in any way been helpful to you in increasing transparency or accountability for mismanagement to CFPB?

Mr. NARAGHI. Not that has been apparent to me.

Mrs. WAGNER. I thank you, Mr. Chairman. I will yield back.

Chairman MCHENRY. I appreciate the gentlelady yielding back. We will now recognize the vice chairman of the subcommittee, Mr. Fitzpatrick of Pennsylvania.

Mr. FITZPATRICK. I thank the chairman. And I also thank Mr. Naraghi and Mr. Williams for your courage in coming forward to this committee like Angela Martin and other employees before you. It takes a great amount of fortitude and courage to come to the committee to make the statements you have made.

We understand that there are several employees back at the Bureau, dozens if not more, who for a variety of reasons don't feel capable to come forward and give their statements. We have seen some anonymous statements. But you are giving them a voice as well and that is also an important role that you are playing and service that you are giving to the Bureau and to your fellow employees.

Mr. Naraghi, you indicated in your written statement that you found that voicing professional dissenting opinion would ultimately in many cases result in retaliation. You give a number of examples.

For instance, one was when you were pointing out inefficient use of Bureau resources, the wasting of Federal tax dollars. You talked about it in terms of sending reviewers or inspectors to cities where there were qualified individuals already there, and significant travel expense and things along those lines. And I am sure there are many examples.

Did you guys at the Bureau ever engage in video teleconferencing to try to save dollars?

Mr. NARAGHI. No. You have to remember the exam group that I belong to that is in a part under supervision has hardly besides their—the senior management of the area, we work out of our homes. Seventy percent to 80 percent of the time we are on travel, so which means we are at the institution site.

And no, to the—they may use it at the headquarters, but I am not aware of it.

Mr. FITZPATRICK. You never used video teleconferencing in order to save the Bureau dollars? And you are suggesting that you actually pointed out wasteful use of Bureau resources and were retaliated against for doing so?

Mr. NARAGHI. That is true.

Mr. FITZPATRICK. Now, we were interrupted a little bit by some votes on the Floor. So I didn't see your entire opening statement. But I understand that there was a cultural slur that you referred to in your opening statement. What was that?

Mr. NARAGHI. "F'ing foreigner" is how my field manager used to refer to me. It wasn't in my presence. And it was at the huddle.

Each region has three huddles, what they call it. Three times a year they get all the examiners together. And in this particular one they had hired some new examiner that my manager did not know, had not met. And on the elevator this new examiner heard him refer to me in those terms.

Mr. FITZPATRICK. What did the CFPB relations, employee relations and the Equal Employment Opportunity office, what did they do when you brought that to their attention?

Mr. NARAGHI. I talked to Liza Strong and she said oh, absolutely we don't tolerate that. But, like the gentleman said, there are always two sides. I was promised there would be investigation. I never heard back from them.

I brought that to the investigator's attention and she is the one who actually made a note of it. And management in their interview by the investigator said oh, we don't know what he is talking about, basically denial.

But I did find out last night, late last night the president of our union called me and he said that they have actually started an examination or investigation into that just now.

Mr. FITZPATRICK. So it sounds like you brought it to their attention on multiple occasions. When we review inappropriateness, we are looking for a timely response and an appropriate response. You are saying just last night you were advised that they will now look into it?

Mr. NARAGHI. That they have just started the investigation, yes, sir.

Mr. FITZPATRICK. Mr. Williams, is racial discrimination within the Office of Consumer Response widespread, in your view?

Mr. WILLIAMS. It is concentrated in one area that I can attest to. I would imagine that it exists. But I can tell you that it is concentrated in one area.

Mr. FITZPATRICK. Did you witness favoritism in hiring at the CFPB?

Mr. WILLIAMS. Absolutely. Yes, sir.

Mr. FITZPATRICK. Can you describe it to us?

Mr. WILLIAMS. So I am your friend, and I need a job. Well, lo and behold, out of the millions or thousands of people who may apply, we are going to pick you. Then, after you are there 6 to 8 months, you need a promotion. So if it is not on the org chart, I will create it.



So then, I have brought you on. You don't have any tenure. The agency is only 3 years old. Now, I have hired you. I am going to give you six figures. And now I am going to reward you with a team lead position that you are just not qualified for, but don't worry about it because I will deflect any criticism.

Mr. FITZPATRICK. My time has expired. Thank you, Mr. Williams.

Chairman MCHENRY. I appreciate that. Thank you, Mr. Vice Chairman.

Mr. Hultgren of Illinois is recognized.

Mr. HULTGREN. Thank you, Mr. Chairman. And I thank you both so much for being here.

First, I want to ask Mr. Naraghi a couple of questions. What happened after you filed your first formal EEO complaint?

Mr. NARAGHI. Immediately afterwards, I was issued a reprimand letter.

Mr. HULTGREN. Did you construe the letter of reprimand that you received shortly after filing your EEO complaint as an act of retaliation?

Mr. NARAGHI. I believe so.

Mr. HULTGREN. Have you experienced any additional instances of retaliation?

Mr. NARAGHI. Absolutely.

Mr. HULTGREN. Can you tell me about that?

Mr. NARAGHI. Absolutely. I have a huge list. I think the committee wouldn't have enough time. But I can give you a few examples.

The biggest retaliation is I was given a bad grade for an exam where I was doing my job, in other words, telling my inexperienced manager that what he was telling the institution was wrong, in a polite, professional manner. That was when they cancelled my vacation, wrote a bad evaluation for me, and gave me all 1s despite my work being satisfactory.

And they also denied me a raise. So, I had started in 2011, and I didn't get a raise until 2013. And that affects not only obviously my pay, but any opportunity because it took me a year to prove them wrong. And it took me seeking a different manager.

One of the practices—it may be true across the CFPB but I can only speak to us, the Southeast Region—is if anybody makes a complaint about racism or discrimination, they put them under a minority manager thinking that—they did that to me. The gentleman who had made a reference to me as a “F”ing foreigner,” I had to call Ms. Strong 3 or 4 times, and send several emails seeking to have another manager who could be unbiased.

After a few months, they assigned me to an African-American manager, in their mind thinking well, the African-American manager cannot be biased because he is a person of color. Do you know what I am saying? I think they may be under some sort of a misunderstanding that like he was saying, colored people do discriminate against colored people as well.

Mr. HULTGREN. Mr. Williams, can you elaborate on how other African-Americans have faced racial discrimination within the Office of Consumer Response?

Mr. WILLIAMS. Well, the assignments. In Consumer Response, and specifically in intake, if you were not someone that they fa-

vored, your work is not only going to be intensely scrutinized, they are going to send you constant emails about the rate of work that you are producing. Why didn't you finish this? Do you see how many you have? And they would do that constantly.

I can speak from my experience—my quality assurance manager and section chief were waiting until 5 o'clock, and they would have a write up or something. Or in one instance they created a policy that probably doesn't exist, and wrote me up. I took it to Liza Strong, gave her the document, and said that we don't even think this policy ever existed. She said, okay. It was really nice, a pleasure, but she did absolutely nothing.

I took it to her personally, called her on the phone, said here are the documents, Liza Strong. Can you show me where this policy exists? They have never done it. I even showed her that if this policy exists, the vendor is doing the same thing. So you are going to tell me that your vendor is violating the same policy? They have never answered that. So those are examples.

Mr. HULTGREN. My time is going by quickly, so I want to ask you just a couple more questions to both of you.

Do you believe that the CFPB is hypocritical in how it addresses its internal discrimination? If so, why do you believe this?

Mr. WILLIAMS. Absolutely, sir, because I am the only person who has ever been punished. They didn't renew my contract. The rest of them have all been promoted and have gotten raises. I am the one who had to go out and seek other employment.

Mr. NARAGHI. I am aware of—not to myself because I came from the Federal Reserve and competitively took my position—colleagues who were brought over on contract whether from the OCC or other agencies. These are people of color, different nationality, origin. And CFPB management has refused to make them permanent employees, even though I have had the privilege of working with them and they are very capable examiners.

However, there are White examiners who have been made into permanent employees. So even though I wasn't subject to it, I am aware of it, and I have seen folks like that.

Mr. HULTGREN. My time has expired. I yield back, Mr. Chairman.

Thank you both.

Chairman MCHENRY. I thank my colleague. We will now go to Mr. Duffy of Wisconsin.

Mr. DUFFY. Thank you, Mr. Chairman.

Listen, I first want to thank the panel for their testimony today. I know it is not easy to stand up and walk forward and be the voice for many in your organization, in the Bureau who don't feel they can stand up and tell these stories. And I think everyone on this committee has bipartisan recognition of how difficult it is to actually come forward because the light shines that much brighter on you when you do it. And so, I thank you for your courage in coming forward.

In that regard, has it been a pleasurable experience coming forward and testifying before Congress for the both of you? Mr. Naraghi?

Mr. NARAGHI. It has. To me, it is like a huge weight has been lifted off my shoulder. I was beginning to doubt myself because

every complaint or everything I brought to management's attention has been just denied like it is a figment of my imagination. And I am seeing that people listen, and say, no, you are right to have taken it that way.

I feel like a huge weight has been lifted off my shoulders. So, it has been pleasurable.

Mr. DUFFY. Good.

Mr. NARAGHI. Thank you.

Mr. DUFFY. Mr. Williams?

Mr. WILLIAMS. No, sir. The only thing I wanted to do was work.

Mr. DUFFY. That is right.

Mr. WILLIAMS. They took my job that I started that unit. No, this isn't pleasurable, I am getting scrutinized. This is on the internet. I don't want to be here. Who in their right mind wants to come up here? No, I don't want to be here.

Mr. DUFFY. And that is what I actually thought the answer would be, and not a weight being lifted off. It is not pleasurable. It is difficult to come forward and to expose what is going on. And again, Mr. Williams, I am grateful for your willingness to step forward.

When you were telling your stories about the racism, the language that I won't even repeat, it was being used against the both of you. Did you see a lot of people rally to your aid, step up and say, it is 2014, listen, at this new agency, that is not acceptable. We are going to stand by you. We are going to fight for you and we are going to root this out.

Mr. NARAGHI. I speak about my own. It was a colleague who saw or overheard what happened and was disturbed by it. And he since then has actually quit the Bureau. He was already unhappy for sitting at home. Once he heard this, it was kind of a last nail in the coffin for him.

And as far as other folks, they are afraid to speak up. It is a really sick environment that we work in. So folks, I don't expect them—the only one that I referred to in my testimony, brave because he was brave because management knew who he was. He even gave me authority to use his name in appealing my evaluation. He is truly my hero and he is truly a straight shooter.

Mr. DUFFY. Thank you.

Mr. Williams?

Mr. WILLIAMS. Every member of management from the chief operating officer down to Liza Strong lied to me and the National Treasury Employees Union. Employees wanted to rally openly, but they know that there is a retaliatory environment. I was the only one that CFPB Consumer Response management could retaliate against because they refused to make me a permanent employee.

So there is a different hurdle. There is no hurdle to retaliate against me. Every member of leadership lied to me or the union directly. So they did nothing for me.

Mr. DUFFY. I say this with some reservation. To the ranking member's comments about making sure we do a full investigation, I agree with that. And to his comments of his experience of racism, I can't imagine the pain. And we had a culture that did behave and still does behave that way.

But I imagine when someone has two drinking fountains, there is no investigation. When you see it, you know it, and that is racism. When we hear the language that has been used, when we read the investigations that have been put together from the outside looking in, yes, we can investigate a little bit more. But I am telling you what. If it walks like a duck and it quacks like a duck, I am telling you it is a duck.

