Our guest for this podcast is Chuck Cross. He is CSBS senior vice president of nonbank supervision and consumer protection. A former state regulator from Washington State, Chuck also was part of the team that stood up the Consumer Finance Protection Bureau after it was created by Congress.

For the past few years, Chuck and his team have been focused on one really big issue: the rise of nonbanks in financial services and what that means for regulators, policymakers and consumers.

Since the financial crisis, consumers have been turning to nonbanks for valuable financial services. For instance, nonbanks now originate roughly two-thirds of all home loans. It is safe to say that, without nonbanks, millions of homebuyers would not have received as favorable terms for a mortgage or perhaps a mortgage at all.

At the same time, compared to depositories, nonbanks present different kinds of risk that regulators have to supervise and protect consumers. Compared to depositories, nonbanks rely more on third parties for liquidity, hold lower operating capital, and lack asset diversification.
That is why state regulators have been so focused on nonbank supervision. As nonbanks have grown their market footprint, regulators are looking at ways to modernize the regulatory approach to these entities. At CSBS, we refer to these efforts as "reengineering nonbank supervision."

To advance the policy discussion, Chuck's team has started to publish a series of policy papers to describe the various nonbank sectors -- such as mortgages, money services, consumer finance, and debt collection -- as well as the current supervisory approach and how it can be strengthened over time. You can read these papers on the Reengineering Nonbank Supervision page on our website here.

One important initiative Chuck described is a new technology platform for state examiners. The State Examination System (SES), developed by CSBS, seeks to dramatically improve the capacity and efficiency of examiners to supervise nonbanks. As Chuck says: "SES will do for the examination side what the Nationwide Multistate Licensing System did for licensing." That would be huge.

So, what other actions are being taken to reengineer nonbank supervision? And what are the practical benefits of these approaches? You'll hear answers to these questions and more in our interview.

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