



Consumer Financial
Protection Bureau

CUREN CFPB UPDATE

TOOLS TO MAKE THE CFPB WORK FOR YOU

OCTOBER 17, 2013



CHELSEY RAJPUT,

PHM QA ANALYST/CFPB PROJECT MANAGER

1



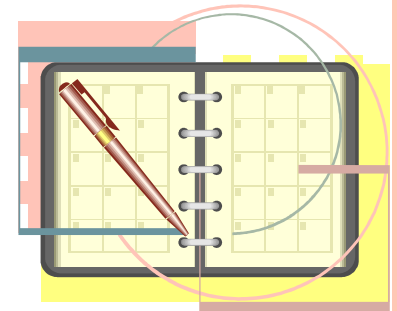
Consumer Financial
Protection Bureau



AGENDA



- Introduction
- Who is the CFPB and What is Dodd Frank?
- Tools to Make the CFPB Work for You
- Project Structures and Compliance Management Systems
- CFPB Supervisory Highlights
- What's Next for the CFPB
- Questions, Comments, Concerns?



○ Consumer

STUDY
“We gather and analyze available information to better understand consumers, financial services providers, and consumer financial markets” – CFPB Website

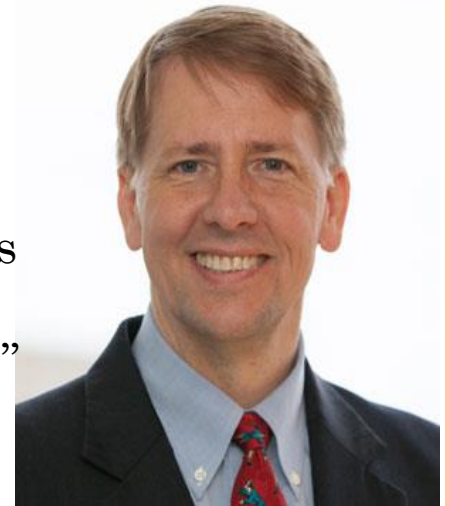
○ Financial

ENFORCE
“We supervise banks, credit unions, and other financial companies, and we enforce federal consumer financial laws.” - CFPB Website

○ Protection

○ Bureau

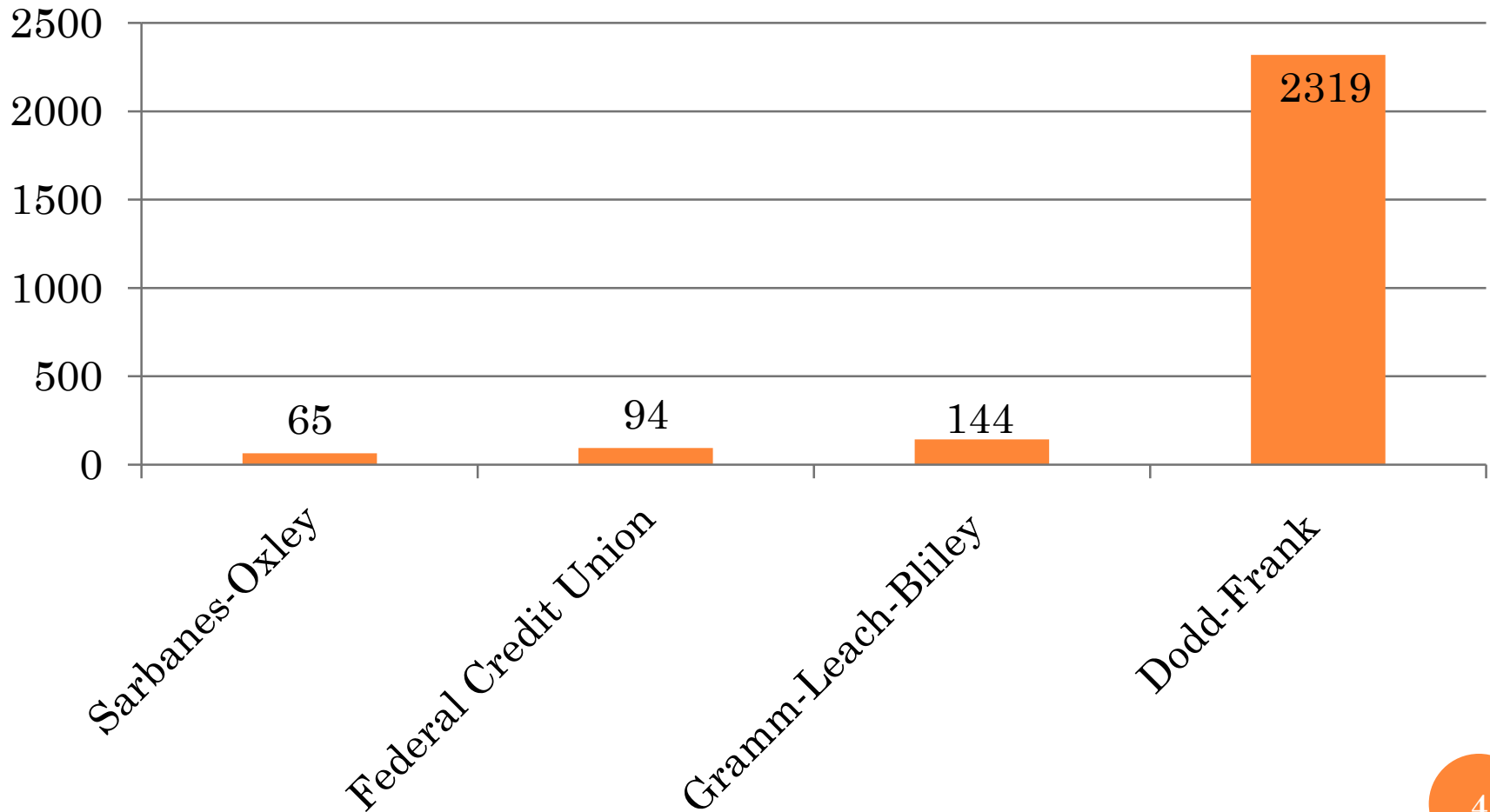
EDUCATE
“An informed consumer is the first line of defense against abusive practices.” – CFPB Website



HOW BIG IS DODD-FRANK?



Pages of Acts



STATUS OF DODD-FRANK AS OF 10/1/13?



- 70.4% of the 398 requirement deadlines have passed
- 100% of the 280 rulemaking requirements with specific deadlines have passed
- Of the 280 passed deadlines 61% of the deadlines have been missed and 39% have final rules
- 41% of the 398 total rulemaking requirements have been met with finalized rules
- 29% have proposed rules
- 30% do not yet have rules proposed

• Updates per Davis Polk Law Firm

WHEN, WHERE AND WHY?

