

Statement of Ali Naraghi
Before the Committee on Financial Services
Oversight and Investigation Subcommittee
U.S. House of Representatives
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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 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 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 dedicated¹ 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;

¹ 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 OTS² 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.

² 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.³ 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.

³ 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