MARCH 2025

# YOUR MONTHLY COMPLIANCE NEWSLETTER

## Changes in the Regulatory Environment

Unless you have been living under a rock, you have seen many of the federal government changes. The CFPB was somewhat shut down, many people have lost their jobs, and the current regulatory environment specific to new regulations is completely unknown.

The biggest questions for compliance and audit professionals regarding future regulatory changes is what will happen to the 1071 Small Business Rule and the new changes to the Community Reinvestment Act (CRA).

Everyone can speculate at this point, but we really don't know. Industry experts have mentioned that 1071 will still happen. It's a law, and it requires 60 votes in the senate to overturn, which is unlikely. The CFPB may pull the rule back and make it look more like the original rule that had significantly fewer data points to collect. Only time will tell.

Based on a few decades in the industry, it's best to turn to the banking trade organizations for guidance. The American Bankers Association is always at the forefront of what is going on in Washington. They have been a long-time trusted voice for banks, and we look to them for guidance as things unfold.

One thing we can tell you for certain, now is not the time to take your foot off the gas. We already

*See CHANGES page 2*

## BENEFICIAL OWNERSHIP REQUIREMENTS ARE NOW BACK IN EFFECT

If you remember in December, the beneficial ownership information (BOI) reporting requirements were turned on and off nearly every other day. As of now, they are back on again with a 30-day extension. FinCEN announced that the new deadline to start reporting BOI for businesses will be March 21, 2025. You can check out FinCEN's Notice [HERE.]

## CHANGES

*Continued from page 1*

know the OCC goes back a minimum of three years on data lookbacks such as HMDA, and the DOJ will go back five years. That means that the decisions your management teams make right now will affect your future examination performance. If your institution chooses to let up on compliance, not take fair lending and HMDA seriously, and not invest in underserved communities, that data will live on into the next administration.

A wise person once said doing the right thing never goes out of style. What to say and do about 1071 and CRA is like what they used to tell us in the military – hurry up and wait. We just don't know. The upcoming changes may be slow or non-existent, but all the current laws are still in play just as they always were. Continue to work to strengthen your Compliance Management System and be ready for whatever the future holds in regulatory guidance and changes.

# Findings From Our Consulting Work

In addition to regulatory changes, we like to discuss common findings that can help you ensure you don't have these issues at your organization.

One finding we have been seeing lately is charging a flat fee at closing for credit bureau reports on home loans. An estimate of the fee is fine on a Loan Estimate (it's literally in the name), but the closing disclosure needs to list the exact fee incurred and charged. Herein lies the issue.

Many lenders are simply listing a flat fee of say - $40. When we do file reviews, we will see an invoice for only $28 for the credit bureau. When questioning staff, they often don't realize that the fee was not adjusted for whatever reason. When this happens, the CD is not accurate, and now the lender has just up charged a third-party service charge. This has always been a major risk area for both fees and UDAAP risk.

It's not hard in a file review to see if the CD is correct by simply checking the fee amounts against the invoices. This is a training issue for both loan staff and loan processors to ensure the CD is updated with all actual costs incurred. Lenders are not supposed to profit from third-party service charges like credit bureau reports or flood certifications.

# CFPB FINDS SERVICEMEMBERS PAY MORE IN AUTO LENDING MARKET

A recent study by the CFPB found that military servicemembers pay more for cars than the average civilian. As a retired military officer, I can say without a shadow of a doubt that this is true and not surprising. I remember my days as a young airman in Biloxi, Mississippi when you go out the main base gate, it was one used car dealership after another. They would prey upon young men and women in uniform, often selling them used cars at high interest rates. Dealerships and predatory lenders knew that one call to the servicemember's supervisor for non-payment would easily rectify the issue. It is sad and predatory.

If you operate branches near military installations, take a few minutes to read through the article. The Military Lending Act was put in place to help prevent predatory lending and additional fees, but it can only do so much. You can find the CFPB report HERE.

# YOUR MONTHLY FAIR LENDING CORNER NEWSLETTER

VIDEO

## ANNUAL FAIR LENDING TRAINING IDEAS

Check out our monthly fair lending short video first and then come back here for some additional thoughts.

[Annual Fair Lending Training Ideas | Tuscan Club University]

This month's fair lending short video talks about fair lending training ideas for loan staff.

When I worked for a previous employer, we did the same computer-based training modules every – single – year. It was the same Regulation B module every time, and I never learned a thing. I would just skip to the quiz at the end to get it over with. Sound familiar?

I like to challenge management teams and compliance staff to implement basic lender training. That is when you teach lenders the basics of how to do their jobs. The focus here is on policies and procedures. It's how YOUR institution makes loans.

Think of it this way – you hire a lender from a competitor down the street, and your new loan officer has 20 years of lending experience. That person should have a graduate level knowledge of credit principles. They should understand all aspects of making a loan; however, do they know how your organization makes loans? That's where the basic lender training comes in.

Train your lenders on your specific procedures. You should cover things like which credit bureau to use when you pull a tri-merge, and how does that change with multiple borrowers? What source do you use for vehicle valuations. How to properly calculate someone's debt-to-income ratio. What's the correct way to gross-up non-taxable income.

Your policies and procedures are legal forms of discrimination. That is how you ensure you treat people fairly and consistently based on prudent underwriting characteristics – not prohibited basis characteristics. This is your protection from fair lending issues and ensures you make safe and sound loans. They are IMPORTANT. Spend the time training them to make sure people get it right.

Setting up clear and concise policies and procedures, free from guesswork, and then following them each and every time is the best way to begin building a strong fair lending program.

Does your Board of Directors need training? Tory filmed a 30-minute training video specific for board directors; however, this video would also work for loan staff as well. It's available on YouTube, and it has a lot of views, so there are ads unfortunately. Check out this free Board Training video HERE.


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- We submit all meetings for 2.5 hours of CRCM credit (earn up to 10 CPE hours every year)
- We focus on different fair lending training topics at each meeting
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- Share fair lending exam and audit findings so you stay ahead on what the regulators are seeing
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