BRIEF HISTORY OF THE CFPB



- The CFPB was created from Title X of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
 - CFPB opened July 2011
 - With the enactment of Dodd-Frank the general rulemaking authority passed from the Board of Governors of Federal Reserve System to the CFPB on July 21, 2011
- In January 2012 President Obama appointed Richard Cordray as Director of the CFPB
- Purpose: Educate, Enforce (examine institutions over \$10B) and Study
- Bureau is located in Washington D.C. on G Street

POLITICAL STRUCTURE

- CFPB is funded by the Federal Reserve – 10% - 12% of the Federal Reserve's annual operating budget
 - Approximately \$500M
- The Bureau is structured to be fully independent and is subject to limited oversight
 - House Financial Services Committee was set to have a hearing on legislative proposal to reform the CFPB, was postponed and later cancelled due to recent events
- Consumer Financial Civil Penalty Fund has been set up per Dodd-Frank
 - The Bureau has access to the fund without limitation, for payments to the victims for which civil penalties have been imposed under the Federal consumer financial laws.
 - The fund can also be used for education & financial literacy programs.
- Political unrest regarding a sole director - possible change to a three to five person board?
 - NCUA - 3 member board
 - FDIC - 5 member board

INDUSTRY UPDATES

- President Obama met with the Financial Stability Oversight Council (SEC, FHFA, CFPB, Fed & Treasury) to provide a “sense of urgency”
 - 60% of deadlines have been missed regarding Dodd-Frank
 - Final rules have been issued for 39% of requirements
 - “The three years since Dodd-Frank’s passage, have seen 848 pages of statutory text expand to 13,789 pages – more than 15 million words of regulation.” “As of July 1, 2013, this staggering number represents only 39 percent of required rulemaking contained within Dodd-Frank.”
- 60% of vendors have not given date of when they will be ready to comply with rules
- OIG recently audited the CFPB Govt. Travel Card Program and recommended they strengthen to ensure program integrity
 - Controls were not in place to prevent and detect fraudulent or unauthorized use, several potentially unallowable transactions were identified



Consumer Financial
Protection Bureau

Contact us (855) 411-2372



[HOME](#) [INSIDE THE CFPB](#) [GET ASSISTANCE](#) [PARTICIPATE](#) [LAW & REGULATION](#) [SUBMIT A COMPLAINT](#)

Public service organizations: Tackle student debt

Public service organizations – public schools, police and fire departments, public hospitals, non-profits, and more – can take this pledge to help their employees reduce student debt. Employees can help, too! [Learn more about benefits for public servants.](#)



[Live from Chicago, Illinois!](#)

We were in Chicago for a field hearing on credit cards. We heard remarks from Director Richard Cordray, as well as testimony from consumer groups, industry representatives, and members of the public. The live event has now ended, but a [recording of the event is available.](#)

OCT 4

[We're looking for innovative partners for financial education research](#)

OCT 3

[Disclosures: A new avenue for improvement](#)

SEP 30

[Banking on campus forum](#)

[Read more in the blog](#) ➔



Consumer Financial
Protection Bureau

Contact us (855) 411-2372



[HOME](#) [INSIDE THE CFPB](#) [GET ASSISTANCE](#) [PARTICIPATE](#) [LAW & REGULATION](#) [SUBMIT A COMPLAINT](#)

[HOME](#) > [SUBMIT A COMPLAINT](#)

Submit a complaint



[Bank account or service](#)



[Money transfer](#)



[Credit card](#)



[Mortgage](#)



[Credit reporting](#)



[Student loan](#)



[Debt collection](#)



[Vehicle or
consumer loan](#)

CHECK YOUR COMPLAINT STATUS

[LOGIN](#)

[First login?](#)

Para presentar una queja en español, llamar al (855) 411-2372

Feedback about the complaint process?

[Tell your story](#)

CFPB WEBSITE



ONCE YOU SUBMIT A COMPLAINT



1 Complaint submitted

You submit a complaint about an issue you have with a company about a consumer financial product or service. You will receive email updates and can [log in](#) to track the status of your complaint.



2 Review and route

We'll forward your complaint to the company and work to get a response from them. If we find that another government agency would be better able to assist, we will forward your complaint to them and let you know.



3 Company response

The company will review your complaint, communicate with you as needed, and report back about the steps taken or that will be taken on the issue you identify in your complaint.



4 Consumer review

We will let you know when the company responds. You can review that response and give us feedback.



5 Review and investigate

Complaint data is shared with state and federal law enforcement agencies. Complaints tell us about business practices that may pose risks to consumers. If we need more information, we'll reach out and let you know.



6 Analyze and report

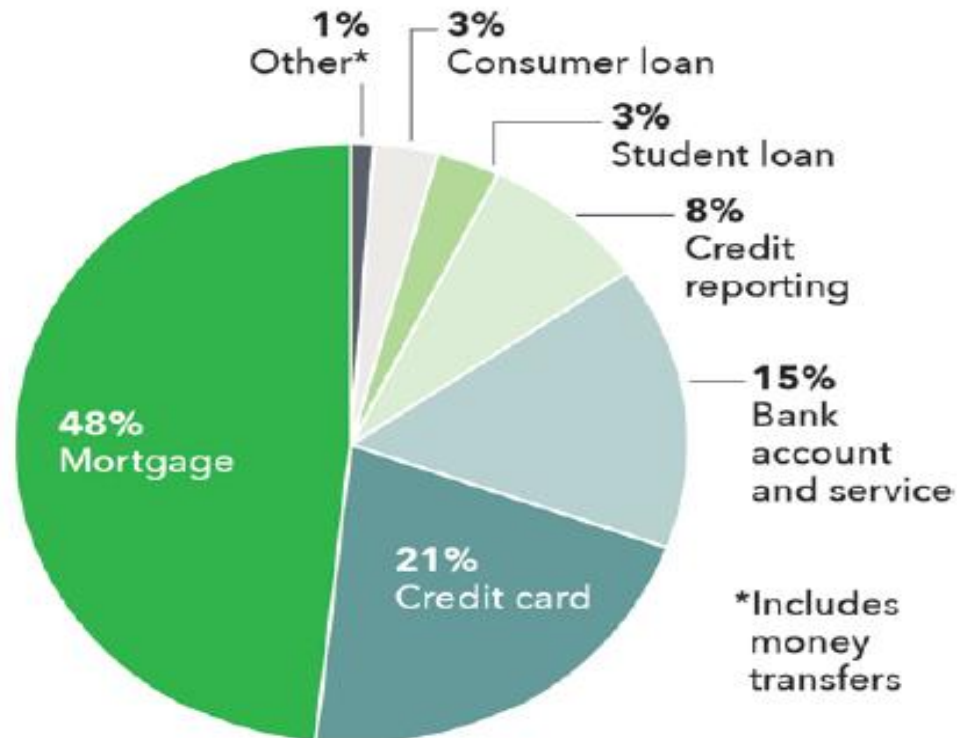
Complaints help with our work to supervise companies, enforce federal consumer financial laws, and write better rules and regulations. We also [report to Congress](#) about the complaints we receive and post some [consumer complaint data](#).

CFPB IMPLEMENTATION TOOLS



○ Consumer Response: A Snapshot of Complaints Received – July 2013

FIGURE 1: CONSUMER COMPLAINTS BY PRODUCT



CFPB WEBSITE



Consumer Financial
Protection Bureau

Contact us (855) 411-2372



- HOME
- INSIDE THE CFPB
- GET ASSISTANCE
- PARTICIPATE
- LAW & REGULATION
- SUBMIT A COMPLAINT

Public stude

Public servi
hospitals, n
student del

Live from

We were in
Richard Co
and membe
available.

