



December 15, 2015

## Regulatory Compliance E-News

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

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### Frequently Asked Compliance Question

#### Question

Should the Remote Deposit Capture (RDC) service offered by financial institutions be encompassed in the scope of an annual Bank Secrecy Act (BSA) audit, and what should the focus of the review be?

#### Short Answer

Yes, the RDC service is encompassed in the scope of the required independent annual BSA review that financial institutions must perform due to the inherent risk involved. The inherent risks include the risks of abuse by individuals and businesses seeking to defraud financial institutions, along with the potential money laundering and information security concerns for financial institutions offering the service. Individuals performing BSA audits should concentrate the focus of the review of this service on controls financial institutions have in place to monitor transactions for the above concerns. Coverage of RDC risks in other areas should be considered in other audits covering the product...[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](mailto:sking@wolfandco.com), or Brian Shea, CRCM, CAMS at 617-261-8133 or [bshea@wolfandco.com](mailto:bshea@wolfandco.com).

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### CFPB Releases Guidance on Regulation E Preauthorized Transfers



On November 23, 2015, the Consumer Financial Protection Bureau (CFPB) released Compliance Bulletin 2015-06. The Bulletin provides industry guidance on the Electronic Fund Transfer Act (EFTA) and Regulation E requirements for obtaining consumer authorizations for preauthorized electronic fund transfers.

The CFPB issued the Bulletin because it observed during its examinations that some companies are not fully complying with the EFTA and Regulation E. The Bulletin addresses two areas of concern: 1) obtaining the customer's authorization for preauthorized EFTs over the telephone; and 2) providing a copy of the authorization to the customer.

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

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## 2016 Higher-Priced Mortgage Appraisal Exemption Threshold Announced

On November 27, 2015, the Office of the Comptroller of the Currency (OCC), the Federal Reserve Board and the CFPB published final rules to amend official interpretation to the Truth-in-Lending Act as it pertains to the appraisal requirements for higher-priced mortgage loans (HPMLs).



On January 18, 2014, regulatory agencies exempted transactions of \$25,500 or less, requiring that that threshold be adjusted annually based on any increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). As of June 1, 2015, the CPI-W decreased and, as such, the exemption threshold will remain at \$25,500 through December 31, 2016.

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

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## 2016 Dollar Thresholds Announced for Regulation Z and M Exempt Transactions



On November 25, 2015, the Federal Reserve Board and the CFPB announced the 2016 dollar thresholds under which consumer credit and lease transactions will be subject to the protections of Regulation Z or Regulation M. As part of the Dodd-Frank Act, the Truth in Lending Act and the Consumer Leasing Act, this threshold must be re-evaluated on an annual basis based on any increase in the CPI-W.

Based on the CPI-W as of June 1, 2015, threshold will remain at \$54,600. Any loans above this amount will not be subject to Regulation Z, except for the fact that all private education loans and loans secured by real property will be subject to the protections of the Truth in Lending Act regardless of the loan amount.

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

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## FFIEC Issues CRA File Specifications and Edits

On November 18, 2015, the FFIEC announced the availability of the 2016 Community Reinvestment Act (CRA) Edits and File Specifications. Edits and file specifications are modified on an annual basis to include new data fields and enhance data quality.



The Edits and File Specifications can be found at the following locations:

[Edits](#)

[File Specifications](#)

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## CFPB Releases HMDA Compliance Guide



On December 2, 2015, the CFPB released the Home Mortgage Disclosure Act (HMDA) Small Entity Compliance Guide, adding it to the CFPB's HMDA Rule Implementation webpage. The Guide aims to provide assistance for small entities in complying with the upcoming changes to HMDA data collection and reporting that were issued via a final regulation earlier in 2015.

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

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## CFPB Adds to eRegulations Website

On December 3, 2015, the CFPB added six regulations to its eRegulations webpage. The eRegulations webpage is an online tool aimed at making regulations easier to access, read and interpret. The page now includes regulatory text and built-in official interpretations on the Equal Credit Opportunity Act (Regulation B); alternative mortgage transaction parity (Regulation D); land registration (Regulation J); purchasers' revocation rights, sales practices and standards (Regulation K); special rules of practice (Regulation L) and Consumer leasing (Regulation M).



The eRegulations platform can be found [here](#).

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## Federal Reserve Board, FDIC Updates Exam Manuals



The Federal Reserve Board has updated both its Consumer Compliance Handbook and the Commercial Bank Examination Manual. These documents are utilized by Federal Reserve examiners when conducting safety and soundness and compliance examinations. The Consumer Compliance Handbook updates include amendments made to Regulations X and Z under the Integrated Disclosure rule as well as various other amendments such as higher priced mortgage loans and ability to repay.

The Federal Reserve Consumer Compliance Handbook can be found [here](#).  
The Federal Reserve Commercial Exam Manual found [here](#).

The FDIC also issued a revised version of its Compliance Examination Manual on December 4, 2015. The Examination Manual updates includes the Integrated Disclosure rule and other areas.

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

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## NCUA Issues Proposed Rule on Chartering and Field of Membership Manual

The National Credit Union Administration (NCUA) has issued a proposed rule that will amend its chartering and field of membership rules. The proposed rule has been issued to provide efficiency and maximize access to federal credit union services permitted by law. In particular the proposed rule focuses on amendments for definition of key terms such as local community, rural district and underserved area.



It also addresses expanding common bonds and the process for chartering and expanding federal credit unions. The NCUA is accepting comments for sixty days following publication in the Federal Register.

The proposed rule can be found [here](#).

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## New York Governor Announces New Anti-Terrorism Regulation



On December 1, 2015, New York Governor Andrew Cuomo, announced the proposal of a new anti-terrorism and anti-money laundering regulation which would require that senior financial executives certify the effectiveness of their institution's systems used to detect and prevent illicit transactions.

Over the past four years the Department of Financial Services (NYDFS) has found through investigation the anti-money laundering compliance systems at many financial institutions to be inadequate. A lack of governance, oversight and accountability of executives at such institutions has contributed to the shortcomings identified.

The regulation proposed will be subject to a forty-five day notice and public comment period before it is finalized. As part of the rule, institutions will be required to maintain a transaction monitoring program and a watch list filtering program in addition to other requirements. Institutions will be required to submit the certifications to the Department by April 15th of each year, executed by the chief compliance officer or similarly titled individual.

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

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## Massachusetts Division of Banks Updates Branch Regulatory Bulletin

On November 18, 2015, the Massachusetts Division of Banks updated Regulatory Bulletin 2.1-104. The Bulletin provides the procedures by which a bank or credit union can establish, relocate or close a branch office within and outside of Massachusetts. It also provides procedures for the relocation or re-designation of a main office. The Bulletin reflects changes set forth by Chapter 466 of the Acts of 2014.



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

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## Massachusetts Division of Banks Repeals Parity Regulation



As of December 4, 2015, the Massachusetts Division of Banks has repealed regulation 209 CMR 47. The regulation specified powers and activities of banks in the state of Massachusetts; addressing situations in which banks were seeking powers permissible for federal banks or banks chartered by other states.

Notice of the repeal can be found [here](#).

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## Important Regulatory Dates

### 2015

**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

### 2018

**January 1** - Expanded HMDA data collection requirements become effective

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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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