WOLF & COMPANY, P.C.

October 1, 2015

Regulatory Compliance E-News

Your source for guidance on regulatory issues and updates that may impact your organization.

Frequently Asked Compliance Question

Question

What is the Institution's responsibility regarding reporting corrected addresses back to the consumer reporting agency it received the information from once an address discrepancy has been resolved?

Short Answer

The Institution is responsible for reporting corrected addresses back to the consumer reporting agency. The Fair Credit Reporting Act (Regulation V) requires users of consumer reports to implement reasonable policies and procedures to ensure that they furnish an address to the consumer reporting agency when the Institution has received an address discrepancy and has reasonably confirmed that the address is correct.

Examples by which the regulation allows institutions to confirm addresses include: by verifying the address with the consumer, reviewing the address against its own records, verifying with a third party, or using other reasonable means...click here to view the answer details.

If you have a question that you would like us to answer in an upcoming Regulatory Compliance E-News, contact Stephen King, JD, AMLP, at 617-428-5448 or sking@wolfandco.com, or Brian Shea, CRCM, at 617-261-8133 or bshea@wolfandco.com.

CFPB Finalizes Rule Extending Mortgage Rule Exemptions in Rural and Underserved Areas

On September 21, 2015, the Consumer Financial Protection Bureau ("CFPB") finalized changes to its mortgage rules which aim to facilitate lending by small creditors in rural and underserved areas. The rule will increase the number of financial institutions which are able to offer certain types of qualified and other mortgage loans, and allows small creditors time to come into compliance with the Ability to Repay rules. Specifically the new rule will do the following:

- Expand the definition of "small creditor", in particular raising the loan origination limit from 500 first-lien mortgage loans to 2,000 excluding loans held in portfolio by the creditor and its affiliates. Also, the assets of mortgage originating affiliates will now be considered when determining the asset size of the creditor
- Expand the definition of "rural" areas to include census blocks that are not in an urban area
- Provide a grace period for creditors exceeding the origination limit or asset-size in the preceding calendar year to operate as a small creditor for applications received prior to April 1 of the current calendar year
- Amend the three-year qualifying period for rural or underserved creditor status into a one-year period

- Extend the small creditor temporary exemption, which allows small creditors to make balloon-payment Qualified Mortgages and balloon-payment high cost mortgages, to April 1, 2016

The final rule is set to take effect on January 1, 2016.

The press release can be found here.

Truth-in-Lending Annual Threshold Adjustments Announced

On September 21, 2015, the CFPB amended the regulatory text and official interpretations pertaining to the dollar thresholds for several provisions of Regulation Z under the Credit Card Accountability Responsibility and Disclosure Act of 2009, the Home Ownership and Equity Protection Act of 1994 and the Dodd-Frank Wall Street Reform and Consumer Protection Act.

The CFPB is required to reevaluate these dollar thresholds on an annual basis. Adjustments are based on the annual percentage change reflected in the Consumer Price Index as of June 1, 2015, and will take effect January 1, 2016.

The Federal Register publication, including the specific dollar threshold amounts can be found here.

HMDA Disclosure Data Released

On September 22, 2015, the Federal Financial Institutions Examination Council (“FFIEC”) announced the release of 2014 data on mortgage lending reported by institutions under the Home Mortgage Disclosure Act (“HMDA”). The data includes information on applications, originations, purchases and sales of loans, denials and other types of action taken on residential loan applications.

The data also presents information about housing trends delineated by geographic locations. In the press release, the FFIEC highlighted several observations and trends apparent in the data. HMDA reporting institutions will have an obligation to provide HMDA Disclosure information in the event of public requests.

The press release be found here.

New CFPB "Know Before You Owe" Tools Released

On September 17, 2015, the CFPB released new online tools to help consumers to understand the mortgage process as part of the “Know Before You Owe” rule taking effect on October 3, 2015. An interactive step-by-step overview of the mortgage process will help consumers to understand how much they can afford to borrow. The “Owning a Home” site now includes the following changes and tools:

- The site is organized into different phases of the mortgage process, identifying at each stage helpful information and potential pitfalls to avoid.
- A mortgage payment worksheet helps consumers to determine how much they can afford per month considering their debts, living expenses and projected costs if they buy a home
- An interactive sample of the Loan Estimate and Closing Disclosure helps consumers to understand the two key disclosures that they will be provided as part of the mortgage origination process

The press release can be found here.