About us

Jobs

Contact us

Newsroom

Reports

Budget and
performance

Strategic plan

Blog

Advisory groups

Doing business with us

close menu

Organizations: Tackle

Police and fire departments, public
employees pledge to help their employees reduce
more about benefits for public servants.



credit cards. We heard remarks from Director
consumer groups, industry representatives,
now ended, but a [recording of the event is](#)

OCT 4

[We're looking for innovative partners for financial education research](#)

OCT 3

[Disclosures: A new avenue for improvement](#)

SEP 30

[Banking on campus forum](#)

[Read more in the blog](#) →

CFPB WEBSITE



Consumer Financial
Protection Bureau

Contact us (855) 411-2372



- HOME
- INSIDE THE CFPB
- GET ASSISTANCE
- PARTICIPATE
- LAW & REGULATION
- SUBMIT A COMPLAINT**

Public service organizations: Tackle student debt

Public service organizations – public schools, police and fire departments, public hospitals, non-profits, and more – can take this pledge to help their employees reduce student debt. Employees can help, too! [Learn more about benefits for public service organizations.](#)

Live from Chicago, Illinois!

We were in Chicago for a field hearing on credit cards. We heard remarks from Director Richard Cordray, as well as testimony from consumer groups, industry representatives and members of the public. The live event has now ended, but a [recording of the event is available.](#)

Examination manual

Guidance

Notice and comment

Regulations

Mortgage rule implementation

Administrative adjudication

Amicus program

close menu

[Disclosures: A new avenue for improvement](#)

SEP 30

[Banking on campus forum](#)

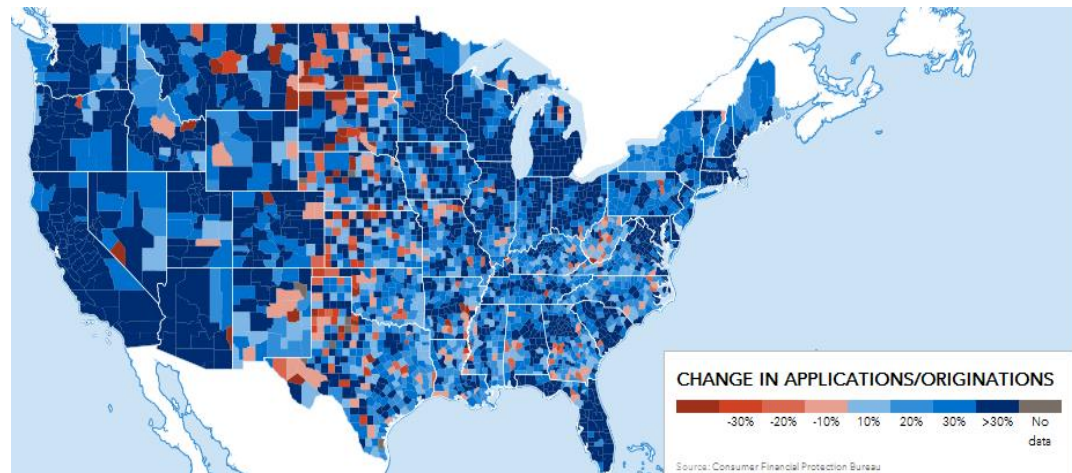
[Read more in the blog](#) →

[Innovative partners for research](#)

CFPB & HMDA



- CFPB has posted information about HMDA on Facebook, website, blog
 - YouTube videos
 - Interactive Graphs
 - Learn More links – 2012 had 18.7M HMDA records from 7,400 financial institutions
- CFPB is developing some easy to use tools so you can filter HMDA records and we can create our own tables!
- They will release an API (Application Programming Interface) that will make HMDA data more accessible For Researchers and Software Developers.



INTERACTIVE HMDA MAP



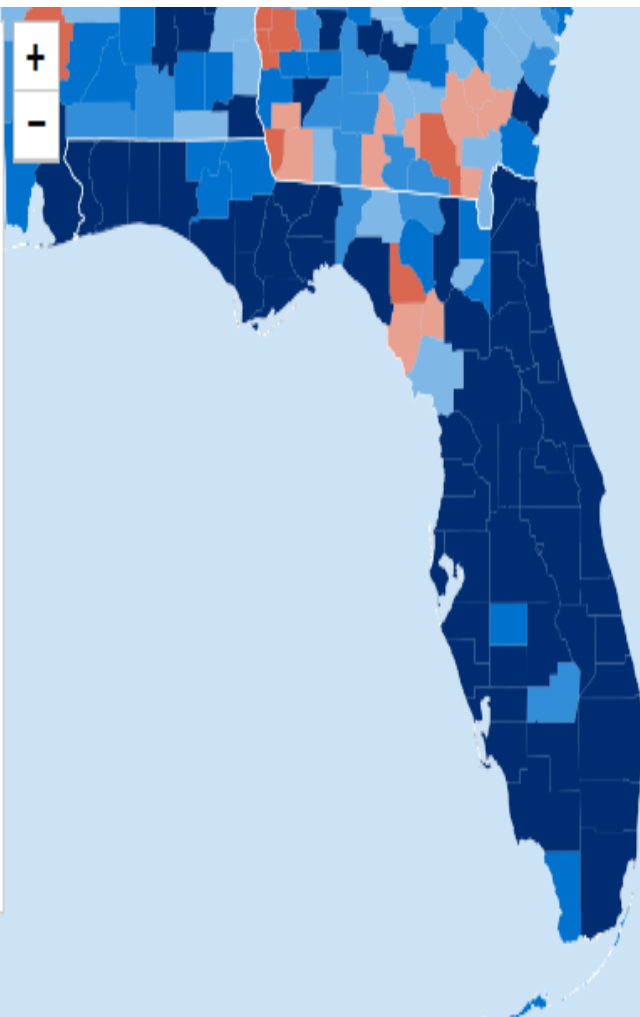
Change in mortgage applications & originations

Application and loan volumes increased as most local mortgage markets improved in 2012.

[2010-2011](#) or [2011-2012](#)

Applications

Originations



Orange County

Population: 893,754

Applications

2010: 27,569

2011: 24,695 (-10%)

2012: 40,750 (65%)

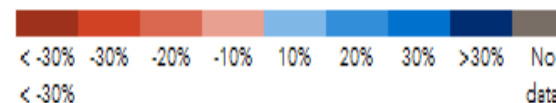
Originations

2010: 15,048

2011: 14,283 (-5%)

2012: 25,316 (77%)