And so I promise that this committee will continue to expose what has happened. I know we are going to have a bipartisan buy-in to make sure that we root it out, and you both can have a work environment that is consistent with the skills and mission and drive that you bring to consumer protection. I promise you that.

I yield back.

Chairman MCHENRY. The Chair now recognizes Mr. Rothfus from Pennsylvania for 5 minutes.

Mr. ROTHFUS. Thank you, Mr. Chairman. And let me echo the sentiment of my colleagues in commending you for the fortitude to come here today to tell your story.

Mr. Naraghi, in your prepared testimony you addressed the issue of the risk model that CFPB uses in its supervisory program. Could you explain what a risk model is and why it is significant in bank exams?

Mr. NARAGHI. A risk model is—essentially you should think of it in a basic term—is a measuring stick that you use against all institutions. It is a model that you assess what are the critical functions of a given institution and what are the tolerance levels of that. It is basically defined therefore you are going to an institution.

When you don't have a risk model we go through a—institution A versus institution B. And let's say we find 10 issues in A and only 5 in B, and we rate A higher than B. There is nothing to back up whether or not you have been subjective or objective in determining it.

However, if there is a measuring stick that you hold against both institutions, then you have done a fair job and your question can be—your assessment can be reviewed and confirmed by folks who may not be experts in that area. But they can see that you treated both of them fairly.

Mr. ROTHFUS. So in your tenure at CFPB, have you had to conduct exams without a risk model in place?

Mr. NARAGHI. Yes, sir.

Mr. ROTHFUS. When did the CFPB ultimately adopt a risk model?

Mr. NARAGHI. They issued a—for mortgage servicing, they issued a manual. I believe it was in the first part of 2012. I am not sure about the day. And then later on, by the end of 2012, we got a comprehensive examination manual, which they are having also serve as a risk model.

Mr. ROTHFUS. And that was by the end of 2012, you said?

Mr. NARAGHI. Yes. The most recent one was reissued because of the new regulations at the beginning of this year. But we have had one since 2012.

Mr. ROTHFUS. How did you evaluate banks without having a risk model?

Mr. NARAGHI. I relied—basically, we had nothing to go by. And as far as my assignment was concerned, I led the examination of mortgage servicing. But I based basically my directive the staff or examiners that I was working with to go through what I recall from proper examination techniques from the Fed. Because I have about 20 years of experience in conducting examinations.

Mr. ROTHFUS. Do you have any concerns regarding the CFPB's 2012 supervision manual? For example, does this model align with actual exam practices?

Mr. NARAGHI. There are a lot of problems to be worked out. In my opinion, what they have done is they had lawyers write advisory information, which is the information the bank or financial institution or nonbank provides us, and then we got the manual. They don't tie in. They are not in parallel. So, there are a lot of issues.

And the manual was written, again, by attorneys. It is not what we normally do in a supervisory entity because it doesn't give enough. It just says ask for such and such information and review.

It doesn't tell the examiner, especially because more than half of the examiners at the CFPB are inexperienced folks. They have expertise in the industry, but this is their first time doing examinations. I think it is critical for them to know what you are assessing and how do you go about assessing that particular function.

Mr. ROTHFUS. Mr. Williams, during your time at CFPB, how did CFPB define a breach of personally identifiable information?

Mr. WILLIAMS. We would file a PII breach. You could find them a couple of different ways. One, during a quality assurance evaluation of one of the monitors, we might find them. The other way, if the vendor self-reported or if the consumer contacted, as they did some vendors, I think.

Some consumers contacted the New York Times at one point concerning three breaches. But those are the three typical ways you find them.

Mr. ROTHFUS. How often did breaches of PII occur at the CFPB call center?

Mr. WILLIAMS. It occurred frequently but there wasn't a pattern. You would see it might happen, as I stated earlier, it might happen 3 times and then you don't see it for a while. Then all of a sudden, you see it again.

Mr. ROTHFUS. In your opinion, was the number of PII breaches and incidents high, low or about normal for a call center?

Mr. WILLIAMS. It was high.

Mr. ROTHFUS. In your view, would there be fewer incidents in breaches of PII if the Office of Consumer Response had more experienced managers?

Mr. WILLIAMS. Absolutely.

Mr. ROTHFUS. Thank you. Thank you, gentlemen.

I yield back.

Mr. FITZPATRICK [presiding]. The Chair now recognizes the ranking member of the subcommittee, Mr. Green.

Mr. GREEN. Thank you, Mr. Chairman. And I must say, if I may in passing, that you look good in that seat.

If I may, Mr. Williams, I make notes and I go back through my notes to provide some degree of clarity. So let's start with a state-

ment that you made, only to provide clarity, Mr. Williams, I assure you. You indicated that while under subpoena today, you were making certain statements.

And to provide clarity, I want to make sure you understand, and I believe you do, that you are under subpoena today because you requested a subpoena. The committee would have allowed you to come without subpoena. But it was at your request that we issued a subpoena. Are you aware of this?

Mr. WILLIAMS. I am aware of that.

Mr. GREEN. Okay. Let me go to my next point.

You indicated something about organizations that would be assisting you if certain circumstances existed with reference to the complexion of supervisors. Do you have proof today of contact prior to being subpoenaed, let's start with that as our asset point. Do you have proof of contact prior to being subpoenaed of contacting civil rights organizations?

Mr. WILLIAMS. Yes, sir.

Mr. GREEN. Do you have that proof with you today?

Mr. WILLIAMS. I can look at my phone and show you the records. I could probably—

Mr. GREEN. No, no. You can do this for me. Just tell me what organizations did you contact?

Mr. WILLIAMS. My family and I, we reached out to Congresswoman Waters' office—

Mr. GREEN. Do this for me, organizations, civil rights organizations. For example, did you contact the NAACP?

Mr. WILLIAMS. We contacted Reverend Al Sharpton's Action Network. We talked to people—because I am from Chicago, we talked to people from Operation PUSH.

Mr. GREEN. Did you do that personally?

Mr. WILLIAMS. Personally, and other people on my behalf.

Mr. GREEN. Just tell me about what you did personally if you would, please.

Mr. WILLIAMS. Yes.

Mr. GREEN. Personally, you contacted the NAACP?

Mr. WILLIAMS. I didn't contact the NAACP.

Mr. GREEN. You did not?

Mr. WILLIAMS. No, sir.

Mr. GREEN. Personally, did you contact the National Action Network?

Mr. WILLIAMS. Yes.

Mr. GREEN. Okay. And personally, did you contact some other organization that you can call to my attention now?

Mr. WILLIAMS. Yes.

Mr. GREEN. Okay. If you would, please?

Mr. WILLIAMS. Back home, I contacted Operation PUSH.

Mr. GREEN. PUSH?

Mr. WILLIAMS. Yes.

Mr. GREEN. Okay. And any others?

Mr. WILLIAMS. My family—

Mr. GREEN. You personally, only what you did personally.

Mr. WILLIAMS. No, sir.

Mr. GREEN. Okay. And I have a reason for asking it this way in terms of personal contact.

Now let's talk about this. You are both fair-minded people and you want to make sure that you are treated fairly. But you also want to make sure that others are treated fairly as well. Is this a fair statement that you want to make sure others are treated fairly as well?

Mr. WILLIAMS. Sure.

Mr. GREEN. Let's talk about some of the others. One of you having been a bank examiner, I will just use banks as a part of this question.

If we find that banks have employees who are expressing similar concerns, would you want us to hold ex parte hearings with reference to these employees? For fear that you may not understand the term ex parte, just let me ask you, would you want us to hold hearings similar to these hearings with bank employees if they were experiencing similar circumstances?

Mr. WILLIAMS, would you want us to hold hearings with banks? Or is this just for the CFPB that you want these things done? So would you want us to do a similar thing? If you were working at a bank and you had similar circumstances, and Congress has oversight of banks, would you want us to do this, Mr. Williams? Would you want us to hold similar hearings?

Mr. WILLIAMS. I would want you to do what is prudent, yes, sir.

Mr. GREEN. All right. You would want me to hold these hearings. Is that right?

Mr. WILLIAMS. Yes, sir.

Mr. GREEN. Okay. And Mr. Naraghi, would you want us to do the same thing? Or is this only for the CFPB, Mr. Naraghi?

Mr. NARAGHI. No.

Mr. GREEN. Would you want us to do a similar thing with banks?

Mr. NARAGHI. Here is what I would say about that.

Mr. GREEN. No, you will say yes or no for this one, please. Would you want us to do the same thing if banks were discriminating invidiously against people?

Mr. NARAGHI. In my capacity as a bank examiner or just as a—

Mr. GREEN. No. Would you want Congress to call in to give those persons at banks to come before this committee and testify? Would you want us to give them the opportunity to do so?

Mr. NARAGHI. Do you want my personal opinion or my opinion as a bank examiner?

Mr. GREEN. Yes. I am asking you for your personal opinion. Would you want this to happen? Or is it only for the CFPB?

Mr. NARAGHI. No. If possible, yes.

Mr. GREEN. You would. All right.

Would you want—you said level the playing field, Mr. Williams. Would you want us to level the playing field with banks? If we find that banks have an unlevel playing field, would you want this committee to do what it can—

Mr. WILLIAMS. Absolutely.

Mr. GREEN. —to level it?

Mr. WILLIAMS. Yes.

Mr. GREEN. All right. Let's move on.

Would you want us to use disparate impact as a theory with banks? You indicated that we are using it today. Would you want us to use the same theory with banks?

Mr. WILLIAMS. Absolutely.

Mr. GREEN. Would you want us to have persons who are working at banks who may be hearing what we are saying today by and through television or some other means of hearing these proceedings, would you want them to contact us, just as you were able to contact us?

Mr. WILLIAMS. Yes.

Mr. GREEN. Would you want them to contact us and say, my bank is discriminating against me?

Mr. WILLIAMS. Yes.

Mr. GREEN. And should we hear from these witnesses just as we are hearing from you without the benefit of hearing from the other side? If a person says, I have been discriminated against, do you want us to hear from them just like I am hearing from you today, same way, no change?

Mr. WILLIAMS. Yes.

Mr. GREEN. Thank you.

Sir, Mr. Naraghi? Mr. Naraghi, you hesitated on some important questions. Are you here for the CFPB only? Or do you want to see people who are being discriminated against regardless of the venue have an opportunity to be heard?

Mr. NARAGHI. Sir, the reason I hesitate is it is beyond my knowledge or—

Mr. GREEN. I am not asking you about what you know about banks. I am asking you that if you were working at a bank and experiencing these same circumstances, would you want the chance to sit in this chamber today—

Mr. NARAGHI. If possible, yes, sir.

Mr. GREEN. Okay.

Finally, you said to change the administration, Mr. Williams. If a bank had similar circumstances, would you want the administration at the bank changed? I am using your exact language. You said—

Mr. WILLIAMS. Yes.

Mr. GREEN. —change it.

You agree, Mr. Naraghi? Are you only here for the CFPB, Mr. Naraghi?

Mr. NARAGHI. Yes—

Mr. GREEN. Do you want to see other people—

Mr. NARAGHI. —I am here for the—

Mr. GREEN. —who are discriminated against to have the same opportunity? Are you here to eviscerate and emasculate the CFPB?

Mr. NARAGHI. I am not.

Mr. GREEN. Would you want to see banks treated the same way?

