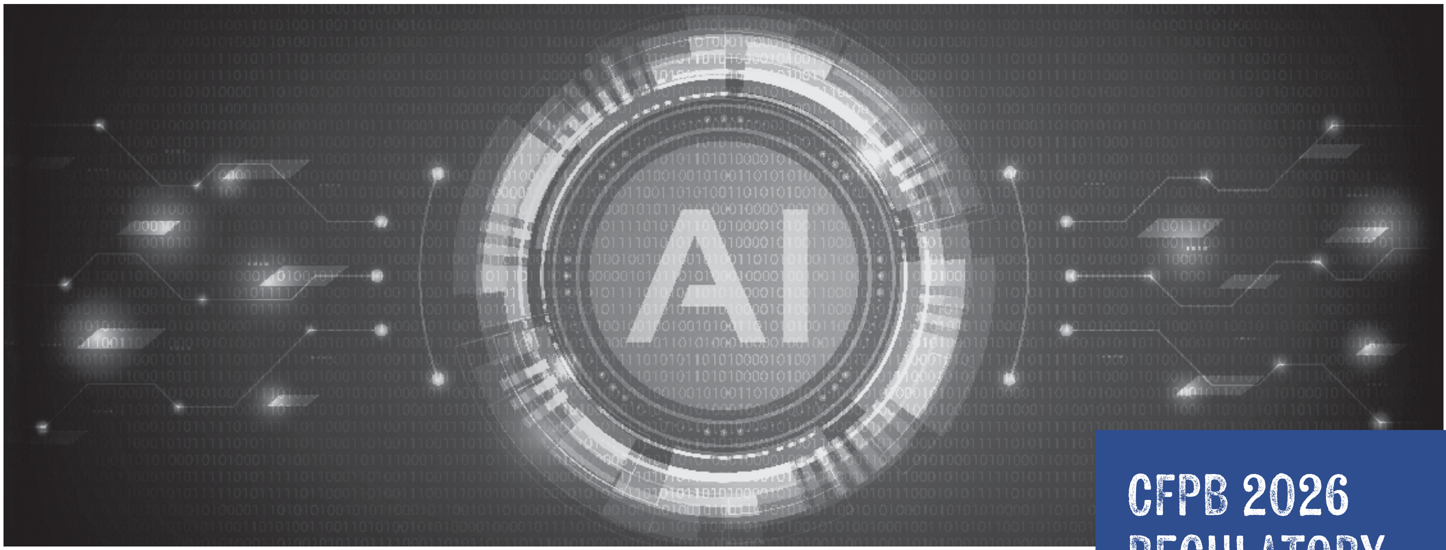
AUGUST 2026

YOUR MONTHLY COMPLIANCE NEWSLETTER



In this month's compliance newsletter, we're switching it up and discussing a single compliance management system component: the Artificial Intelligence (AI) Acceptable Use Policy. Free and easy access to AI has been available long enough that we all need ground rules and guard rails. Don't worry, we'll keep this high level.

First, let's talk about why every financial institution needs a policy governing AI usage. We know that some people will use AI to make their jobs easier. Without guiding people to safe and acceptable uses or providing them with tools that have added security measures, they may just hand all of your sensitive customer information over to an unaffiliated third party (a major no-no).

Do you remember when social media really started taking off and opened financial institutions up to all kinds of new internal and external risk? Boards implemented Social Media Policies to address the risks, and some institutions have accompanying annual training. The model for those policies is generally defining what social media is, identifying the risks involved, prescribing who can use it to represent the bank, explaining acceptable use for all personnel, and stating the consequences of improper use. We need the same thing for AI use because, without it, someone who does not understand the risks involved may have a free-to-me AI program summarize a Board meeting packet, write a

See AI page 2

CFPB 2026 REGULATORY PLAN

The CFPB published two lists that are interesting to note, if not useful. First, the agency rule list that includes all the actions the CFPB intends to complete before June 2027. Second, the long-term actions list for items being developed for action after June 2027. A brief description of each item is accessible from the lists. The takeaway, not overly surprising, most of the regulatory plan involves deregulation.

FDIC CONSUMER COMPLIANCE EXAMINATION MANUAL UPDATE

If you work in regulatory compliance, we recommend you consider the FDIC Exam Manual as a reference tool even if the FDIC isn't your primary regulator. It excels at explaining regulations in a narrative format where the regulation text is often choppy or hard to understand. Also, the FDIC has back-up regulatory authority if you are FDIC insured, so it is prudent to know their guidance. The most recent examination manual updates (nothing substantial) can be found here.

AI

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loan presentation, or answer compliance questions. All present major risks across a whole spectrum of areas.

Not convinced that people at your institution will use AI improperly? Story time. Some of our team members attended an AI presentation at a compliance conference where a speaker suggested uploading your complete, unmodified HMDA LAR to Chat GPT for analysis. Half of the room walked out because they understood the consequences of exposing the personal information of every home mortgage applicant at their institution and could not trust anything else that may be said. If a compliance conference speaker doesn't see the risk, how can we expect our coworkers to?