PERCENTAGE CHANGE



INTERACTIVE HMDA MAP



Number of applications & originations by loan purpose

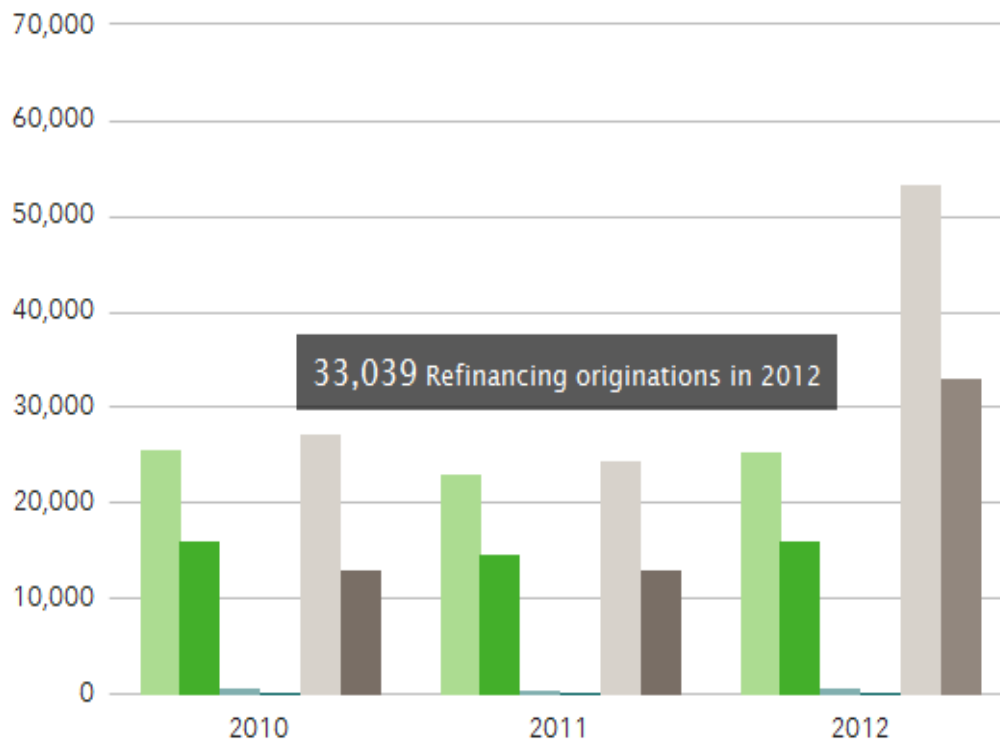
What's the strength of the mortgage market near you? One important metric is the number of applications and actual mortgage loans (originations) over time.

Metropolitan Statistical Area ?

Orlando, Kissimmee, Sanford - FL

Loan Purpose

- Home purchases
- Home improvements
- Refinancing



ORLANDO, KISSIMMEE, SANFORD - FL

- | | | |
|-----------------------|--------------------------|--------------------|
| Home Purchases | Home Improvements | Refinancing |
| Applications | Applications | Applications |
| Originations | Originations | Originations |

INTERACTIVE HMDA MAP



Number of originations by loan type

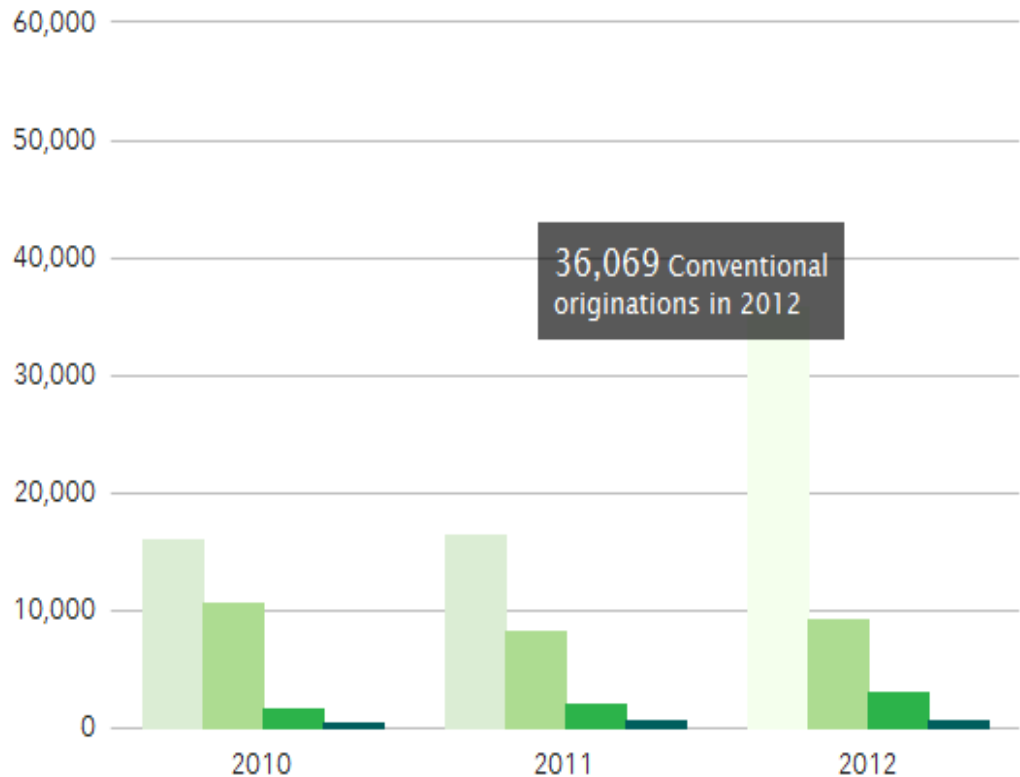
Many loans are insured or guaranteed by government programs offered by the Federal Housing Administration (FHA), the Department of Veterans Affairs (VA), or the Department of Agriculture's Rural Housing Service (RHS) or Farm Service Agency (FSA). All other loans are classified as Conventional.

Metropolitan Statistical Area ?

Orlando, Kissimmee, Sanford - FL

Loan Type

- Conventional
- FHA
- VA
- RHS



ORLANDO, KISSIMMEE, SANFORD - FL

- Conventional
- FHA
- VA
- RHS

MORTGAGE RULES:



Regulation	Description	Compliance Date
Regulation Z	Escrow Requirements *	6/1/13
Regulation Z	Mortgage Loan Officer (MLO) Compensation*	1/10/14 & 1/1/14
Regulations Z & X	Mortgage Servicing*	1/10/14
Regulation Z	Qualified Mortgages (QM) & Ability-to-Repay (ATR)*	1/10/14
Regulations Z & X	High-Cost Mortgages (HCML) & Homeownership Counseling*	1/10/14
Regulation Z	Higher-Priced Mortgage (HPML) Appraisal Requirements*	1/18/14
Regulation B	Free Access to Appraisals*	1/18/14

CFPB IMPLEMENTATION WEBSITES



Links will connect you with CFPB implementation pages:

- [Ability to Repay/Qualified Mortgages](#)
- [High-Cost Mortgage and Homeownership Counseling](#)
- [Loan Originator Compensation](#)
- [ECOA Appraisal Disclosure and Delivery](#)
- [HPML Appraisals](#)
- [Escrow Requirements](#)
- [TILA & RESPA Servicing](#)

CFPB IMPLEMENTATION TOOLS

- Small Entity Compliance Guides
- YouTube Video Summaries
- Video Transcripts
- ATR/QM Comparison Chart
- Appendix Q
- Coverage and Exemptions Charts
- Small Creditor QMs Flowchart
- Supervision and Examination Manual
- Readiness Guide**
- 2013 Final List of Rural and Underserved Counties
- 2014 Final List of Rural and Underserved Counties



Questions?

Comments?

Concerns?



Consumer Financial
Protection Bureau

GOOD-FAITH EFFORTS



“We appreciate the urgency and the resources that the mortgage industry is bringing to bear in preparation for the approaching effective dates... Our oversight of the new mortgage rules will be sensitive to the progress made by those lenders and servicers who have been squarely focused on making good-faith efforts to come into substantial compliance on time.”

