

**Compliance Services Group, LLC is now scheduling engagements  
for the 2021 calendar year!**

**In addition to general compliance consulting, we offer the following reviews:**

- ACH
- Bank Secrecy Act and Anti Money Laundering (BSA/AML)
- Deposit/Operations Compliance
- ECOA (Reg B)
- Fair Lending Compliance
- HMDA file review or audit
- Loan Compliance
- Mortgage Servicing
- Reg Z including APR validation
- SAFE Act
- Website Compliance including ADA accessibility

And many more!

Please consider us for your financial services compliance consulting and review needs at competitive rates. **Visit us at [Compliance Services Group, LLC](https://www.complianceservicesgroup.com) for details.** If you would like to schedule a review for 2021 or have any questions, **please contact our Lead Compliance Auditor, Tricia Briggs, at [tricia.briggs@complianceservicesgroup.com](mailto:tricia.briggs@complianceservicesgroup.com).**

**No Legal Advice Intended**

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Regulatory and Legislative Recap  
August 2020

## FINAL REGULATIONS/RULES

Effective Date	Regulation	Citation	Summary
09/21/2020	Incorporation of Existing Statement of Policy Regarding Requests for Participation in the Affairs of an Insured Depository Institution by Convicted Individuals	<a href="#">85 FR 51312</a>	The policy objective of the rule is to clarify how the FDIC interprets and applies section 19 of the Federal Deposit Insurance Act (section 19),[1] clarify the application process for insured depository institutions and individuals who seek relief from section 19, and expand the scope of relief available for certain offenses. The FDIC SOP provides the public with guidance relating to section 19 and the FDIC's application of this statute. The current SOP, with modifications over time, has been published and a resource for the public for over twenty years. However, the terms and procedures outlined in the SOP have not been adopted as formal regulations by the FDIC. To remove potential ambiguities about the FDIC's approach to section 19 or the application process, the rule incorporates much of the current SOP, while adopting certain changes suggested by commenters.

## PROPOSED REGULATIONS

Comments Due	Regulation	Citation	Summary
09/28/2020	Qualified Mortgages (CFPB)	<a href="#">85 FR 53568</a>	The CFPB is proposing to create a new category of seasoned qualified mortgages. This “seasoned” designation would apply to portfolio loans that have met certain performance requirements over a 36-month seasoning period, including having no more than two delinquencies of 30 or more days and no delinquencies of 60 or more days. Additionally, the loans must be first lien; fixed rate with fully amortizing payments and no balloon payments; must not exceed 30 years; and total points and fees must not exceed specified limits. Creditors would also need to consider the borrower’s DTI ratio or residual income and verify their obligations and income. The proposal does not specify a DTI limit, nor require creditors to use appendix Q to Regulation Z in calculating and verifying debt and income.

## RESOURCES/GUIDANCE

Guidance	Summary
<a href="#">Risk Management Manual of Examination</a>	Updates to Section 22.1 include revisions to the Securities and Derivatives module, including changes for the Allowance for Credit Losses and other minor technical edits.

