

June 19, 2015

Regulatory Compliance E-News

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

Frequently Asked Compliance Question

Question

A borrower intends to destroy the residential dwelling currently in place at a piece of property that is owned and replace it with a commercial building. Would a Construction to Permanent mortgage loan request to convert or construct a commercial building be reportable under the Home Mortgage Disclosure Act ("HMDA")?

Short Answer

This loan would not be reported under HMDA. The purpose of HMDA is to show whether lenders are serving the housing needs of the community. As HMDA is a purpose-driven regulation, in order to collect relevant information a lender is required to obtain the purpose of the loan. In this scenario, the purpose of the loan is not to purchase a residential dwelling, improve a residential dwelling or refinance a residential dwelling. The purpose is to construct a commercial building. Therefore, the loan would not be HMDA reportable....[click here to view the more detailed answer](#).

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 Changes Position and Delays Integrated Disclosure Implementation



On June 3, 2015, CFPB Director Richard Cordray had issued a letter to Congress regarding the implementation of the upcoming TILA-RESPA Know Before You Owe Integrated Mortgage Disclosure ("TRID"). The letter stated while the effective date for TRID remained August 1, 2015; the regulators would be sensitive to entities that have made good-faith efforts to achieve compliance. The letter implied a grace period of unspecified length for qualifying institutions. Financial institutions still had to struggle with the uncertainty as to the length of the grace period and its potential impact on civil liability.

On June 17, 2015, Director Cordray announced that the CFPB will be a proposed amendment to delay the TRID effective date until October 1, 2015. "We made this decision to correct an administrative error that we just discovered in meeting the requirements under federal law, which would have delayed the effective date of the rule by two weeks. We further believe that the additional time included in the proposed effective date would better accommodate the interests of the many consumers and providers whose families will be busy with the transition to the new school year at this time."

The CFPB statement on this matter can be found [here](#).

Federal Reserve Issues FAQ About Debit Card Interchanges Fees



On May 18, 2015, the Federal Reserve released a Frequently Asked Questions (“FAQ”) page to assist entities in complying with Regulation II. Regulation II imposes rules relative to interchange fees for debit cards.

While the FAQs are not to be considered official interpretations, they illustrate how provisions of the regulation apply to specific situations that an entity may confront.

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

Federal Reserve Updates Lists Identifying Interchange Fee Rule Applicability

On May 28, 2015, the Board of Governors of the Federal Reserve System published two lists that will assist in identifying those institutions subject to Regulation II.



The lists identify those institutions who, together with their affiliates have assets of \$10 billion or more, and those who, together with their affiliates, have assets of less than \$10 billion. The Electronic Fund Transfer Act exempts any debit card issuer who, together with its affiliates, has assets of less than \$10 billion from debit card interchange fee standards.

These lists are based on data available to the Board and can be used by payment card networks and other parties to determine whether the rules apply to a particular institution.

The exempt and non-exempt lists can be found [here](#).

HUD Issues Proposal on Form Revision



The Department of Housing and Urban Development (“HUD”) is requesting approval from the Office of Management and Budget to collect information regarding Federal Housing Administration (“FHA”) Insured Mortgages.

In accordance with the Paperwork Reduction Act, HUD is requesting comment on the collection of specific forms and related documents needed to determine the eligibility of borrowers and proposed mortgage transactions insurance by the FHA.

In particular the proposal encompasses various minor adjustments to the HUD Addendum to the Residential Mortgage Loan Application. Comments are due from the public by July 14, 2015.

The complete Federal Register notice can be found [here](#).

Agencies Seeking Comment on Third Set of EGPR Categories

On May 29, 2015, the Federal Reserve, Office of the Comptroller of the Currency (“OCC”) and Federal Deposit Insurance Corporation (“FDIC”) requested comment on a third set of regulatory categories to be reviewed as unnecessary or outdated under the Economic Growth and Regulatory Paperwork Reduction Act of 1996 (“EGPR”).



EGPR requires that federal financial institution regulators review their regulations at least every ten years. These agencies are also required to categorize any public regulations for comment, submitting a report to Congress of any issues raised.

The categories of regulations to be reviewed include; consumer protection, directors, officers and employees and money laundering. Comments will be accepted within ninety days of the publishing of the comments request in the Federal Register.

The Federal Reserve’s press release can be found [here](#).

Massachusetts to Hold Public Hearing on Credit Union Branching

On June 17, 2015, a public hearing is set to be held by the Massachusetts Division of Banks to receive comments regarding the proposed regulation 209 CMR 58.00 which encompasses new authorities over credit union branching. 

The proposed regulation would authorize Massachusetts-chartered credit unions to establish a branch office up to 100 miles away from its main office premises within the Commonwealth and in Connecticut, Maine, New Hampshire, New York, Rhode Island or Vermont.

The proposed regulation would also allow out-of-state-chartered credit unions with principal offices located in one of the aforementioned states to establish a branch office within Massachusetts. The regulation implements changes made to Massachusetts law in 2014.

Written comments may also be submitted to the Massachusetts Division of Banks up until 5:00 PM on June 19, 2015.

The public hearing notice can be found [here](#).

Important Regulatory Dates

2015

July 1 - Rhode Island mortgage servicer licensing rules take effect

July 18 - Certain Higher Priced Mortgage Appraisal Exemptions for existing manufactured homes expire

August 1 - The Truth in Lending Act ("TILA") and Real Estate Settlement Procedures Act ("RESPA") Disclosure Integration rules become mandatory

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 rule changes take effect

Contact



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PDFs of the Regulatory Compliance E-News 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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