–CFPB Director Richard Cordray, Sept. 11, 2013

CFPB PROJECT STRUCTURE

- 3 Phase Approach to the Project:
 - This structure can be used on any compliance project
 - Phase 1 – Introductory & Assessment
 - Assimilate,
 - Assess,
 - Clarify &
 - Draft
 - Phase 2 – Project Formation & Execution
 - Action Items,
 - Vendor Input
 - Phase 3 – Testing, Assurance & Training
 - Legal Review
 - Internal Audit Review
 - Fine Tuning of Processes & Procedures
 - Staff Training on new Regulations

PHASE 1 DOCUMENTS

- Work Breakdown Structure (WBS)
- Regulatory Change Workbook (RCW)
- Assessment Tabs within the RCW
- Question & Answer Log Documents
- Summary/Recommendation Memos
 - Items Delayed/Not Adopted
- PFCU Meeting Documents
- Bi-Weekly Update & Brainstorming Meetings

PROJECT FOLDER STRUCTURE

Computer > SHARED (\\PFCU-AD-04.PARTNERS.LAN) (S:) > Projects > Shared > CFPB Project

Organize Open New folder

Name	Date modified	Type	Size
1. Mortgage Servicing 1.10.14	3/8/2013 8:16 AM	File folder	
2. QM ATR 1.10.14	3/8/2013 8:16 AM	File folder	
3. Escrow Accounts 6.1.13	3/8/2013 8:16 AM	File folder	
4. High-Cost Mortgages - Counseling 1.10.14	3/8/2013 8:15 AM	File folder	
5. MLO Compensation 1.10.13	3/8/2013 8:18 AM	File folder	
6. HPML Appraisals 1.18.14	3/8/2013 8:19 AM	File folder	
7. ECOA Appraisals 1.18.14	3/8/2013 8:20 AM	File folder	
PFCU Meeting Materials	3/8/2013 7:50 AM	File folder	
Presentations	3/8/2013 8:22 AM	File folder	
Project Docs	3/8/2013 8:34 AM	File folder	
CUNA Summary Chart.pdf	2/1/2013 11:36 AM	PDF File	97 KB
NAFCU cfpb--Scope-and-Applicability-Char...	2/13/2013 3:18 PM	PDF File	172 KB

PROJECT DOCUMENT FOLDER STRUCTURE

Organize ▾ Open New folder

★ Favorites

- Desktop
- Downloads
- Recent Places

Libraries

- Documents
- Music
- Pictures
- Videos

Name	Date modified	Type	Size
1. Mortgage Servicing Docs	3/8/2013 8:38 AM	File folder	
2. QM ATR Docs	3/8/2013 8:38 AM	File folder	
3. Escrow Accounts Docs	3/8/2013 8:40 AM	File folder	
4. High-Cost Mortgages-Counseling Docs	3/8/2013 8:39 AM	File folder	
5. MLO Compensation Docs	3/8/2013 8:39 AM	File folder	
6. HPML Appraisals Docs	3/8/2013 8:39 AM	File folder	
7. ECOA Appraisals Docs	3/8/2013 8:40 AM	File folder	
Q&A Documents	3/8/2013 8:24 AM	File folder	
CFPB - WBS.xls	3/7/2013 8:42 PM	Microsoft Excel 97...	62 KB
CFPB Regulatory Change Workbook_DR...	3/7/2013 4:42 PM	Microsoft Excel W...	56 KB

WORK BREAKDOWN STRUCTURE (WBS)

Task_Level							H	I	J	K	L	M	N	O	P
Milestone	Phase	Activity	Task	Sub-Task	Sub-Task	Sub-Task	CFPB Consumer Financial Protection Bureau	Duration	Resource Names	Planned Start Date	Start Date	Planned Completion Date	Deadline	Completion Date	Additional Notes
✓	✓						Phase 1	4-6 Weeks		2/19/2013		3/22/2013	4/8/2013		6 Weeks
		✓					Assimilate, Assess, Clarify and Draft			2/19/2013	2/19/2013	3/15/2013	3/29/2013		
			✓				Identify Project Team Members from Respective Areas	1 day	Chelsey/Mark	2/19/2013	2/19/2013	2/20/2013	2/22/2013	2/20/2013	
				✓			Prioritize regulations by deadline & resources		Chelsey	2/20/2013	2/22/2013	2/22/2013	2/22/2013	2/22/2013	
					✓		CFPB Check In Meeting	0.5 Hour	Chelsey/Mark	2/22/2013	2/25/2013	""	""	2/25/2013	
✓	✓						Evaluate Rules and complete assessments		Chelsey	3/4/2013	3/5/2013	5/30/2013			
✓	✓						<u>Read Escrow Account Rule Material 3</u>	4 Days	Chelsey	3/5/2013	3/5/2013	3/8/2013	3/8/2013	3/8/2013	This rule was completed first due to 6, deadline
			✓				Read Final Rule and Supplemental Information	5 Days	Chelsey	3/7/2013	3/7/2013	3/13/2013		3/12/2013	
				✓			Complete Risk assessment tab for rule	3 Days	Chelsey	3/5/2013	3/5/2013	3/8/2013	3/8/2013	3/8/2013	
					✓		Determine Questions for Q&A Log	3 Days	Chelsey/Mark	3/11/2013	3/11/2013	3/13/2013		3/11/2013	
						✓	Answer Q&A Logs	3 Days	Doerr/Hankard Tichenor	3/11/2013	3/11/2013	3/13/2013		3/13/2013	
				✓			Complete & Issue Summary/Recommendation Memo	5 Days	Chelsey	3/11/2013	3/11/2013	3/15/2013		3/13/2013	
					✓		Outline regulations affects on Consumer Lending (HE & HELOC)	1 Day	Chelsey	3/4/2013	3/12/2013	3/29/2013		3/13/2013	Impact Analysis complete located on f Summary tab, sent to MR 3/13/13
	✓						CFPB Introduction Team Meeting	1 Hr.	Core Team	3/11/2013	3/11/2013	3/11/2013		3/11/2013	
		✓					MLO Compensation Rule 5 - June 2013 - Arbitration & Ins.								
			✓				Read Final Rule and Supplemental Information Excerpt	5 Days	Chelsey	3/18/2013	3/14/2013	3/22/2013		3/29/2013	
				✓			Complete Risk Assessment tab for Rule	5 Days	Chelsey	3/18/2013		3/22/2013		3/29/2013	
					✓		Determine Questions for Q&A Logs	3 Days	Chelsey	3/20/2013		3/22/2013		3/29/2013	
					✓		Complete & Issues Summary/Recommendation Memo	1 Day	Chelsey	3/22/2013		3/22/2013		3/29/2013	
		✓					CFPB BI-Weekly Update Meeting	1 Hour	Core Team	3/25/2013	3/25/2013	3/25/2013		3/25/2013	
✓	✓						<u>MLO Compensation Rule 5 - January 2014</u>								
			✓				Read Final Rule and Supplemental Information	5 Days	Chelsey	3/25/2013		3/26/2013		4/4/2013	
				✓			Complete Risk Assessment tab for Rule	5 Days	Chelsey	3/25/2013		3/26/2013		4/4/2013	
					✓		Determine Questions for Q&A Logs	3 Days	Chelsey	3/27/2013		3/27/2013		4/4/2013	
					✓		Read the Summary Documents for the MLO Rule	17 Days	Jennifer W.	3/14/2013		3/27/2013		4/4/2013	
				✓			MLO Compensation Meeting	1 Hr.	Jen/Chelsey	3/29/2013		3/29/2013		3/29/2013	
					✓		Answer Q&A Logs			3/29/2013		3/29/2013		4/4/2013	
				✓			Complete & Issues Summary/Recommendation Memo	1 Day	Chelsey	3/29/2013		3/29/2013		4/4/2013	
✓	✓						<u>Appraisals for Higher-Priced Mortgage Loans Rule 6</u>								
			✓				Read Final Rule and Supplemental Information	5 Days	Chelsey	4/1/2013	4/8/2013	4/5/2013		4/9/2013	
				✓			Complete Risk Assessment tab for Rule	5 Days	Chelsey	4/1/2013		4/5/2013		4/9/2013	
					✓		Determine Questions for Q&A Logs	3 Days	Chelsey	4/5/2013		4/5/2013		4/9/2013	
					✓		Answer Q&A Logs	Ongoing	Mgmt						
					✓		Complete & Issues Summary/Recommendation Memo	1 Day	Chelsey	4/8/2013		4/8/2013		4/9/2013	
✓	✓						<u>High Cost Mortgages & Homeowner Counseling Rule 4</u>								
			✓				Read Final Rule and Supplemental Information	3 Days	Chelsey	4/10/2013	4/11/2013	4/15/2013		4/18/2013	
				✓			Complete Risk Assessment tab for Rule	3 Days	Chelsey	4/10/2013		4/15/2013		4/18/2013	
					✓		Determine Questions for Q&A Logs	2 Hrs.	Chelsey	4/10/2013		4/15/2013		4/18/2013	
					✓		Answer Q&A Logs	On Going	Mgmt						
					✓		Complete & Issues Summary/Recommendation Memo	4 Hrs.	Chelsey	4/10/2013		4/15/2013		4/19/2013	
✓							<u>ECO-A - Free Access to Appraisals Rule 7</u>								