Mr. NARAGHI. Absolutely. I think they are because of our laws.

Mr. GREEN. All right. Finally, I would like to submit for the record the request that the ranking member and I, along with other members of the subcommittee, have made to all seven of the Inspectors General with reference to investigating complaints of discrimination. This would include the CFPB.

I would also, Mr. Chairman, ask that we include for the record a document titled, "Objective and Approach for Offices of Inspector General (OIG) Review of Office of Minority and Women Inclusion (OMWI) Activities. And it goes on to indicate, "Requested by Rank-



ing Member and Colleagues, House Financial Services Committee, on March 24, 2014.”

And it indicates, Mr. Chairman, that the Inspectors General will be looking into allegations of discrimination, employee satisfaction results, hiring, and promotions, and goes on to indicate that the final evaluation will be presented by late November 2014. If there are no objections, I would like to submit these for the record.

Mr. FITZPATRICK. Without objection, they will be made a part of the record.

Mr. GREEN. Thank you, Mr. Chairman. I will yield back.

Mr. FITZPATRICK. The Chair recognizes Mr. Barr for 5 minutes.

Mr. BARR. Thank you, Mr. Chairman. And thank you to the witnesses for your testimony here today.

In reference to the ranking member’s line of questioning just concluded, Mr. Naraghi, I am just curious. In your time as an examiner at the Bureau, did you ever uncover or discover any of the kind of discrimination that you personally experienced at the Bureau?

Mr. NARAGHI. No, sir.

Mr. BARR. You testified that results-oriented examinations in which these exams were decided or the results of those exams were decided at the outset for the purpose of finding a violation even if none were identified, and that the field manager told you that you must not have done your job right because you did not identify any violations. Is that correct?

Mr. NARAGHI. Yes, sir.

Mr. BARR. Is that a common part of the culture at the Bureau?

Mr. NARAGHI. I cannot speak to that about the Bureau. You have to remember I represent—I am an examiner in the Southeast Region. I have had that happen to me on at least two occasions, which even one of them should not happen.

Mr. BARR. So in other words, you are telling me that at the Bureau, in your capacity as an examiner, management basically told you that you didn’t do your job if you found no violations with the regulated entity?

Mr. NARAGHI. Some. Remember, I said we have a lot of inexperienced managers. And the Director of my region keeps hiring his cronies. So yes, that I have seen.

Mr. BARR. Okay.

And Mr. Naraghi, you also testified that individuals in your team were told to expand their sample size if no violations were identified in their initial sample. And you made the point that there is no statistically sound rationale for conducting examinations in this manner. Can you explain that a little bit more? Can you amplify that a little bit more?

Mr. NARAGHI. Absolutely. Their standard examination protocol calls for you to determine a sample size as statistically based on what is the total population of that area you are examining, the transaction you are examining, and you come up with a number. And you randomly select that. The reason is for it to withstand the scrutiny both by the bank or institution management as well as in a court of law or anything that we are treating everybody fairly, unbiasedly.

When the only time you extend your sample, as the examination protocols call for, is if you find enough errors, or basically violations, violation of law, violation of their own protocols. That is when you expand your sample.

Mr. BARR. Mr. Naraghi, this sounds kind of like it is a fishing expedition. You take a statistically accurate sample, and no violations are found. There must be something wrong because all the banks are doing the right thing. That is the attitude of the Bureau.

Mr. NARAGHI. Actually, it is funny you say a fishing expedition because that was my point of argument with the enforcement attorney who was wanting to expand the sample. I said I don't want—and this is brand new agency. I don't want us to appear like we are on a fishing expedition.

Mr. BARR. And then finally, in your testimony, I think the most striking observation that you made about the Bureau in which you worked, that lawyers from the Enforcement Division, they come into these—they come in and they mention plans to bring enforcement actions before the completion of the exam work and before discovering a violation.

So it seems to me that the justice system in our country is totally disregarded by this Bureau in the sense that there is a presumption that everybody in the private sector is doing something wrong. It can't be right if there are no violations. And so, we are going to enforce before we even discover that there is a violation.

Mr. NARAGHI. Yes. And that is why it bothered me, and the occasion that happened to me I documented by sending my management an email indicating so.

Mr. BARR. Do you think that this is a fair-minded approach to enforcing consumer protection laws in the United States?

Mr. NARAGHI. Absolutely not.

Mr. BARR. Let me just ask you one more question or two more questions. I don't have much more time, but do you believe that the exams that are conducted at the CFPB are aligned with industry standards of auditing? Why or why not?

Mr. NARAGHI. No. Because depending on who is conducting the exam, who is the member of management, it could be aligned. And the ones who are inexperienced or don't have it are not.

I want to emphasize this. There are a lot of good examiners in our system at CFPB and a lot of hard work goes on. What I have seen is basically incompetent management that is causing these issues that I bring to your attention.

Mr. BARR. Mr. Naraghi, I appreciate your testimony here today. And I think you have really elucidated some underlying problems with this agency. I appreciate your testimony.

I yield back.

Mr. NARAGHI. Thank you.

Mr. FITZPATRICK. There are no further questions this afternoon, so we would like to thank the witnesses for their time and for their testimony.

The Chair notes that some Members may have additional questions for this panel, which they may wish to submit in writing. Without objection, the hearing record will remain open for 5 legislative days for Members to submit written questions to these witnesses and to place their responses in the record. Also, without ob-

jection, Members will have 5 legislative days to submit extraneous materials to the Chair for inclusion in the record.

Without objection, this hearing is adjourned.

[Whereupon, at 4:17 p.m., the hearing was adjourned.]



# **A P P E N D I X**

June 18, 2014

Statement of Ali Naraghi  
Before the Committee on Financial Services  
Oversight and Investigation Subcommittee  
U.S. House of Representatives  
June 18, 2014

My name is Ali Naraghi and I currently serve as an Examiner in the Southeast Region of the Supervision, Enforcement and Fair Lending Division at the Consumer Financial Protection Bureau (CFPB). Thank you for allowing me this opportunity to share my experience at the CFPB with you. Ms. Angela Martin mentioned me in her testimony on April 2<sup>nd</sup> of this year. I am the naturalized U.S. citizen that Bureau management referred to as an “fing foreigner.” I take great pride in serving my country for 14 years with distinction at the Federal Reserve Board of Governors prior to joining the Bureau at its inception and am proud of my Persian heritage. Like many others, I feel fortunate to have immigrated to the United States, and do not deserve to be referred to in derogatory terms by Bureau management.

Although my history reflects the struggle that many encounter in different ways in their life, I feel obligated to protect my fellow colleagues who, in their sincere attempts to support the mission of CFPB, are paralyzed from asserting their rights, and even their opinions. I hope, by telling my story, it will further enlighten the committee about the culture of intimidation and retaliation at the Bureau and how that culture makes it very difficult for employees to raise concerns about mistreatment, mismanagement, and abuse of authority. Many managers (especially within the SE Region) are withholding promotions of internal candidates while bringing in external candidates from their personal or other connections. In short, favoritism and cronyism runs rampant at the Bureau.

My testimony is based specifically on my experiences with management of the Southeast Region and the management in the Office of Supervision at the Headquarters of the Bureau, and is not a reflection on my fellow examiners who - like me - are highly dedicated<sup>1</sup> to serving the American Consumer.

Prior to joining the Bureau, I served as a Federal Reserve Bank Analyst and Examiner and most recently as a Supervisory Financial Analyst in bank supervision at the Federal Reserve Board before being inspired by Elizabeth Warren’s vision and the mission of the CFPB. I enthusiastically applied for a Supervisory Auditor (11-CFPB-010) position at its Headquarters. However, at the interview, I was informed that, given my operational risk experience, the CFPB needed my expertise as an examiner and I was offered a Senior Field Examiner position. I accepted the position in May 2011, eager to be of service to consumers. They also offered me a retention bonus after accepting the position.

I was a lead examiner for the first CFPB examination, which started in October of 2011. During those 5 months in that assignment, I raised concerns about:

- Not having a risk model to ensure equitable assessment across institutions;

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<sup>1</sup> Please note, that my fellow CFPB examiners are some of the smartest and most dedicated professionals I have had the honor to work with.

- Inexperienced exam managers (Field Manager and Examiner-in-Charge (EIC));
- The EIC being unduly influenced by the institution being examined;
- Allowing the institution to dictate what CFPB examiners can and cannot examine; and
- Inefficient use of Bureau resources. For example, they flew in examiners from around the country for weeks just to plan the examination and later to conduct the exam when CFPB had plenty of locally available examiners that would have saved taxpayers up to five months' travel expenses. Average expense of \$2000 per week per examiner.

I soon found that voicing a professional dissenting opinion that is any way at odds with Bureau management – even in the smallest of ways – will result in retaliation. For example, after suggesting to the Chief Human Capital Officer, Mr. Dennis Slagter, that senior management should consider including experienced staff from the Federal Reserve, Office of the Comptroller of the Currency, and FDIC when strategizing about the large bank supervision program, because the CFPB's supervision seemed too OTS<sup>2</sup> centric; in response, Mr. Slagter stated "if you don't like it go back to the Federal Reserve Board." This is in direct contradiction to CFPB's stated policy of welcoming feedback.

In addition, I have raised concerns to management and the Office of Inspector General about the following issues:

- The Bureau has hired inexperienced managers whose only qualification appears to be personal or other connections to Bureau hiring officials.
- Gross mismanagement wastes taxpayer funds. For example, in the Southeast Region about 50-75 examiners were kept at their homes, essentially without work to perform for eight months between approximately September 2011 through May of 2012. In my opinion, this was one of many examples of wasting taxpayers' funds due to Supervision management's incompetence.
- Results-oriented examinations in which the Bureau at the headquarters appears to have decided at the outset to find a violation even if none were identified. I worked on an examination for three weeks reviewing 52 mortgage modification applications, and did not find any violation. The Field Manager told me that I must not have done my job right because I did not identify any violations. Others in my team were told to expand their sample size if no violations are identified in their initial sample. This is contrary to sampling procedures of the FFIEC and prudential regulators. There is no statistically sound rationale in conducting examinations in this manner.
- CFPB management imposes cumbersome and inefficient national exam procedures for examinations and do not give examiners and/or EIC any discretion in applying those procedures.
- The exams are very inefficient. They take at least six weeks on site regardless of the size in assets and/or footprint, whereas exams performed by other regulators take size, risk, and complexity of institutions into consideration during the planning and scoping phases of examinations.

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<sup>2</sup> The Office of Thrift Supervision was dissolved through the Dodd Frank Act, transferring employees and responsibilities to the FDIC, OCC, and CFPB.

- Lawyers from the Enforcement Division joined examiners and occasionally have mentioned plans to bring enforcement actions prior to completion of exam work and/or discovering a violation.