We enjoy a long and complicated policy as much as the next person, but an AI Governance Policy can be as simple as three sentences. "AI tools, such as Chat GPT, Google Gemini, and Microsoft Copilot are computer systems capable of performing tasks that typically require human intelligence, such as researching, reasoning, writing, or image generation. To protect sensitive data and maintain compliance, no employee or member of the Board of Directors of ABC Institution will use AI tools for any institution-related purpose without the express permission of the Board of Directors. Violation of this policy will result in disciplinary action, up to and including termination." The goal is to make it clear to everyone at the institution that AI use presents risks that must be controlled by the Board and unsanctioned use comes with consequences.

After you've set ground rules and guard rails, there is space to discover what tools are safe to use and what information should be allowed into those tools. Those are conversations for another newsletter.

CONSULTING AND REGULATORY REVIEWS

Some may not know that our company is education, consulting, and regulatory reviews. Tuscan Club Consulting conducts expert third-party reviews of all federal regulations related to consumer compliance and performs independent testing for BSA/AML as well as comprehensive fair lending reviews. Led by a team of commissioned former examiners, we have been partnering with financial institutions since 2017 and have conducted more than 500 reviews since our inception. We are working on our 2027 schedule, so now is a great time to reach out and discuss how we can help manage your compliance program with simple and affordable solutions. You can contact our President Tory Haggerty to schedule a free, no obligation discovery call to talk about your needs: **tory@tcconsulting.us**

LENDING TO INDIVIDUALS NOT LEGALLY AUTHORIZED TO WORK IN THE UNITED STATES

Remember last month when we discussed the CFPB statement on ability to repay and immigration status? Yeah, that was a lead into the related interagency guidance published on July 13, 2026, found here. The CFPB clarified to creditors that they may "legitimately consider" the immigration status of loan applicants when making credit decisions. Now the FDIC, OCC, and NCUA are clarifying that "Lending to individuals who are not legally authorized to work in the United States may present elevated credit risk because a borrower's ability to generate income, maintain employment, and remain financially stable may be subject to greater uncertainty."

This is nothing new. The advice is, as always, maintain clear underwriting criteria and treat risk related ability-to-repay requirements the same, regardless of race or ethnicity.

AUGUST 2026

YOUR MONTHLY FAIR LENDING CORNER NEWSLETTER

In this month's fair lending newsletter, we are going to talk about the fair lending interview. We have touched on this in the past, but it's such a critical and underutilized tool that we want to discuss more.

First of all, what is a fair lending interview? Essentially, a fair lending interview is a compliance or audit professional sitting down with a lender, one-on-one, and asking basic questions on how they do their jobs. Clear and concise policies and procedures are the best way to set up a strong lending program, free of potential discrimination. However, those policies and procedures lose value when they are not followed. The fair lending interview is one of the best tools to find out if lenders are actually following policies and procedures. The process accomplishes two things that we will discuss.

As you can imagine, you need to prepare for the interview. That means you need to read loan and fair lending-related policies. You need to study underwriting standards and processes. Review how loans are priced, how lenders get policy exceptions approved, and have a good basic understanding of the policies and procedures lenders use to do their jobs.

This lets you accomplish goal number 1: finding out if lenders know, understand, and follow your institution's policies and procedures.

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Ask basic questions:

- How do you determine what loan products your customers will be offered? (steering risk)
- Is there a minimum credit score or maximum debt-to-income ratio for different loan products? (underwriting risk)
- How do you price loans? (pricing risk)
- Are you allowed to deviate from policy, and if so, what is the process? (policy exception risk)

The answers you receive should match what you learned from reading loan policies and procedures. Most fair lending interviews are super boring, and you learn nothing. Those are the best. Lenders will quickly rattle off everything, without much thought, and that is a good indicator they really know their jobs and they follow approved guidance. By the end of the interview, you will have a feel for if they are doing what they are supposed to. When they are do not know, understand, or follow approved policy, you know there are gaps and work to be done. That's valuable information that helps you improve your program.

The second goal of a fair lending interview is to find out if your lenders are doing anything discriminatory. While not the primary purpose, sometimes you will hear that their process is violating laws and regulations. We once had a lender say, "I always make the spouse sign the promissory note." That is a joint intent issue. Sometimes they will talk about the compensation they receive, and you realize you have possible mortgage loan originator compensation issues that need further review.

The fair lending interview is a tool examiners have used for years, and it works. Our company has conducted well over 100 fair lending audits, and we always do at least one interview (sometimes multiple). We have found that you often learn things in fair lending interviews you would never learn through data. The worst-case scenario is you uncover something major, but now you know and you can fix it.

The best-case scenario is you spend 30 minutes getting to know a lender better, they quickly rattle off all the right answers, and you learn they are doing their jobs the right way.

While minor, this is important: don't call them fair lending interviews! I've seen organizations absolutely freak out when they hear auditors are going around doing "fair lending interviews". Call it a lender discussion if that makes people feel better. Heck, call it super happy fun time discussion. The goal is to learn how lenders do their job, not to freak people out.

The last piece of advice. If you do learn something "unflattering" in your interview, don't throw that person under the bus. Determine the best way to handle the information, but if you start calling out lenders in reports or to management, you won't be doing many more lender interviews. We always try and find other ways we can verify what they said so we don't have to attribute the issue directly to that lender from that interview. For example, if a lender says they always make the spouse sign on the note, review some loan files and find some evidence. If a lender talks about potential loan officer compensation issues, find out the compensation structure and attribute the issue to a policy. Perhaps there are other ways to present the issue without causing internal issues that will prevent you from doing interviews in the future.

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