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<p><a href="#">Policies</a> (FDIC)</p>	
<p><a href="#">BSA &amp; Politically Exposed Persons</a> (FR, FIC, FinCEN, NCUA, OCC)</p>	<p>The agencies issued a joint statement clarifying that Bank Secrecy Act (BSA) due diligence requirements for customers who may be considered “politically exposed persons” (PEPs) should be commensurate with the risks posed by the PEP relationship.</p>
<p><a href="#">Frequently Asked Questions Regarding Customer Due Diligence (CDD) Requirements for Covered Financial Institutions</a> (FinCEN)</p>	<p>These FAQs clarify the regulatory requirements related to obtaining customer information, establishing a customer risk profile, and performing ongoing monitoring of the customer relationship in order to assist covered financial institutions with their compliance obligations in these areas.</p>
<p><a href="#">Joint Statement on Enforcement of BSA/AML Requirements</a> (FR, FDIC, NUCA, OCC)</p>	<p>The agencies issued a joint statement addressing how they will address noncompliance with the BSA/AML requirements. The statement describes the situations under which an agency may issue a mandatory cease and desist order or, at its discretion, issue formal or informal enforcement actions or other supervisory actions to address deficiencies. The statement clarifies that an agency will issue a cease and desist order for BSA/AML noncompliance in cases where an institution fails to establish and maintain a reasonably designed BSA/AML compliance program or fails to correct a previously reported problem with its BSA/AML compliance program. An agency may also take a formal or informal action against an institution for other BSA/AML program concerns or deficiencies related to Suspicious Activity Report filings and other recordkeeping requirements.</p>
<p><a href="#">Filing instructions guide for HMDA data collected in 2021</a> (CFPB, FFIEC)</p>	<p>The CFPB published its updated filing instructions for HMDA data collected in 2021 and reported in 2020. The Supplemental Guide for Quarterly Filers for 2021 is available <a href="#">here</a>. The CFPB also published an <a href="#">analysis</a> of the 2019 HMDA data.</p>
<p>COVID-19 Fraud Schemes <a href="#">20-RISK-02</a> (NCUA)</p>	<p>The NCUA issued this alert to inform credit unions about the risk of fraud associated with the COVID-19 pandemic. Those committing fraud often attempt to take advantage of opportunities made possible through new or expanded large government programs arising from emergency situations, such as the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The CARES Act provides many ways for financial institutions to work with members impacted by the pandemic. This alert describes increased risks associated with routine operations, outlines red flags associated with common fraud schemes in major CARES Act programs, provides references and avenues to report fraud or misconduct to the most appropriate authorities, and also provides member education resources.</p>
<p><a href="#">CFPB Issues Amendments to Payday, Vehicle Title, and Certain High-Cost Installment</a></p>	<p>The NCUA issued a regulatory alert outlining the key provisions of the Consumer Financial Protection Bureau’s (CFPB) payday lending rule. The alert also reminds that the compliance deadlines under the CFPB’s payday lending rule are stayed under a court order due to pending litigation. Hence, the CFPB has delayed the compliance deadline for its rule until Nov. 20, 2020. Compliance will not be required before that date and not until the stay is lifted</p>

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<a href="#">Loans Rule 20-RA-07</a> (NCUA)	
<a href="#">Statement on Enforcement of the Bank Secrecy Act</a> (FinCEN)	<p>FinCEN issued a statement describing its approach to Bank Secrecy Act enforcement and the factors it evaluates in determining the appropriate response to and enforcement of BSA violations. The statement outlines the various types of action FinCEN may pursue when it identifies an actual or possible BSA violation, including issuing a warning letter, an injunction or equitable relief, settlements, civil money penalties, criminal referral or no action. It also lists the range of factors FinCEN considers when evaluating an appropriate disposition upon identifying actual or possible violations of the BSA</p>
LIBOR-Based Transition Resource Guides (Alternative Reference Rates Committee)	<p>The Alternative Reference Rates Committee published reference rate transition guides for <a href="#">adjustable-rate mortgages</a> and <a href="#">student loans</a> that reference the London Interbank Offered Rate. With Libor not guaranteed to be available after 2021, the guides help market participants transition to the Secured Overnight Financing Rate, the ARRC’s recommended Libor alternative.</p>
<a href="#">Payday Lending Rule FAQs</a> (CFPB)	<p>The CFPB updated its FAQs on <a href="#">Payday, Vehicle Title, and Certain High-Cost Installment Loans</a>. Updates include exemptions, conditions, unusual payment notices, and others.</p>
<a href="#">Joint Statement on Additional Loan Accommodations Related to COVID-19</a> (FR, FDIC, NCUA, OCC, CFPB)	<p>The agencies issued a joint statement on managing loan accommodations granted to borrowers pursuant to federal, state, and local law to address Covid-19 related hardships. Specifically, the statement provides risk management and consumer protection principles to financial institutions working with borrowers that are near the end of their initial loan accommodation period.</p>

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