After being subjected to disparate treatment, I asked my management in May 2012, about the reason for being treated like this. Management responded that they did not like me asking questions about the reason behind orders and what my rights may be, and how I raised questions about certain aspects of CFPB management practices. I did my best to work within the Bureau's management and oversight structure to address these issues; however, once management started to retaliate, I filed an EEO complaint against Southeast Region's management. I immediately became one of the targets of my Regional Director Mr. Jim Carley and the Assistant Director of Supervision Mr. Paul Sanford at CFPB Headquarters as a result of questioning examination management and filing a formal case about abuse and disparate treatment. They proceeded to make my professional and personal life a living hell by repeated retaliation and creating a hostile work environment. Examples of the retaliations include:

- Immediately after filing an EEO complaint in May of 2012, management issued me a reprimand letter for not attending training class which I was registered for by management without my knowledge;
- Removing me from being EIC, and requiring me to attend training to serve as an EIC, a requirement only for me and no others at my grade. In fact I have not been assigned an EIC role since filing my EEO case, despite it being a requirement in my Position Description, which is the highest examiner grade for the Bureau;
- Reporting me AWOL for an entire week for requesting sick leave, despite having a doctor's note requiring bed rest to avoid getting pneumonia due to sever bronchitis;
- Accused of asking bank management to show me how to do my job when in fact I was trying to protect the integrity of the Bureau by helping the field manager recover from answering questions that demonstrated his incompetence and lack of knowledge about mortgage banking;
- Being wrongfully accused and written up for falling asleep at a meeting with an institution's president. The fact (as reported by the EEO independent investigator) that I was awake and the most active participant was confirmed by several colleagues and a CFPB Enforcement Attorney who were present; however, Mr. Carley insisted that my Field Manager issue a written warning with threat of disciplinary action;
- Issued the lowest performance evaluation rating in 2012 when in fact at mid-year I was rated commendable. This was my punishment for raising concerns about my manager during the last 3 months of evaluation period; and
- In February 2014 my Field Manager informed me that he knows I am well qualified, but the orders that I cannot be an EIC come from above the assistant regional director level.

Like Ms. Martin, the retaliation against me continues to this day. Like Ms. Martin, my story is a microcosm and when you look at me you should see dozens and even scores of employees in addition to me.

The Labor Relations Office within the Office of Human Capital is broken and is more harmful than helpful to employees who suffer discrimination or retaliation. Because I was concerned



about examiners who worked with me as well as my own mistreatment, I wrote an urgent email on July 26, 2012 asking the Deputy Human Capital Officer and Employee Relations Lead, Ms. Liza Strong for help. I pointed out the mistreatment I was receiving as well as listing directives provided to examiners by Field Manager Mr. Jerome Uberu, which according to my experience was unprofessional, contrary to standard supervisory protocols, and possibly illegal.<sup>3</sup> It took from July 26, 2012 until October 18, 2012 (nearly three months) for Ms. Strong to reply to me. Unlike her testimony that she investigates all complaints; her response was simply to add retaliation claims to my EEO complaint. I was stunned that she did not show any interest or concern regarding management's mistreatment of myself and my fellow examiners or its potentially illegal directives. As a matter of fact; not only she did not investigate my complaint; she refused to be interviewed by the EEO investigator assigned to my EEO case.

Pursuant to an announcement (December 11, 2011) on CFPB's intranet titled "**CFPB wants you to blow the whistle on lawbreakers.**" I felt compelled to report my observations to the Inspector General of the Federal Reserve Board. The Bureau, however, did not mean for workers to blow the whistle on its own waste, fraud, abuse, and mismanagement but, rather, only whistleblowers against the covered persons under the Dodd-Frank Act. I was promptly contacted by an IG staff member and as instructed on July 25, 2012 sent an email detailing both my situation as well as bullets enumerating what I thought to be mismanagement by the Supervision senior management, waste of Government resources, favoritism in hiring practices, as well as what I thought may be illegal labor practices. I was told that the IG's office will be in touch if necessary; however, no one has contacted me since July 25, 2012.

Furthermore, I attempted to engage my Regional Director Mr. Jim Carley by sending him an email requesting time to discuss an important matter. I never got a chance to discuss my concerns with him. Mr. Carley never again attempted to follow up with me to ask what was so important. One of my concerns at that time was that during an examination the field manager, Mr. Uberu, was inappropriately telling examiners to find issues against the supervised entity that did not exist, but was solely based on his opinion that the subject bank had issues. All affected examiners felt uncomfortable with Mr. Uberu's approach at the time but were afraid to speak out for fear of retaliation.

After I pointed out Mr. Uberu's mistake, he wrote the worst evaluation I have ever received in my professional career. The evaluation intentionally misrepresented incidents and sometimes even falsified the record of what took place in a Bureau examination. Management's mischaracterization has been proven wrong by an independent investigator from the Internal Revenue Service assigned to my EEO case. In that investigation, one of my colleagues bravely testified that the Field Manager, "Mr. Uberu felt intimidated by Mr. Naraghi's experience and credentials." My colleague further reported that "Mr. Uberu's management style is one of intimidation and force." Unfortunately Ms. Strong wholly ignored my complaint about this manager and now others have suffered and are continuing to suffer under his mismanagement. Subsequent to my complaint, at least two other examiners have also reported their own serious complaints about Mr. Uberu's boorish intimidation tactics and have filed their own EEO complaints.

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<sup>3</sup> In one instance, he directed examiners to travel and work off the clock including weekends without pay.

Ms. Strong's outright dismissal of my own legitimate concerns of mismanagement has caused Mr. Uberu to become more brazen in his intimidation and abuse of my fellow examiners. I am deeply saddened with the realization that my colleagues' hardships could have been easily avoided if the Bureau responded promptly and responsibly to the concerns of its employees. Employee Relations Lead Ms. Strong is failing to adequately protect Bureau employees and, in fact, causes us further harm by holding herself out as the point of contact for us to address our concerns when actually she is just another arm of management and another example of the Bureau's officials abusing their power.

After I appealed my manager's unfair evaluation of me, all CFPB management across other divisions, who were supposed to complete an independent review of my appeal, circled the wagons. As a result; in the most humiliating experience, Mr. Carley who himself has little to no experience in federal mortgage servicing laws forced me to attend remedial mortgage servicing training with the threat of being fired if I cannot pass the exam. My field manager expressly told me that I am "untrainable." By point of fact, I told my management and Labor Relations staff that I have earned two Bachelor degrees, an MBA; and graduated from the ABA Stonier Graduate School of Banking so CFPB's characterization of me as untrainable is demonstrably false.

When my fellow examiners found out that I may be appearing as a witness here, many of them personally contacted me and urged me to be certain to shed light on the unfair and sometimes deceptive practices of Supervision management. Unfortunately, the Southeast Region examination program is run by intimidation and, like a dictatorship, there are significant consequences for disagreeing and/or disobeying the King. Almost every examiner I know has pending or rejected grievances. Management espouses collaboration and respect with staff and yet shows no respect to its examiners and there is no accountability for their abuse of power. Contrary to Ms. Strong's testimony, legitimate concerns and complaints filed by examiners are rejected outright, without due consideration. I believe that Labor Relations Office headed by Ms. Strong is a common denominator in the mistreatment of examiners and other employees. It seems like Labor Relations will side with management no matter how egregious their actions may have been; which has caused resentment and distrust amongst the employees. The lack of prompt attention and resolutions by the CFPB to legitimate employee concerns causes problems to fester needlessly and detracts from the ability to focus on the mission.

I believe that the root cause of the problems I have encountered at the Bureau is management's lack of accountability. The only consistent thing about CFPB management is its inconsistency. It is my sincere hope that the Bureau will take immediate steps to remedy these fundamental management issues and thereby become more effective in carrying out its vital mission.

Thank you

## OPENING STATEMENT OF KEVIN A. WILLIAMS

Good afternoon Mr. Chairman and committee members. It is without any joy that I appear before you today. My name is Kevin A. Williams. In the fall of 2011 I enthusiastically applied to help build and launch the Consumer Financial Protection Bureau, the financial regulatory agency that was dubbed a 21<sup>st</sup> century organization. I served as the CFPB Office of Consumer Response's first Quality Assurance (QA) Monitor from July 2011 to February 2014. The terms of my employment were a year to year term contract. Understanding the provisions of my contract I made it paramount that I would work hard and secure permanent employment as soon as possible. At various times I approached management about my status and at every turn they lied. Whether I inquired or the National Treasury Employees Union on my behalf inquired we both consistently were lied to.

Sadly, instead of the positive, modern government agency I had expected, my experience at the CFPB was reminiscent of past eras of injustice, cronyism, discrimination, and retaliation. The events that transpired at the Bureau occurred because basic measures were not in place to properly supervise its untested management. In particular, the managers in the Office of Consumer Response (CR) ran the unit as their own personal fiefdom, unfettered by any oversight they inadvertently might receive. The divisiveness and disharmony in CR did not occur because of unruly employees, underperformers, or disenchanting team players. It occurred because CR's unproven management team was not properly prepared for the big job they faced. No policies or procedures were implemented to ensure that they abided by applicable laws and followed accepted management practices.

I was the only member of the implementation team who was not offered permanent employment or a promotion. Yet, some of the people I worked with now lead CR. My treatment was especially notable because I was the lone team member who performed most of the QA functions for the CFPB's contact center. My statement is not long enough to respond to all of the aspersions that were

directed at me. But I ask you to question how a person responsible for the entire customer interaction quality assurance function for a new federal agency could be excluded from meetings, and branded as lazy and unproductive. I am proud of my principles and my work, which is my best response to any management disparagement of my job performance. CR continuously touted the results I produced, and CR's management team continuously received bonuses based in part on my work.

I worked on the QA team, supervised by two black women managers. One of my managers was a manager in name only. For over two years, she did little more than discredit my work, disparage my character, and downplay my achievements. I was attacked, maligned, and humiliated on a daily basis. For example, I was rated as an average employee despite being either the primary or the only QA monitor for the entire agency's contact center vendor. I listened to more calls, talked to more consumers, and read more correspondence than anyone in the agency, and yet I received absolutely no credit for my extra work. Make no mistake about it. It was clear that I was treated this way and allowed to be treated this way by my few black managers at the Bureau because of the "Plantation" mentality that exists there. If my managers had been white, instead of black managers allowed to mistreat a black male, every civil rights organization in America would have protested my treatment, and the treatment of others in my unit.

For example, I told CR's management team that the scorecard used to evaluate consumer interactions with contact center personnel was ineffective. Consumer interactions were randomly selected and evaluated either by myself primarily or - later when the team expanded - by others. The scorecard was ineffective because it was weighted so that the vendor was not heavily penalized. This had two results: (1) it would appear that the vendor was providing superb service because their score was in the 90's, and (2) it would appear that CR was effectively managing the contract, even though it was not. When I expressed the problems with the way the scoring was weighted and the results utilized, my African-American manager's response was to inform her bosses that I was incapable of doing anything, of even doing the basics. And this wasn't because I was incorrect, but because she was offended that I, notwithstanding that I'm a black male, questioned the scoring methodology. My black managers - and, thus, the Bureau - treated me as a pariah

because as a black male I was not qualified to question the information provided by consultants precisely and merely because most of them were young white men.

Another example stems from the vendors being very concerned about receiving high QA scores so as not to get penalized in Bureau contracting decisions. Thus, when we would evaluate an agent more than once in a short amount of time, the vendor would call and complain to my manager that we were singling out an individual. However, we would have no idea who the agent was when we decided to evaluate a function. The way we selected items to evaluate was random. Consequently, in response, one of my former co-workers who is an African-American male told the QA manager that it does not matter who we evaluate because we are not looking at the interaction of any particular agent. The QA manager did not agree with this statement from the male African-American QA monitor. However, she agreed with the same statement from a white male consultant.