REGULATORY CHANGE WORKBOOK (RCW)-EXEC SUM.

A	B	C	D	E	F	G	H	I	J	K
No.	Regulation	Rule	High-Level Summary	Lead	Rule Champion	Legal Resource	Project Manager	Implementation Date	People	Process
1	Z and X	Mortgage Servicing (646 pages)	Introduces new rules for regulating most aspects of the mortgage servicing function.	Rodriguez, Mitchell	Rajput	SW&M/Raza Ali	Rajput	10-Jan-14		
2	Z	Ability to Repay, Qualified Mortgage Standards (989 pages)	Defines what information a lender must consider in determining ability to repay. Establishes criteria for QRM designation. Prohibits Alt-A lending.	Tichenor	Rajput	TBD	Rajput	10-Jan-14		
3	Z	Escrow Accounts (116 pages)	Requirements updated for establishing escrow accounts for higher-cost mortgage transactions.	Tichenor, Hankard	Rajput	TBD	Rajput	June 1, 2013		
4	Z and X	High Cost Mortgages, Homeownership Counseling (431 pages)	Expands definition of HOEPA and institutes additional prohibited practices for HOEPA loans. Enacts homeownership counseling requirements for HOEPA loans.	Tichenor	Rajput	TBD	Rajput	10-Jan-14		
5	Z	Loan Originator Compensation (541 pages)	Implements rules governing compensation for mortgage originators. Expands disclosure of NMLS identifier to additional document sets.	Westmoreland	Westmoreland	WDW/Michelle Patterson	Rajput	June 1, 2013 & January 10, 2014		
6	Z	Appraisals for Higher-Priced Mortgage Loans (311 pages)	HPML now consistently used to denote higher risk (subprime) transactions. Appraisal requirements instituted for all HPML transactions.	Tichenor	Rajput	SW&M/Raza Ali	Rajput	January 18, 2014		
7	B	ECOA (125 pages)	Implements changes to the appraisal process and eliminates the credit union exemption from the ECOA.	Tichenor	Rajput	TBD	Rajput	January 18, 2014		

REGULATORY CHANGE WORKBOOK (RCW)

CFPB Regulatory Change Workbook_DRAFT.xlsx - Microsoft Excel

File Home Insert Page Layout Formulas Data Review View Acrobat

Clipboard Font Alignment Number Styles Cells Editing

A9 Exemption Criteria

1	CFPB Regulatory Change Detail													
2														
3	Regulation:	Z	Pages:	116										
4	Rule:	Escrow Accounts	Official:	http://files.consumerfinance.gov/f/201301_cfpb_final-rule_escrow-requirements.pdf										
5	Lead:	Tichenor, Hankard	Summary:	None										
6														
7	Change Element	Summary	Impact	High-Level	Status	Element Champion	Implementation Date	Policy Review/Update Date	Procedure Review/Update Date	Legal Review Date	Training Date	IA/Testing Date		
8	Escrow Account - Timing Requirement	Changes the requirement to maintain an escrow account from 1 year to 5 years for HPML transactions.	Minor	Update policy and procedure to conform to new timing requirements. Validate system controls to ensure account is maintained for a minimum of 5 years.			6/1/2013							
9	Exemption Criteria	Establishes exemption from the rule to include lenders that make at least 50% of first mortgages in a rural or underserved area, originate less than 500 mortgages annually, do not maintain any escrow accounts and are less than \$2B in assets.	None	The credit union does not meet the criteria for the exemption.			6/1/2013	NA	NA	NA				
10	Exemption - Insurance	Expands the existing exemption on escrowing insurance premiums for condominiums to other situations where a consumer's property may be covered by a master policy.	Minor	Determine if policy or procedures need to be updated to take advantage of the expanded exemption opportunity.			6/1/2013							
11														
12														
13														

Exec Summary Project Formation 1-Mtg Servicing 2-Ability Repay - QRM 3-Escrow Accounts 3.1 Escrow Assessment 4-High Cost & Counseling 5-Conf