Federal Reserve Issues Consumer Affairs Letter on SAFE Act Examinations

On September 17, 2015, the Federal Reserve issued Consumer Affairs Letter CA 15-5. The Letter announced that effective on October 1, 2015, responsibility for examining Federal Reserve-supervised institutions for compliance with the Secure and Fair Enforcement for Mortgage Licensing Act ("SAFE Act") will transfer from Safety & Soundness examiners to compliance examiners.

This transfer will have no impact on the requirements of the SAFE Act, but rather is taking place so as to better align system supervisory responsibilities with the appropriate lines of business. Examiners will utilize principles contained in the Community Bank Risk-Focused Consumer Compliance Supervision Program to determine if they should review SAFE Act compliance in a given compliance examination. Examination procedures previously used by safety and soundness examiners will still be used.

The Consumer Affairs Letter can be found here.

NCUA Amends Regulations on Civil Money Penalties, Accounting for Inflation

On September 17, 2015, the National Credit Union Administration ("NCUA") Board issued a rule to adjust the maximum amount of each type of civil money penalty it may assess to account for inflation. Civil money penalties may be imposed in various situations, such as when regulatory violations take place, when reports are not submitted as required, when misleading information is reported and in other circumstances. The action is required under the Federal Civil Penalties Inflation Adjustment Act of 1990. The NCUA's rule became effective on September 23, 2015.

The final rule can be found here.

Model Regulatory Framework Issued for Virtual Currencies

On September 15, 2015, the Conference of State Bank Supervisors ("CSBS") issued a Model Framework for State Regulation of Certain Virtual Currency Activities. This framework was devised to aid state regulators in licensing and supervising virtual currency transactions, identifying key protections for consumers as well as the marketplace as a whole.

The framework defines virtual currency and provides clarification regarding the denomination of permissible investments, flexibility to tailor cybersecurity audits and Bank Secrecy Act/Anti-Money laundering compliance considerations. Additionally, the Model Framework creates a requirement that institutions maintain policies and procedures be in place in the event of a cybersecurity failure.

The press release can be found here.

New York Banks Directed to Comply with Abandoned Property Law

On September 11, 2015, the New York Department of Financial Services ("DFS") reminded New York banks to comply with the state abandoned property law which ensures that consumers and business receive old, unclaimed account funds. This directive comes after the DFS identified several recent public notices regarding unclaimed property that were deemed confusing or non-compliant with the law. Chronologically ordered lists of individuals and business with at least $50 worth of unclaimed property are required to be published by September 1 of each year.

The press release can be found here.

Important Regulatory Dates

2015

October 1 - Federal flood rule changes regarding detached structures and force placement take effect
October 3 - The Truth in Lending Act ("TILA") and Real Estate Settlement Procedures Act ("RESPA") Disclosure Integration rules become effective
November 10 - Mandatory compliance date for Massachusetts institutions to utilize separate flood notice
December 31 - Sunset of Servicemembers Civil Relief Act ("SCRA") foreclosure protections that were extended from ninety days to one year following a period of active duty

2016

January 1 - Federal flood Escrow and other rule changes take effect
January 1 - Additional Ability to Repay and Qualified Mortgage Rule exemptions take effect for certain small creditors and creditors in rural and undeserved areas
April 1 - Small creditor balloon-payment Qualified Mortgage exemption expires
October 3 - Military Lending Act amendments become mandatory for most lending products

2017

October 3 - Military Lending Act amendments become mandatory for certain credit card products

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Contact

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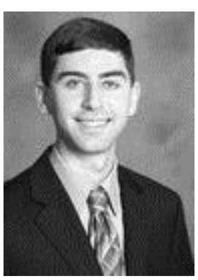

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PDFs of the Regulatory Compliance E-News and featured questions with full detailed answers from 2015 can be found here.