Yet another example of how black managers at the Bureau were allowed to mistreat Black employees as part of misguidedly “defending” the Bureau is when I did a presentation and told the my QA manager that the QA scoring system was out of line, distorting Bureau assessments of vendor performance. In response, my QA manager spoke to her superiors about *my* performance. The Bureaus leadership allowed my manager and section chief to undermine me, and even my career, by not allowing me to make the same insightful observation that the managers would accept from white male consultants who patronized them by cluing them in about the distorted evaluation system. This is discrimination, too. The frequency and duration of these occurrences created a hostile work environment for all blacks at the Bureau, whether they were unwitting, manipulated black managers or mistreated, hard-working black employees. It’s just that we – the latter – suffered the objectively adverse consequences.

Despite establishing the Quality Assurance team, my efforts generally were discounted. The exception proving this rule, however, was when CR’s managers themselves would be rated based on the contact center being presented as being successful. In this regard, while I was there the managers I reported to were rated at the 4 or 5 level based on the center’s success, yet the person doing the work, me,

was rated as average or a 3. That it was a Bureau-wide problem is confirmed by this result, since the managers were in effect being rewarded for discriminating against me, and for believing they were retaliating against a black male whistleblower (since criticisms like mine apparently were being reported to overseers by unknown persons, leaving my managers to guess it had been me). That it was both discrimination and retaliation became evident after awhile through the intensity of it. My few errors continued to be raised two or three years after their occurrence, yet the errors that my managers continued to make every month, week, or even daily were overlooked, excused, and ignored by others eager for them to continue to perform “field hand control functions”.

Unfortunately, I was a charter member in the Intake unit, which, indeed, came to be referred to as the “Plantation.” There, I personally witnessed and was the victim of racial discrimination perpetrated by black as well as white managers. The unit was dubbed the Plantation because when we started, the majority of black employees were assigned to Intake, which was basically data entry. The one Caucasian man in the Intake unit who demonstrated an interest in software testing was offered a permanent detail to another group, which led to the creation of a new position for him. Someone then remarked that this looked like “a damn plantation,” and the nickname stuck.

Thereafter, one of my former co-workers went to CR’s management and asked why they recruited him for an investigator’s position, but when he arrived he was given a data entry job. Management responded by calling him into a room to berate him, curse him out, and denigrate his character. I witnessed this first hand – black managers denigrating a black worker for, in effect, complaining about discrimination, and it deeply reinforced the “Plantation” imagery.

In fact, the extent of adherence to this imagery became ludicrous. During Plantation team meetings, management often volunteered to feed the team. But one day one of my team members remarked that this not only looked like a plantation, but they kept feeding us greasy fried chicken or pizza. He said that if they were going to feed us, they should offer us some healthy food at least once in a while. I initially defended management until someone pointed out that we were a unit comprised entirely of black employees standing around eating low caste food

like fried chicken, doing low caste grunt work, and – the key attribute of being low caste - not receiving any respect. In addition, we did not have a career path, there wasn't a route we could take that would lead to a managerial position. If you were a black employee on the Plantation, you were either a team lead or in the field. Not one team lead from my unit was ever promoted to a manager.

Rather than allow the Plantation workers to compete for vacant leadership positions, my managers hired two white males to oversee us, one directly from the contact center vendor, and the other from Booz Allen Hamilton, the consulting firm that has been well compensated by the CFPB. The issue is not *their* character. It is the process whereby they became managers. It perpetuates the narrative of CR Intake being the "Plantation."

The Plantation is where black women and white men oversee a unit of black employees who are never considered or groomed for management despite their competitive qualifications. Bureau management excluded them from the outset as part of a strategy of domination, and completely deprives them of any meaningful opportunity for advancement. And if one exhibits too much merit or insight, one gets beaten down. The recognition of merit or insight, even when they are in the Bureau's interest – remain reserved for a few others to the injury of all of us depending on the Bureau to perform.

In responding to your questions today while under subpoena, I am prepared to amplify upon the instances related above and furnish additional testimony to the Committee upon its request

**Akin Gump**  
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June 17, 2014

VIA E-MAIL

Honorable Patrick T. McHenry  
Chairman  
Financial Services Subcommittee on  
Oversight and Investigations  
2129 Rayburn HOB  
Washington, DC 20515

Honorable Al Green  
Ranking Member  
Financial Services Subcommittee on  
Oversight and Investigations  
2201 Rayburn HOB  
Washington, DC 20515

Re: *Abuse of Subcommittee Process, Time, and Resources*

Dear Chairman McHenry and Ranking Member Green:

I received the attached leaked excerpts of Ali Naraghi's opening statement from a member of the press in advance of the June 18, 2014 Oversight and Investigations Subcommittee hearing where Mr. Naraghi is expected to testify. I do not know the identity of the leaker, but it is not hard to imagine. These leaks make clear that your Subcommittee is being used and abused for the purpose of carrying out a vendetta against my client, Liza Strong, because she insists on doing her job with integrity, and does not submit to the attempted manipulation of the grievance and EEO processes. I suggest that personal, baseless attacks against Ms. Strong are not a proper use of this Subcommittee's process, powers, time, or resources, and should not be permitted. For at least the following reasons, we respectfully request that Mr. Naraghi's opening statement be stricken. If the Subcommittee allows the statement notwithstanding its fundamental unfairness, then we would like Ms. Strong's objection to it to be reflected in the hearing record.

According to the Subcommittee's website, it is investigating "allegations of discrimination and retaliation within the Consumer Financial Protection Bureau." Mr. Naraghi was not the victim of discrimination or retaliation at the hands of Ms. Strong. Any allegations to the contrary are unsupported, and have no basis in fact. We have already demonstrated the attention and unbiased consideration Ms. Strong gives employee grievances. As you know from our prior submission to the Subcommittee, the allegations against Ms. Strong were wholly refuted by CFPB records, including emails and other statements from the witnesses themselves. In light of that, it is difficult to imagine why the Subcommittee would allow the same thing to happen again via Mr. Naraghi's opening statement and testimony. Like the previous statements



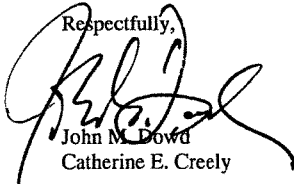
Honorable Patrick T. McHenry  
Honorable Al Green  
June 17, 2014  
Page 2

and testimony before this Subcommittee, Mr. Naraghi's statement takes liberties with the facts, and is not meant to assist the Subcommittee in its investigation of a serious issue.

In addition to the abuse Ms. Strong has suffered at the hands of false allegations by the prior witnesses, certain members of the Subcommittee attempted to impugn Ms. Strong's public testimony, falsely suggesting that she was aware of the contents of the infamous Deloitte report and had failed to act. In truth, she had never seen the report before the hearing—as has now been corroborated by June 13, 2014 correspondence to the Subcommittee from Director Richard Cordray—and, in fact, had ensured the NTEU was provided with current data upon request.

CFPB documents, and statements from Director Cordray himself, have shown Ms. Strong to be a conscientious and dedicated public servant. They have also shown that every single allegation against Ms. Strong has been false. Mr. Naraghi's allegations are no different. Ms. Strong's job is to investigate allegations of inappropriate conduct, not become engaged in the EEO process. The EEO process is separate from her job. Indeed, it would be improper for her to become involved in the EEO process. It is not Ms. Strong's job to represent Mr. Naraghi. He knows that and his counsel knows that. His discussion of the July 26, 2012 email in his statement is misleading at best. We have seen the email in question, which was not directed to Ms. Strong. She was merely copied. It was directed, as it should have been, to someone at CFPB whose role was to address EEO complaints. Nevertheless, Ms. Strong respectfully responded to Mr. Naraghi's email on August 6, 2012, and continued to follow up with him. Ms. Strong ultimately suggested that Mr. Naraghi add his retaliation allegations to his existing EEO complaint. That advice was exactly right, and ensured that Mr. Naraghi's allegations would be properly addressed. Ms. Strong had no obligation or authority to do any more. He knows that and his counsel knows that. It is their obligation, not hers, to litigate Mr. Naraghi's claims in the EEO process.

On behalf of Ms. Strong, we strenuously object to the continued abuse of this Subcommittee's process to defame Ms. Strong.

Respectfully,  
  
John M. Dowd  
Catherine E. Creely

Honorable Patrick T. McHenry  
Honorable Al Green  
June 17, 2014  
Page 3

Enclosures

cc: Members, House Financial Services Committee, Oversight and Investigations Subcommittee

**Dowd, John**

---

**From:** MJ Lee <mlee@politico.com>  
**Sent:** Monday, June 16, 2014 12:57 PM  
**To:** Dowd, John  
**Subject:** RE: question re: liza strong

Thanks. Here's the other section in the testimony that mentions Ms. Strong:

Unfortunately Ms. Strong wholly ignored my complaint about this manager and now others have suffered and are continuing to suffer under his mismanagement. Subsequent to my complaint, at least two other examiners have also reported their own serious complaints about Mr. Uberu's boorish intimidation tactics and have filed their own EEO complaints. Ms. Strong's outright dismissal of my own legitimate concerns of mismanagement has caused Mr. Uberu to become more brazen in his intimidation and abuse of my fellow examiners. I am deeply saddened with the realization that my colleagues' hardships could have been easily avoided if the Bureau responded promptly and responsibly to the concerns of its employees. Employee Relations Lead Ms. Strong is failing to adequately protect Bureau employees and, in fact, causes us further harm by holding herself out as the point of contact for us to address our concerns when actually she is just another arm of management and another example of the Bureau's officials abusing their power.

3

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**From:** Dowd, John [mailto:jdowd@AKINGUMP.COM]  
**Sent:** Monday, June 16, 2014 12:43 PM  
**To:** MJ Lee  
**Subject:** RE: question re: liza strong

We are working on a response.

---

**From:** MJ Lee [mailto:mlee@politico.com]  
**Sent:** Monday, June 16, 2014 12:39 PM  
**To:** Dowd, John  
**Subject:** RE: question re: liza strong

What I sent below is the only section of the testimony that discusses Ms. Strong in detail. The testimony is not currently in the public domain so I could only send it to you under the condition that you do not share it with others or publish it.

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**From:** Dowd, John [mailto:jdowd@AKINGUMP.COM]  
**Sent:** Monday, June 16, 2014 12:16 PM  
**To:** MJ Lee  
**Subject:** RE: question re: liza strong

Send entire statement

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**From:** MJ Lee [mailto:mlee@politico.com]  
**Sent:** Monday, June 16, 2014 12:00 PM

**To:** Dowd, John  
**Subject:** question re: liza strong

Hi John,

We are writing a story about Ali Naraghi's opening statement before the House Financial Services Oversight Committee on Wednesday. According to a copy that we've reviewed, he says this about Liza Strong:

The Labor Relations Office within the Office of Human Capital is broken and is more harmful than helpful to employees who suffer discrimination or retaliation. Because I was concerned about examiners who worked with me as well as my own mistreatment, I wrote an urgent email on July 26, 2012 asking the Deputy Human Capital Officer and Employee Relations Lead, Ms. Liza Strong for help. I pointed out the mistreatment I was receiving as well as listing directives provided to examiners by Field Manager Mr. Jerome Uberu, which according to my experience was unprofessional, contrary to standard supervisory protocols, and possibly illegal. It took from July 26, 2012 until October 18, 2012 (nearly three months) for Ms. Strong to reply to me. Unlike her testimony that she investigates all complaints; her response was simply to add retaliation claims to my EEO complaint. I was stunned that she did not show any interest or concern regarding management's mistreatment of myself and my fellow examiners or its potentially illegal directives.

Can you please tell me if you or Ms. Strong want to comment in response to this?