Ready 80%

RULE ASSESSMENT TAB

CFPB Regulatory Change Workbook_DRAFT.xlsx - Microsoft Excel

File Home Insert Page Layout Formulas Data Review View Acrobat

Clipboard Font Alignment Number Styles Cells Editing

K8

1	CFPB Regulatory Change Detail								
2									
3	Regulation:	Z	Pages:	116					
4	Rule:	Escrow Accounts	Official:	http://files.consumerfinance.gov/f/201301_cfbp_final-rule_escrow-requirements.pdf					
5	Lead:	Tichenor, Hankard	Summary:	None					
6									
7	12 CRF(Code of Federal Regulations) Part 1026 35(b)(2)-HPML Escrow Requirements:				Implementation Information				
8	Establish escrow accounts for HPML closed-end loans in a first lien position secured by a principal dwelling.				Transactions for which creditors receive applications on or after 6/1/13.				
9	Loans Affected:	Determination/Summary	Department	Systems Affected	Loan Exemptions				
10	First Lien - Principal Dwelling	APR exceeds APOR by 1.5 or more	PHMS - CLS	FICS MS - Symitar	Shares in a cooperative				
11	Jumbo - First Lien - Principal Dwelling *NEW*	APR exceeds APOR by 2.5 or more	PHMS - CLS	FICS MS - Symitar	Finance the initial construction of a dwelling				
12	Subordinate Liens -Closed-End *Exempt from escrow requirements*	APR exceeds APOR by 3.5 or more	CLS	Symitar	Temporary or "bridge" loan w/ loan term of 12 months or less Reverse mortgage transaction				
13									
14	<i>*Escrowing insurance premiums (though not for property taxes) for condominium units to extend the partial exemption to other situations in which an individual; consumer's property is covered by a master policy*</i>				Open-end HELOCs				
15	Definitions:								
16	1026.35(a)(2) <u>Average prime offer rate:</u> annual percentage rate derived from average interest rates, points, and other transaction pricing terms currently offered to consumers by a representative sample of creditors for mortgage transactions that have low-risk pricing characteristics.				Insurance premiums need not be included in escrow accounts for loans secured by dwellings in condominiums, planned unit developments, other common interest communities in which dwelling ownership requires participation in a governing association has an obligation to the dwelling owners to maintain a master policy insuring all dwellings.				
17	1026.35(b) <u>Principal Dwelling:</u> Structures that are classified as personal property under State law. Example: Manufactured homes, boats or trailers used as a consumer's principal dwelling. Not limited to mortgage secured by real property.				35(b)(2)(iii)(A) - Creditor Exemption Criteria:				
18	1026.35(b)(3)(iii)(A) <u>Original Value:</u> Lesser of the sales price reflected in the sales contract for the property, if any, or the appraised value of the property at the time of the transaction was consummated.								
19	35(b)(3)-Cancellation of Escrow Accounts on HPML:								
20	Escrow account must be maintained for 5 years				1. Make more than half of its first-lien mortgages in rural or underserved areas				
21	Cancellation would only be allowed at the member's request				2. Have an asset size less than \$2 Billion				
22	Cancellation requirements, "the unpaid principal balance is less than 80% of the original value of the property"				3. Together with its affiliates, have originated 500 or fewer first-				

Exec Summary Project Formation 1-Mtg Servicing 2-Ability Repay - QRM 3-Escrow Accounts 3.1 Escrow Assessment 4-High Cost & Counseling 5-Compensation

Ready 100%

QUESTION & ANSWER LOG (Q&A DOC)

Brad Tichenor Q&A.xlsx [Protected View] - Microsoft Excel

File Home Insert Page Layout Formulas Data Review View Acrobat

Protected View This file originated from an Internet location and might be unsafe. Click for more details. [Enable Editing](#)

A3 fx A1. Yes

	A	B	C
1	Question & Answer:	Date Inquired	Date Answered
	<p>Q1. Do you agree with the Pass/Fail designations as follows indicating overall we are not exempt from the Reg Z Escrow Requirements Rule? The rule creates an exemption for the escrow requirement for small creditors that operate predominately in rural or underserved areas:</p> <ol style="list-style-type: none"> 1. Make more than half of its first-lien mortgages in rural or underserved areas – Fail 2. Have an asset size less than \$2 Billion – Pass 3. Together with its affiliates, have originated 500 or fewer first-lien mortgages during the preceding calendar year – Fail 4. Together with its affiliates, not escrow for any mortgage it or its affiliates currently service, except in limited instances – Fail 5. *Wildcard*Under this rule, eligible creditors need not establish escrow accounts for mortgages intended at consummation to be held in portfolio, but must establish accounts at consummation for mortgages that are subject to a forward commitment to be purchased by an investor that does not itself qualify for the exemption. - Fail <p>a. <i>In English it cannot have a forward commitment to sell the loan to a non-exempt creditor (including FNMA & FHLMC)</i></p>		
2		3/6/2013	
3	A1. Yes		3/7/2013
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			

Q&A Sheet2 Sheet3

Ready 100%

DELAYED/NOT ADOPTED ITEMS

Items Delayed/Not Adopted at this time by CFPB

CFPB 12 CFR Part 1026 - Escrow Requirements under the Truth in Lending Act (Reg Z)

- Escrow disclosures to be provided 3 business days before consummation:
 - Disclosure 1: would be provided for a mortgage transaction for which an escrow account would have been established
 - Explains what an escrow account is, how it works, and the risks of not having an escrow account
 - Would include amount of the first year's disbursements, amount to be paid an consummation to fund escrow account initially
 - Would also include statement that amount of the regular escrow payment could change in the future
 - Disclosure 2: would be provided for a mortgage transaction for which an escrow account would not be established or an account would be cancelled
 - Explains what an escrow account is, how it works, and the risks of not having an escrow account
 - Consequences of failing to pay home-related costs such as taxes and insurance
 - State why there would be no escrow account or why it was being cancelled, as applicable, the amount of any fee imposed for not having an escrow account
 - How the consumer could request an escrow account be established and the deadline for such request
 - Delivered at least three business days before consummation or cancellation of the existing escrow account, as applicable
- Expected possible issuance with the TILA/RESPA changes in September

PHASE 2 DOCUMENTS

- Action Item Documents
- Vendor Input
- System Changes & Analysis
- Process Maps – if applicable
- Legal Counsel Input
 - Policy Review
 - Questions for Legal Opinions

PHASE 3 DOCUMENTS

- Testing & Quality Assurance Reviews
- Internal Audit Review of Documents
- Training Plan by Department
 - Webinars
 - Job Aids
 - Training Sessions
 - Vendor Training Modules

Questions?

Comments?

Concerns?

Fair Credit Reporting Act - Dispute Investigation Requirements - CFPB Bulletin 2013-09

CRA
Consumer Reporting
Agency



Consumer notifies CRA of disputed item

CRA collects dispute information from consumer

Furnisher will respond to CRA appropriately with findings

Compliance with FCRA promoting the accuracy and completeness of information in the consumer reporting system



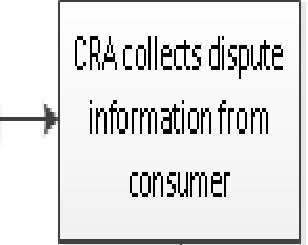
Furnisher



CRA provides all relevant information to furnisher timely

Investigation must be conducted regarding dispute

Findings from investigation



- Dec. 2012 CFPB released guidance called “Key Dimensions and Processes in the U.S. Credit Reporting System: A review of how the nation’s largest credit bureaus manage consumer data”

Expectations for Furnishers to Comply with FCRA:

- Maintaining a system reasonably capable of receiving from CRAs information regarding disputes, including supporting documentation;
- Conducting an investigation of the disputed information including reviewing:
 - “all relevant information” forwarded by the CRA and;
 - The furnisher’s own information with respect to the dispute;
- Reporting the results of the investigation to the CRA that sent the dispute;
- Providing corrected information to every nationwide CRA that received the information if the information is inaccurate or incomplete; and
- Modifying or deleting the disputed information, or permanently blocking the reporting of the information if the information is incomplete or inaccurate, or cannot be verified.

