

October 15, 2015

Regulatory Compliance E-News

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

Frequently Asked Compliance Question

Question

As the ECOA Appraisal Disclosure language is now included on the Loan Estimate, are there any instances where the institution is still required to provide the applicant with a separate notice informing the applicant of the right to receive a copy of the appraisal?

Short Answer

A separate appraisal disclosure is needed in a few instances in which the Loan Estimate would not be provided. A separate disclosure shall be mailed or delivered within three business days of the following scenarios:

- For an application for an open-end loan, such as a Home Equity Line of Credit, to be secured by a first lien on a dwelling;
- For an application for a commercial purpose loan to be secured by a first lien on a dwelling;
- For loan renewals if the creditor will develop a new appraisal or written valuation; and
- For a pre-approval request for a loan to be secured by a first lien on a dwelling.

If the Loan Estimate is provided following an initial application then the ECOA Appraisal Notice requirements have been met...[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 Issues Industry Letter on Know Before You Owe Rule Compliance



On October 2, 2015, the Consumer Financial Protection Bureau (“CFPB”) issued a letter to mortgage industry trade groups regarding the newly effective, Know Before You Owe Integrated Mortgage Disclosure Rule. The letter acknowledges that the industry has dedicated substantial resources to come into compliance with the rule.

The letter further states that during initial examinations for compliance with the rule, examiners will focus on compliance management systems and overall efforts to achieve compliance. A good faith effort is expected of supervised entities that should demonstrate an implementation plan, which includes updates to written policies and procedures, training of staff, and the timely address of technical problems and challenges.

On October 2, 2015, the Federal Deposit Insurance Corporation (“FDIC”) also issued Financial Institution Letter (“FIL”) 43-2015, echoing the CFPB’s statement and also stating that technical compliance with the new rule will be evaluated by FDIC examiners by utilizing the interagency examination procedures, available in the FDIC’s Compliance Examination Manual.

The CFPB news release can be found [here](#).

The FDIC FIL can be found [here](#).

CFPB issues Bulletin on RESPA Kickbacks

On October 8, 2015, the CFPB issued Compliance Bulletin 2015-05. The Bulletin provides a reminder to participants in the mortgage industry of the restrictions on kickbacks and referral fees under the Real Estate Settlement Procedures Act (“RESPA”).



In particular, the CFPB is concerned over the risks imposed by lenders entering into marketing services agreements (“MSAs”). The Bulletin provides a description of the legal and compliance risks created by MSAs, including various instances in which MSAs have been used to illegally provide kickbacks.

The Bulletin can be found [here](#).

Joint Principles on Student Loan Servicing Issued



On September 29, 2015, the Departments of Treasury and Education, in conjunction with the CFPB, released a joint statement regarding student loan servicing as part of the ongoing national effort to help Americans manage student loan debt.

The statement provides a framework for institutions to improve student loan servicing practices and emphasizes borrower success and minimizing the rate of defaults. The general principles include:

- Ensuring that borrowers have information needed to repay loans responsibly;
- Providing protections to ensure fair treatment;
- Providing mechanisms for the resolution of errors; and
- Ensuring that federal and private student loan companies are held accountable for any misconduct.

This statement comes on the heels of the March 2015 Student Aid Bill of Rights, in which federal agencies were directed consult with the CFPB to improve student loan servicing.

The press release can be found [here](#).

FFIEC Revises Regulation Z and Regulation X Examination Procedures

On September 22, 2015, the Task Force on Consumer Compliance of the Federal Financial Institutions Examination Council (“FFIEC”) issued revised Interagency Examination Procedures for Regulation Z and Regulation X via Consumer Affairs Letter 15-6.



The revised procedures reflect amendments published by the CFPB that extended the effective date of the Integrated Disclosure rule to October 3, 2015, as well as other minor technical edits.

The Consumer Affairs Letter can be found [here](#).

Revised Regulation P Examination Procedures Released



On October 5, 2015, the Federal Reserve released revised Interagency Examination Procedures for Regulation P – Privacy of Consumer Financial Information via Consumer Affairs Letter 15-7. The examination procedures were developed by the Task Force on Consumer Compliance, part of the FFIEC.

The revised procedures reflect an October 2014 CFPB rulemaking which amended requirements regarding financial institutions' annual disclosure of privacy practices to customers, allowing alternative delivery methods.

The Consumer Affairs Letter can be found [here](#).

Important Regulatory Dates

2015

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 - Flood Escrow and other rule changes take effect

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

Contact



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

This information in this newsletter is based on our preliminary analysis of the regulatory language. It is communicated with the understanding that the Firm is not rendering legal services. If legal advice is required, the services of an attorney should be sought.

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