Thank you,  
MJ

--

MJ Lee  
703-647-7690 (desk)  
571-268-6286 (cell)  
[mlee@politico.com](mailto:mlee@politico.com)  
PoliticoPro, Financial Services

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IRS Circular 230 Notice Requirement: This communication is not given in the form of a covered opinion, within the meaning of Circular 230 issued by the United States Secretary of the Treasury. Thus, we are required to inform you that you cannot rely upon any tax advice contained in this communication for the purpose of avoiding United States federal tax penalties. In addition, any tax advice contained in this communication may not be used to promote, market or recommend a transaction to another party.

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# The Examiner

WASHINGTON

## CFPB official wants to silence a whistleblower before he can talk to Congress

BY RICHARD POLLOCK | JUNE 17, 2014 | 7:17 PM

A high-ranking Consumer Financial Protection Bureau official is attempting to silence a CFPB whistleblower before he testifies to a House subcommittee, a move that critics called rare and improper.

An attorney for Liza Strong, the bureau's head of employee relations, on Tuesday demanded that lawmakers strike or bar the opening statement of CFPB employee Ali Naraghi, who is slated to testify Wednesday about alleged discrimination at the agency.

"I can't recall this kind of maneuvering to limit testimony," said Scott Amey of the nonpartisan watchdog group Project on Government Oversight, a group that has tracked and probed the claims of whistleblowers throughout the federal government. "Congress">Congress has the right to hear from any credible witness, and whistleblowers have the right to be heard."

Slated to join Naraghi on Wednesday is Kevin Williams, a former CFPB employee. Both men have been subpoenaed as part of the subcommittee's continuing investigation into accounts of widespread discrimination by CFPB management against employees.

Strong is in the center of a growing storm about widespread employee discrimination throughout the bureau and her office's refusal to investigate employee grievances.

In his testimony, a copy of which was obtained by the *Washington Examiner*, Naraghi claims a CFPB manager used disparaging language about Naraghi's nationality. The CFPB manager allegedly called Naraghi, an examiner and former Federal Reserve employee who is of Persian descent, an "fing foreigner." Another manager told him he was "untrainable."

Naraghi says the bureau's Labor Relations Office, a part of the Office of Human Capital where Strong is the lead employee representative, "is broken and is more harmful than helpful to employees who suffer discrimination or retaliation."

He charges, "Ms. Strong is failing to adequately protect Bureau employees and, in fact, causes us further harm by holding herself out as the point of contact for us to address our concerns when actually she is just another arm of management."

Jeff Emerson, a spokesman for the House subcommittee, said it will accept Naraghi's opening testimony.

"Republicans and Democrats on the subcommittee agreed to subpoena Mr. Naraghi and Mr. Williams," he said in a statement to the *Examiner*. "The hearing and the subcommittee's investigation is going forward with testimony from both of these whistleblowers."

The attempt to silence Naraghi, said his lawyer Jason Zuckerman, "will likely chill other Bureau employees from disclosing waste, fraud and abuse or other wrongdoing at the bureau." Zuckerman called it "a disturbing attempt to intimidate Mr. Naraghi, and (it) appears to be an improper attempt to interfere with critical congressional oversight of the Bureau."

Federal law prohibits federal agencies or employees from directly or indirectly hiring people or agencies — such as lawyers — that attempt to prevent federal communications to Congress.

The statute says no money may "be used directly or indirectly to pay for any personal service, advertisement, telegram, telephone, letter, printed or written matter, or other device, intended or designed to influence in any manner a Member of Congress."

The law also says "this shall not prevent officers or employees of the United States or of its departments or agencies from communicating to any such Member or official, at his request, or to Congress."

The statute may not apply to CFPB, however. The statute covers only agencies funded through Congressional appropriations. CFPB receives no congressionally authorized funding. Its budget comes from an allocation through the Federal Reserve.

John M. Dowd, Strong's attorney, is a high-profile D.C. criminal defense lawyer with the law firm of Akin Gump. One of his most recent well-known clients was Raj Rajaratnam, the Wall Street billionaire hedge fund manager who was convicted of conspiracy and securities fraud three years ago. Rajaratnam is now serving 11 years and has been fined more than \$150 million.

It was unclear Tuesday whether CFPB is reimbursing Strong for Dowd's services. Most CFPB senior management officials have indemnification clauses in their contracts that cover their attorney fees. A CFPB spokesman did not reply to a *Washington Examiner* query on the issue.

Naraghi is a naturalized citizen who worked for 14 years as a bank analyst at the Federal Reserve's Board of Governors. He has two bachelor's degrees and a master's in business administration. He is a graduate of the ABA Stonier Graduate School of Banking, which partners with the Wharton School of Business and the American Banking Association.

But Naraghi would not be the first CFPB employee to criticize Strong. Angela Martin, another CFPB whistleblower who settled her gender discrimination case with the bureau on Monday, has harshly criticized her Strong as well.

Misty Raucci, an independent investigator hired by CFPB to investigate Martin's allegations, also criticized Strong in her April testimony before the subcommittee. She said Strong and other CFPB officials contributed to the "toxic workplace" there. Ben Konop, an executive vice president of the National Treasury Employees Union and a working attorney at CFPB, has also criticized Strong in testimony before the subcommittee.

In a strongly worded letter, Dowd claims Naraghi's testimony, which he obtained from a Politico reporter, constitute "personal, baseless attacks against Ms. Strong."

However, Strong is only one of a number of CFPB managers Naraghi criticizes in his opening statement. He claims the bureau suffers from a "culture of intimidation and retaliation," and says it is riddled with gross mismanagement and favoritism in hiring.

He also outlines practices he says are wasteful and a mentality by CFPB officials to pre-judge financial institutions as guilty of violations even before the bureau has conducted an examination.

Before approaching Congress, Naraghi says he brought his accusations to the Federal Reserve's inspector general. There is no word of the IG's actions, if any, on his allegations.

**Web URL: <http://washingtonexaminer.com/article/2549865>**

May 21, 2014

**Objective and Approach for Offices of Inspector General (OIG) Review of Office  
of Minority and Women Inclusion (OMWI) Activities**  
Requested by Ranking Member and Colleagues, House Financial  
Services Committee, on March 24, 2014

**Objective**

Assess agency personnel operations and other efforts to increase agency diversity, create a workplace free of systematic discrimination, and provide equal opportunity for minorities and women to obtain senior management positions.

To answer our objective, the OIGs will generally:

1. Analyze information related to: (a) agency-wide trend statistics (e.g., performance management and recognition (PMR) results, promotions, and diversity levels) for minority and women employees; (b) informal and formal equal employment opportunity (EEO) complaint statistics; and (c) employee satisfaction survey results, to gauge whether this information suggests disparities in race, ethnicity, or gender.
2. Review agency personnel operations, policies, and procedures (related to PMR, expressions of interest, hiring practices, and promotion/advancement) to determine to what extent controls are established to prevent and detect discrimination.
3. Assess agency efforts to: (a) respond to complaints, employee satisfaction survey results, or other indications of discrimination; and (b) increase diversity throughout the agency and within senior management.
4. Evaluate OMWI's role and involvement in: (a) assessing the impact of the agency's personnel policies on minorities and women and (b) efforts to increase diversity throughout the agency and within senior management positions.
5. Identify any factors that impact the agency's ability to increase agency diversity at all grade levels and, in particular, in senior management.

**Scope of Review**

We will analyze and present trend information for the 3-year period, 2011 through 2013.

**Reporting Timeframe**

We plan to issue a final report communicating our results of evaluation by late November 2014.



JEB HENSARLING, TX, CHAIRMAN

United States House of Representatives  
Committee on Financial Services  
Washington, D.C. 20515

MAXINE WATERS, CA, RANKING MEMBER

March 24, 2014

Inspector General Mark Bialek  
Board of Governors of the Federal Reserve System  
Office of Inspector General  
20<sup>th</sup> and C Streets N.W.  
Mail Stop 300  
Washington, D.C. 20551

Dear Inspector General Bialek:

We are concerned about recent allegations that managers at the Consumer Financial Protection Bureau (CFPB) have shown a pattern of ranking white employees distinctly better than minority employees in performance reviews, as reported in a recent *American Banker* article entitled, "CFPB Staff Evaluations Show Sharp Racial Disparities," on March 6, 2014.

We request that the Office of Inspector General (OIG) immediately exercise its independent oversight authority over the Bureau's operations, to detect whether any personnel practices and policies have created an unfair or discriminatory workplace for minorities and women employed at the CFPB. In doing so, we request that the OIG examine CFPB's performance appraisal process, specifically answering the following questions:

- (1) Does the Bureau have procedures in its appraisal process to ensure management is identifying potential bias?
- (2) Is the Bureau taking appropriate action to address those biases before finalizing appraisals?
- (3) How does the Bureau handle employee complaints related to personnel practices and policies, either made through informal or formal channels, regardless of whether they are from employees with bargaining or non-bargaining status?
- (4) What actions has the Bureau taken to address the results of this or any other employee satisfaction survey, whether conducted by the Bureau or an outside entity?

We also request more detailed information about the role of the Bureau's Office of Minority and Women Inclusion (OMWI) in dealing with these matters. In particular, we request a review of whether the OMWI has been involved in the CFPB's appraisal process, complaint handling process and employee satisfaction surveys – as well as information about how the OMWI could help address these issues going forward.

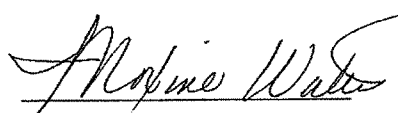

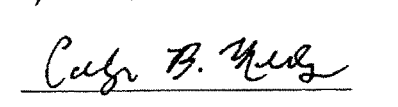
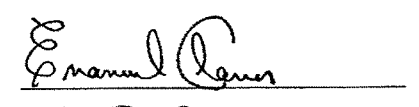
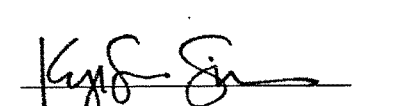

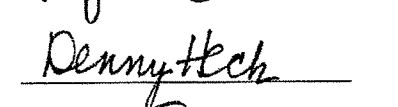
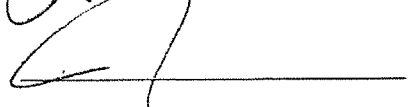
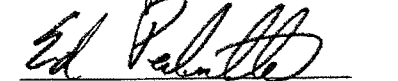

If the OIG identifies any individuals or groups of individuals who have exhibited discriminatory behaviors or patterns of unfair or unequal treatment, we ask that the OIG provide recommendations about appropriate actions, including remedial training or removal from employment with the Bureau.

Inspector General Mark Bialek  
Page Two  
March 24, 2014

We also request that the OIG monitor the Bureau's responses and corrective actions with regard to employee compensation packages, rating systems, and hiring and retention activities, to ensure that the CFPB exhibits workforce diversity and inclusivity both in its senior management level and in each of its six divisions of responsibility.

As noted in the GAO 2013 GAO ("Diversity Management: Trends and Practices in the Financial Services Industry and Agencies after the Recent Financial Crisis" GAO-13-238) report that listed nine leading diversity practices, top leadership commitment was the critically important factor to fostering diversity and inclusion. Any Federal agency that does not embrace the principles of fairness and equality internally cannot credibly pursue those principles externally. The Bureau's statutory mission is to implement and enforce federal consumer financial laws, to ensure that all consumers have access to fair, transparent, and competitive markets for consumer products and services. Given the mission of the CFPB, its workplace should serve as a model by which both regulated entities and other financial regulatory agencies are measured. Allegations of discriminatory behavior at the Bureau, in perception or practice, must be investigated thoroughly to ensure that no individual, coalition or group of individuals undermines the agency's vital mission of ensuring the fair and equitable treatment of consumers from all backgrounds.