SUPERVISORY HIGHLIGHTS



- 25 Page Report
- Bureau approximately 2 years old
- CFPB's supervisory action led to a public enforcement action, resulting in ~6.5M in remediation to over 50,000 consumers
- Key Findings from the supervisory activities
- Addresses the CFPB's supervisory priorities, the reorganization of supervision function in D.C. and examiner staffing and findings

Supervisory Highlights

Summer 2013



SUPERVISORY HIGHLIGHTS



- Nearly every examination conducted by the CFPB contains an assessment of the CMS
- QA reviews handled within one business line increase the risk that identified issues may not be addressed in a similar business line and provide proper rollup
- Every institution should have a healthy Compliance Management System (CMS):
 - Establishes its compliance responsibilities;
 - Communicates those responsibilities to employees;
 - Ensures that responsibilities for meeting legal requirements and internal policies are incorporated into business processes;
 - Reviews operations to ensure responsibilities are carried out and legal requirements are met;
 - Takes corrective action, and
 - Updates tools, systems and materials, as necessary.
 - Has monitoring reviews along with an independent compliance audit – most common weakness

Compliance Management System



SUPERVISORY HIGHLIGHTS



Mortgage Servicing: Servicing Transfers

- Noncompliance with RESPA - disclosures to consumers about servicing transfers
- Documentation not organized/labeled resulting in document from delinquent borrowers from prior servicers being lost or misplaced
- Expectation of the servicer to take corrective action, including linking imaged documents received in the transfer to the loan account in the servicer's system.
- Also to ensure that it reviews documents to determine if they may be used in loss mitigation efforts, and that the documents are stored and organized appropriately.
- Lack of this organization creates a risk of engaging in unfair practices

SUPERVISORY HIGHLIGHTS

Mortgage Servicing: Payment Processing

- Inadequate notice to borrowers of a change in the address to which they should send payments. (Unfair Practices)
- Delaying of property tax payments from December to January,- borrower's inability to claim a tax deduction for the prior year without notice to the borrower. (Unfair Practice)
 - Institution had to compensate those harmed
- Servicer paid property taxes late, in violation of RESPA.
 - Pay any fees associated with late payment & solicit consumers to determine if additional harm.
 - If addition harm was done then the servicer will remediate it. (RESPA)
- Excessive delays in processing borrower requests for PMI cancellation. In cases where PMI was canceled, the servicer improperly handled unearned PMI premiums in violation of the Homeowners Protection Act. Amend P&P and review whether borrower were subject to additional harm caused by the delays in processing PMI cancellations. (HPA)

SUPERVISORY HIGHLIGHTS

Loss Mitigation:

- Inconsistent borrower solicitation and communication;
- Inconsistent loss mitigation underwriting;
- Inconsistent waivers of certain fees or interest charges;
- Long application review periods;
- Missing denial notices;
- Incomplete and disorganized servicing files;
- Incomplete written policies and procedures; and
- Lack of quality assurance on underwriting decisions.

Corrective action including update P&P is expected, periodic testing, sometimes providing reports to CFPB. Weak compliance management surrounding loss mitigation creates fair lending risk. CFPB expects that services will implement fair lending policies, procedures and controls to ensure that they are complying with ECOA.

SUPERVISORY HIGHLIGHTS



Fair Lending: ECOA - Provision of Adverse Action Notices

- Provide notification of any adverse action taken on an application, unless the applicant is currently delinquent or in default.
- Requires that the creditor provide or make available a specific statement of reasons for such action.
- Must send an adverse action notice to an applicant within 30 days of receipt of a completed application.

CFPB Recommendations:

Loan servicers should have systems in place to determine whether borrowers who apply for change in the term of credit are entitled to adverse action notices.

Ensure appropriate monitoring and internal controls are in place to detect and prevent future violations.

Comprehensive periodic training for management and staff regarding compliance with ECOA and Reg B, including compliance with provisions on adverse action notices.

SUPERVISORY HIGHLIGHTS

Supervisory Guidance: Fair Lending - ECOA

- ECOA Baseline Review Modules – can identify and analyze fair lending risks, can be used to develop fair lending compliance programs
- CFPB recommends that indirect auto lenders take steps to ensure they are operating in compliance with fair lending laws as applied to dealer markup and compensation policies. Including:
 - Imposing controls on dealer markup, or otherwise revising dealer markup policies, and monitoring and addressing the effects of markup policies as part of a robust fair lending compliance program; or
 - Eliminating dealer discretion to markup buy rates and fairly compensating dealers using a different mechanism that does not result in discrimination

Located in the Florida Mall

Consumer Targeted Campaign



PRMI, SALT LAKE CITY UTAH



PREGNANCY DISCRIMINATION

MLO told the woman she was a “good risk” and that the lender would be willing to finance loan after she returned to work.

Woman filed suit on the institution after getting a loan else where.

“HUD will continue to take action against lenders who refuse to make loans to otherwise qualified women merely because they are pregnant or on maternity leave.”

Applies to women and men on leave due to birth or adoption of a child & inquiries concerning a person’s future parental leave plans.

PENALTIES:

PRMI will pay the woman \$13,000

Parental leave policy with respect to loan applications

PRMI’s mortgage lending staff to be trained on the Act and the new policy

SUPERVISORY HIGHLIGHTS

Supervisory Guidance: Mortgage Servicing

- February 2013 guidance was issued regarding servicing transfers regarding compliance with RESPA, FCRA, FDCPA & UDAAP

Examiners will direct particular attention to the following:

- How a transferor servicer has prepared for the transfer of servicing rights and/or responsibilities;
- How a transferee servicer handles the files transferred to it; and
- For loans with loss mitigation in process, what policies and transferor and transferee have implemented, including what procedures they adopted, to facilitate the transfer of information, documents, and payments and to communicate with the borrowers accurately about the status of loss mitigation applications.

FNMA SEL 2013-06



- Effective for applications dated on or after January 10th
- ATR & QM vs. ATR Covered (GSE Patch) & ATR Exempt
 - ATR Covered is a loan that is subject to TILA's ATR requirements under Reg Z
 - ATR Exempt is a loan that either is not subject to TILA or exempt from ATR requirements
 - “Non-standard” to “Standard” refinance transaction must be underwritten as ATR covered loans to be eligible for sale – ARM w/ Into rate over 1 Yr., IO or Neg. Am
- LLPAs – If you choose to pass some or all of the LLPAs to borrowers, it is the lender's responsibility to comply with applicable requirements to determine the total amount of points and fees and APR consistent with FNMA's eligibility requirements. You can include in interest rate.
 - ATR Covered – 3% P&F Cap of the total loan amount or in accordance with QM provisions
 - ATR Exempt – 5% P&F Cap of the total loan amount

LLPA IN RATE?



Should LLPA's be included into the interest rate?

- Option 1: Lumping a lender credit to offset LLPAs
 - Will remove those from points and fees
 - Will likely have to map each fee to a line item and disclose lender paid

- Option 2: Absorb LLPA's into your rate
 - Loan could fail APOR
 - If loan fails APOR then may not be deliverable to FNMA
 - Opens up to rebuttable presumption claims b/c may not be considered QM
 - If loan is denied because fails APOR, higher-risk members because rate reflects the risk-price adjustment, may cause disparate pricing

WHAT IS TO COME?

- Expedited Funds Availability Act (Reg CC) – in Final Rule Stage
- **TILA/RESPA Mortgage Disclosure Integration (Reg X & Z) - Final Rule Stage expected September 2013**
 - NAFCU requesting a minimum 18-month implementation period
- Products Offered Through Colleges
- HMDA
- Credit Bureaus
- Indirect Lending
- Student Loans
- Credit Cards

Questions?

Comments?

Concerns?