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September 1, 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

What are the requirements for the frequency of a Bank Secrecy Act ("BSA")/Anti-Money Laundering ("AML") automated software system validation and a review of the system parameters to ensure that the parameters remain effective and reasonable for the institution?

#### Short Answer

The importance of a BSA/AML automated software system validation and a review of the system parameters to ensure that the parameters remain effective and reasonable cannot be understated. The Office of the Comptroller of the Currency ("OCC") has highlighted the importance of the review of any model-based analysis via its Supervisory Guidance on Model Risk Management, released back in 2011. These reviews should be performed to ensure that all data from the core system and supplemental systems, such as wire transfer systems, is flowing properly into the automated system.

Institutions must also validate that the automated system parameters are appropriately capturing potentially suspicious activity and assisting institutions in their customer risk rating process. This testing is mandated by the OCC's guidance, generally accepted by all the agencies, and the Federal Financial Institution Examination Council's ("FFIEC") BSA Examination Manual...[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, at 617-261-8133 or [bshea@wolfandco.com](mailto:bshea@wolfandco.com).

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### CFPB Publishes TILA/RESPA Rule Questions Index Document



The Consumer Financial Protection Bureau ("CFPB") has posted a document on its website containing various questions and answers regarding the Truth in Lending Act ("TILA")/Real Estate Settlement Procedures Act ("RESPA") Integrated Disclosure rule that was addressed throughout five webinars conducted by CFPB staff during 2014 and 2015.

The Question Index can be found [here](#).

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## Massachusetts Division of Banks Promulgates Flood Regulations

The Massachusetts Division of Banks has announced that flood regulations filed with the Secretary of the Commonwealth will become effective on September 11, 2015. Chapter 177 of the Acts of 2014, An Act Further Regulating Flood Insurance, became effective on November 20, 2014.



The Act prohibits creditors from requiring flood insurance for a residential mortgage loan that is greater than the balance of the loan, includes contents, or includes a deductible of less than \$5,000. The Act requires that creditors provide borrowers with a notice about flood insurance coverage prior to extending credit, and the regulation provides a notice displaying the required format.

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

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## Rhode Island Provides Privacy Rights over Mortgage Trigger Leads



Rhode Island House Bill 5769, also known as An Act Relating to Financial Institutions – Community Obligations and Banking Offenses, recently became effective as of July 9, 2015. The statute defines the term “Mortgage Trigger Lead” as it applies to consumer privacy in mortgage applications. A mortgage trigger lead occurs when a consumer report is ordered following an application for credit.

The statute identifies prohibited acts and practices regarding the solicitation of a consumer for a residential mortgage loan including: The failure to state in solicitations that the solicitor is not affiliated with the lender or broker; the failure to state that the solicitation is based on personal information purchased from a consumer reporting agency without knowledge or permission of the lender or broker; and the failure to comply with the Fair Credit Reporting Act or knowingly using information from a mortgage trigger lead to solicit consumers who have opted out of prescreened offers of credit or have been included on the federal or applicable state Do Not Call list.

The language of the law can be found [here](#).

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## Important Regulatory Dates

### 2015

**September 1** - Additional required language in the state of Maine – Notice of the Right to Cure a Mortgage Default becomes effective

**September 11** - Massachusetts Flood Insurance regulation becomes effective

**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

**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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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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