Sincerely,

 _____	 _____
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JEB HENSARLING, TX, CHAIRMAN

United States House of Representatives  
Committee on Financial Services  
Washington, D.C. 20515

MAXINE WATERS, CA, RANKING  
MEMBER

March 24, 2014

Inspector General Mark Bialek  
Board of Governors of the Federal Reserve System  
Office of Inspector General  
20<sup>th</sup> and C Streets N.W.  
Mail Stop 300  
Washington, DC 20551

Dear Inspector General Bialek:

We write to request that the Office of the Inspector General (OIG) for the Board of Governors of the Federal Reserve System (FRS) review the agency's internal operations to determine whether any personnel practices have created a discriminatory workplace or otherwise systematically disadvantaged minorities from obtaining senior management positions.

Section 342 of the Dodd-Frank Wall Street Reform and Consumer Protection Act established an Office of Minority and Women Inclusion (OMWI) at most of the federal financial regulatory agencies, responsible for matters relating to diversity in management, employment, and business activities. Despite this statutory mandate, the Government Accountability Office (GAO) concluded in a report released last year that management-level representation of minorities and women among federal financial agencies and Federal Reserve Banks has not changed substantially from 2007 through 2011. In fact, across all federal financial regulators, agency representation of minorities was as low as 6 percent and dropped as low as zero percent at one of the Reserve Banks. In light of these findings and the concerns raised by employee performance evaluations at the Consumer Financial Protection Bureau (CFPB), we believe the OIG should work in cooperation with Federal Reserve System's OMWI Director to assess current personnel practices and make recommendations necessary to ensure full compliance with the law.

The 2013 GAO report, entitled "Trends and Practices in the Financial Industry and Agencies after the Recent Financial Crisis," documented the extremely poor representation of women and minorities in leadership positions within the financial services industry and among federal financial regulators. According to GAO, industry representation of minorities in 2011 was higher in lower-level management positions – approximately 20 percent – as compared to about 11 percent of senior-level manager positions.

While public attention is currently and justifiably focused on the CFPB, the most recent OMWI reports suggest the disparities impeding internal upward mobility for minorities may be endemic throughout all the agencies regulating the financial services industry. According to the Treasury Department's 2013 OMWI report, among its senior executive management, 86 percent are white men, compared to 7 percent Black men, 4 percent Hispanic men, and 3 percent Asian men. Among the agency's GS-15 employees, which serves as a pipeline to senior level management, white men are once again overrepresented at 86 percent, compared to 6 percent Black men, 2 percent Hispanic men, and 6 percent Asian men.

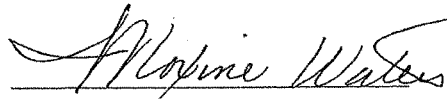
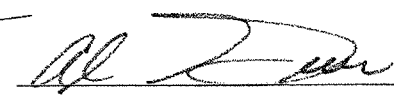
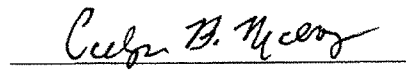
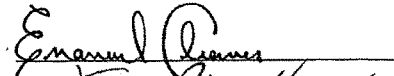
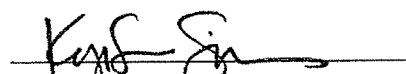




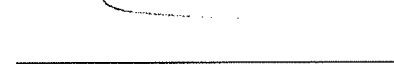
Inspector General Mark Bialek  
Page Two  
March 24, 2014

At the Federal Reserve, white men represent 50 percent of executive senior level managers, compared to just 28.7 percent represented by white women. Along ethnic categories, black and Hispanic men represent, respectively, roughly 5 percent and 1 percent of executive senior level managers. Black women represent roughly 6 percent and Hispanic women represent nearly 2 percent of senior managers.

According to the most recent information from the GAO, at the National Credit Union Administration (NCUA), whites represent 88 percent of senior level management positions, compared to 4 percent represented by blacks and 4 percent by Hispanics. At the Office of the Comptroller of the Currency (OCC), whites represent 82 percent of senior level managers, compared to 9 percent black and 5 percent Hispanic. Whites represent 89 percent of senior level management positions at the Securities and Exchange Commission, compared to 2 percent black and 5 percent Hispanic. Minorities appear to fair best at the Federal Housing Finance Agency, where whites represent 76 percent of senior level management positions, compared to 16 percent black and 8 percent Hispanic. However, more comprehensive analysis is still needed from the agency to fully assess the racial and gender employment of minorities in senior positions beyond the GAO's limited information.

Accordingly, we request that the OIG examine any employee complaints, formal or informal, related to personnel practices, workplace policies and the findings from any employee satisfaction surveys, whether conducted by the Federal Reserve System or an outside entity. If the OIG identifies any individuals or groups of individuals who have exhibited discriminatory behaviors or patterns of unfair or unequal treatment, we ask that the OIG provide recommendations about appropriate actions, including remedial training or removal from employment with the agency. Furthermore, we request that the OIG assess the agency's OMWI operations, and ensure corrective actions are taken within the agency with regard to employee compensation, rating systems, retention, and promotion of women and minorities.

Sincerely,

JEB HENSARLING, TX, CHAIRMAN

United States House of Representatives  
Committee on Financial Services  
Washington, D.C. 20515

MAXINE WATERS, CA, RANKING  
MEMBER

March 24, 2014

Inspector General Carl W. Hoecker  
U.S. Securities and Exchange Commission  
Office of Inspector General  
100 F Street, N.E.  
Washington, DC 20549-2977

Dear Inspector General Hoecker:

We write to request that the Office of the Inspector General (OIG) for the U.S. Securities and Exchange Commission (SEC) review the agency's internal operations to determine whether any personnel practices have created a discriminatory workplace or otherwise systematically disadvantaged minorities from obtaining senior management positions.

Section 342 of the Dodd-Frank Wall Street Reform and Consumer Protection Act established an Office of Minority and Women Inclusion (OMWI) at most of the federal financial regulatory agencies, responsible for matters relating to diversity in management, employment, and business activities. Despite this statutory mandate, the Government Accountability Office (GAO) concluded in a report released last year that management-level representation of minorities and women among federal financial agencies and Federal Reserve Banks has not changed substantially from 2007 through 2011. In fact, across all federal financial regulators, agency representation of minorities was as low as 6 percent and dropped as low as zero percent at one of the Reserve Banks. In light of these findings and the concerns raised by employee performance evaluations at the Consumer Financial Protection Bureau (CFPB), we believe the OIG should work in cooperation with U.S. Securities and Exchange Commission's OMWI Director to assess current personnel practices and make recommendations necessary to ensure full compliance with the law.

The 2013 GAO report, entitled "Trends and Practices in the Financial Industry and Agencies after the Recent Financial Crisis," documented the extremely poor representation of women and minorities in leadership positions within the financial services industry and among federal financial regulators. According to GAO, industry representation of minorities in 2011 was higher in lower-level management positions – approximately 20 percent – as compared to about 11 percent of senior-level manager positions.

While public attention is currently and justifiably focused on the CFPB, the most recent OMWI reports suggest the disparities impeding internal upward mobility for minorities may be endemic throughout all the agencies regulating the financial services industry. According to the Treasury Department's OMWI report, among its senior executive management, 86 percent are white men, compared to 7 percent Black men, 4 percent Hispanic men, and 3 percent Asian men. Among the agency's GS-15 employees, which serves as a pipeline to senior level management, white men are once again overrepresented at 86 percent, compared to 6 percent Black men, 2 percent Hispanic men, and 6 percent Asian men.

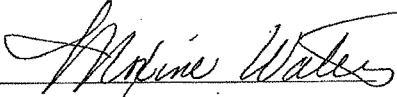

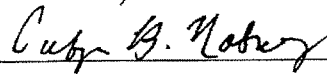

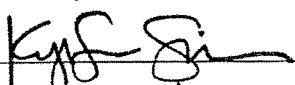

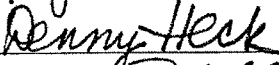
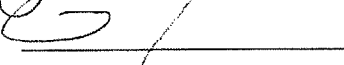
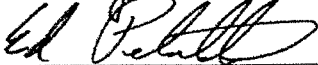
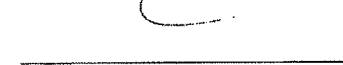
Inspector General Carl W. Hoecker  
Page Two  
March 25, 2014

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According to the most recent information from the GAO, at the National Credit Union Administration (NCUA), whites represent 88 percent of senior level management positions, compared to 4 percent represented by blacks and 4 percent by Hispanics. At the Office of the Comptroller of the Currency (OCC), whites represent 82 percent of senior level managers, compared to 9 percent black and 5 percent Hispanic. Whites represent 89 percent of senior level management positions at the Securities and Exchange Commission, compared to 2 percent black and 5 percent Hispanic. Minorities appear to fair best at the Federal Housing Finance Agency, where whites represent 76 percent of senior level management positions, compared to 16 percent black and 8 percent Hispanic. However, more comprehensive analysis is still needed from the agency to fully assess the racial and gender employment of minorities in senior positions beyond the GAO's limited information.

Accordingly, we request that the OIG examine any employee complaints, formal or informal, related to personnel practices, workplace policies and the findings from any employee satisfaction surveys, whether conducted by the U.S. Securities and Exchange Commission or an outside entity. If the OIG identifies any individuals or groups of individuals who have exhibited discriminatory behaviors or patterns of unfair or unequal treatment, we ask that the OIG provide recommendations about appropriate actions, including remedial training or removal from employment with the agency. Furthermore, we request that the OIG assess the agency's OMWI operations, and ensure corrective actions are taken within the agency with regard to employee compensation, rating systems, retention, and promotion of women and minorities.

Sincerely,

JEB HENSARLING, TX, CHAIRMAN

United States House of Representatives  
Committee on Financial Services  
Washington, D.C. 20515

MAXINE WATERS, CA, RANKING  
MEMBER

March 24, 2014

Inspector General James Hagen  
National Credit Union Administration  
Office of Inspector General  
P. O. Box 25705  
Alexandria, VA 22313-5705

Dear Inspector General Hagen:

We write to request that the Office of the Inspector General (OIG) for the National Credit Union Administration (NCUA) review the agency's internal operations to determine whether any personnel practices have created a discriminatory workplace or otherwise systematically disadvantaged minorities from obtaining senior management positions.

Section 342 of the Dodd-Frank Wall Street Reform and Consumer Protection Act established an Office of Minority and Women Inclusion (OMWI) at most of the federal financial regulatory agencies, responsible for matters relating to diversity in management, employment, and business activities. Despite this statutory mandate, the Government Accountability Office (GAO) concluded in a report released last year that management-level representation of minorities and women among federal financial agencies and Federal Reserve Banks has not changed substantially from 2007 through 2011. In fact, across all federal financial regulators, agency representation of minorities was as low as 6 percent and dropped as low as zero percent at one of the Reserve Banks. In light of these findings and the concerns raised by employee performance evaluations at the Consumer Financial Protection Bureau (CFPB), we believe the OIG should work in cooperation with National Credit Union Administration's OMWI Director to assess current personnel practices and make recommendations necessary to ensure full compliance with the law.

The 2013 GAO report, entitled "Trends and Practices in the Financial Industry and Agencies after the Recent Financial Crisis," documented the extremely poor representation of women and minorities in leadership positions within the financial services industry and among federal financial regulators. According to GAO, industry representation of minorities in 2011 was higher in lower-level management positions – approximately 20 percent – as compared to about 11 percent of senior-level manager positions.

While public attention is currently and justifiably focused on the CFPB, the most recent OMWI reports suggest the disparities impeding internal upward mobility for minorities may be endemic throughout all the agencies regulating the financial services industry. According to the Treasury Department's OMWI report, among its senior executive management, 86 percent are white men, compared to 7 percent Black men, 4 percent Hispanic men, and 3 percent Asian men. Among the agency's GS-15 employees, which serves as a pipeline to senior level management, white men are once again overrepresented at 86 percent, compared to 6 percent Black men, 2 percent Hispanic men, and 6 percent Asian men.

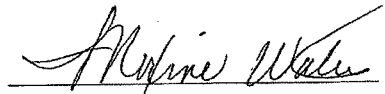

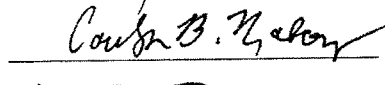
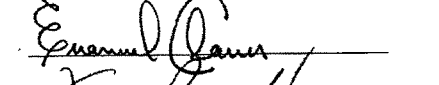
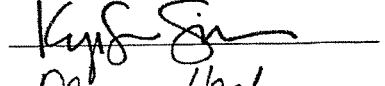

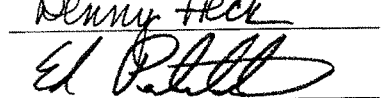

Inspector General James Hagen  
Page Two  
March 24, 2014

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According to the most recent information from the GAO, at the National Credit Union Administration (NCUA), whites represent 88 percent of senior level management positions, compared to 4 percent represented by blacks and 4 percent by Hispanics. At the Office of the Comptroller of the Currency (OCC), whites represent 82 percent of senior level managers, compared to 9 percent black and 5 percent Hispanic. Whites represent 89 percent of senior level management positions at the Securities and Exchange Commission, compared to 2 percent black and 5 percent Hispanic. Minorities appear to fair best at the Federal Housing Finance Agency, where whites represent 76 percent of senior level management positions, compared to 16 percent black and 8 percent Hispanic. However, more comprehensive analysis is still needed from the agency to fully assess the racial and gender employment of minorities in senior positions beyond the GAO's limited information.

Accordingly, we request that the OIG examine any employee complaints, formal or informal, related to personnel practices, workplace policies and the findings from any employee satisfaction surveys, whether conducted by the National Credit Union Administration or an outside entity. If the OIG identifies any individuals or groups of individuals who have exhibited discriminatory behaviors or patterns of unfair or unequal treatment, we ask that the OIG provide recommendations about appropriate actions, including remedial training or removal from employment with the agency. Furthermore, we request that the OIG assess the agency's OMWI operations, and ensure corrective actions are taken within the agency with regard to employee compensation, rating systems, retention, and promotion of women and minorities.

Sincerely,

 _____ Caroline B. Nelson	 _____ Emanuel Danner
 _____ Kevin S. ...	 _____ Joyce Beatty
 _____ Penny Heck	 _____ Ed ...
 _____ Ed ...	 _____ Ed ...



JEB HENSARLING, TX, CHAIRMAN

United States House of Representatives  
 Committee on Financial Services  
 Washington, D.C. 20515

MAXINE WATERS, CA, RANKING  
MEMBER

March 24, 2014

Acting Inspector General Michael P. Stephens  
 Federal Housing Finance Agency  
 Office of Inspector General  
 400 7<sup>th</sup> Street, S.W.  
 Washington, DC 20024

Dear Acting Inspector General Stephens:

We write to request that the Office of the Inspector General (OIG) for the Federal Housing Finance Agency (FHFA) review the agency's internal operations to determine whether any personnel practices have created a discriminatory workplace or otherwise systematically disadvantaged minorities from obtaining senior management positions.

Section 342 of the Dodd-Frank Wall Street Reform and Consumer Protection Act established an Office of Minority and Women Inclusion (OMWI) at most of the federal financial regulatory agencies, responsible for matters relating to diversity in management, employment, and business activities. Despite this statutory mandate, the Government Accountability Office (GAO) concluded in a report released last year that management-level representation of minorities and women among federal financial agencies and Federal Reserve Banks has not changed substantially from 2007 through 2011. In fact, across all federal financial regulators, agency representation of minorities was as low as 6 percent and dropped as low as zero percent at one of the Reserve Banks. In light of these findings and the concerns raised by employee performance evaluations at the Consumer Financial Protection Bureau (CFPB), we believe the OIG should work in cooperation with Federal Housing Finance Agency's OMWI Director to assess current personnel practices and make recommendations necessary to ensure full compliance with the law.

The 2013 GAO report, entitled "Trends and Practices in the Financial Industry and Agencies after the Recent Financial Crisis," documented the extremely poor representation of women and minorities in leadership positions within the financial services industry and among federal financial regulators. According to GAO, industry representation of minorities in 2011 was higher in lower-level management positions – approximately 20 percent – as compared to about 11 percent of senior-level manager positions.

While public attention is currently and justifiably focused on the CFPB, the most recent OMWI reports suggest the disparities impeding internal upward mobility for minorities may be endemic throughout all the agencies regulating the financial services industry. According to the Treasury Department's 2013 OMWI report, among its senior executive management, 86 percent are white men, compared to 7 percent Black men, 4 percent Hispanic men, and 3 percent Asian men. Among the agency's GS-15 employees, which serves as a pipeline to senior level management, white men are once again overrepresented at 86 percent, compared to 6 percent Black men, 2 percent Hispanic men, and 6 percent Asian men.

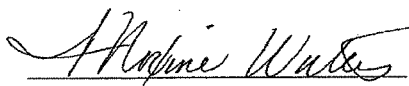
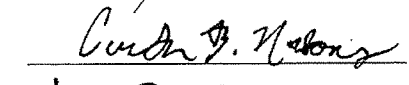
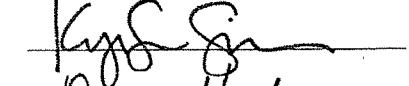
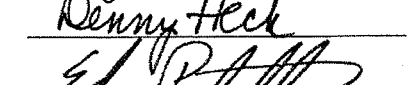

Acting Inspector General Michael P. Stephens  
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March 24, 2014


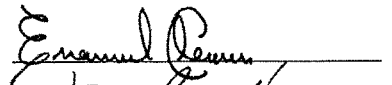
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Accordingly, we request that the OIG examine any employee complaints, formal or informal, related to personnel practices, workplace policies and the findings from any employee satisfaction surveys, whether conducted by the Federal Housing Finance Agency or an outside entity. If the OIG identifies any individuals or groups of individuals who have exhibited discriminatory behaviors or patterns of unfair or unequal treatment, we ask that the OIG provide recommendations about appropriate actions, including remedial training or removal from employment with the agency. Furthermore, we request that the OIG assess the agency's OMWI operations, and ensure corrective actions are taken within the agency with regard to employee compensation, rating systems, retention, and promotion of women and minorities.

Sincerely,

  
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JEB HENSARLING, TX, CHAIRMAN

United States House of Representatives  
Committee on Financial Services  
Washington, D.C. 20515

MAXINE WATERS, CA, RANKING  
MEMBER

March 24, 2014

Inspector General Eric M. Thorson  
U.S. Department of the Treasury  
Office of Inspector General  
1500 Pennsylvania Avenue, N.W.  
Room 4436,  
Washington, DC 20220

Dear Inspector General Thorson:

We write to request that the Office of the Inspector General (OIG) for the U.S. Treasury Department review the agency's internal operations to determine whether any personnel practices have created a discriminatory workplace or otherwise systematically disadvantaged minorities from obtaining senior management positions.

Section 342 of the Dodd-Frank Wall Street Reform and Consumer Protection Act established an Office of Minority and Women Inclusion (OMWI) at most of the federal financial regulatory agencies, responsible for matters relating to diversity in management, employment, and business activities. Despite this statutory mandate, the Government Accountability Office (GAO) concluded in a report released last year that management-level representation of minorities and women among federal financial agencies and Federal Reserve Banks has not changed substantially from 2007 through 2011. In fact, across all federal financial regulators, agency representation of minorities was as low as 6 percent and dropped as low as zero percent at one of the Reserve Banks. In light of these findings and the concerns raised by employee performance evaluations at the Consumer Financial Protection Bureau (CFPB), we believe the OIG should work in cooperation with Treasury's OMWI Director to assess current personnel practices and make recommendations necessary to ensure full compliance with the law.

The 2013 GAO report, entitled "Trends and Practices in the Financial Industry and Agencies after the Recent Financial Crisis," documented the extremely poor representation of women and minorities in leadership positions within the financial services industry and among federal financial regulators. According to GAO, industry representation of minorities in 2011 was higher in lower-level management positions – approximately 20 percent – as compared to about 11 percent of senior-level manager positions.

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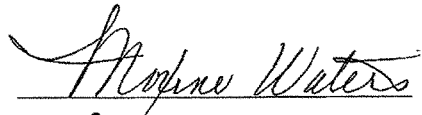

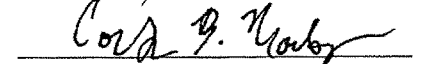

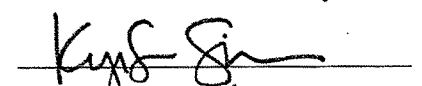

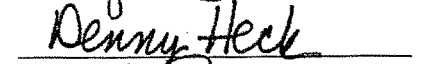
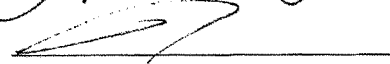


Inspector General Eric M. Thorson  
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March 24, 2014

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Sincerely,

JEB HENSARLING, TX, CHAIRMAN

United States House of Representatives  
Committee on Financial Services  
Washington, D.C. 20515

MAXINE WATERS, CA, RANKING  
MEMBER

March 24, 2014

Acting Inspector General Fred Gibson  
Federal Deposit Insurance Corporation  
Office of Inspector General  
3501 Fairfax Drive  
Arlington, VA 22226

Dear Acting Inspector General Gibson:

We write to request that the Office of the Inspector General (OIG) for the Federal Deposit Insurance Corporation (FDIC) review the agency's internal operations to determine whether any personnel practices have created a discriminatory workplace or otherwise systematically disadvantaged minorities from obtaining senior management positions.

Section 342 of the Dodd-Frank Wall Street Reform and Consumer Protection Act established an Office of Minority and Women Inclusion (OMWI) at most of the federal financial regulatory agencies, responsible for matters relating to diversity in management, employment, and business activities. Despite this statutory mandate, the Government Accountability Office (GAO) concluded in a report released last year that management-level representation of minorities and women among federal financial agencies and Federal Reserve Banks has not changed substantially from 2007 through 2011. In fact, across all federal financial regulators, agency representation of minorities was as low as 6 percent and dropped as low as zero percent at one of the Reserve Banks. In light of these findings and the concerns raised by employee performance evaluations at the Consumer Financial Protection Bureau (CFPB), we believe the OIG should work in cooperation with Federal Deposit Insurance Corporation's OMWI Director to assess current personnel practices and make recommendations necessary to ensure full compliance with the law.

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Acting Inspector General Fred Gibson  
Page Two  
March 24, 2014

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Sincerely,

