

Virginia Bankers Association
Compliance Committee

Compliance Updates

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Virtual Compliance Officer



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Agenda

- Fair Lending
- Section 1071
- Section 1033
- Compliance Alliance



Fair Lending



Fair Lending Hot Topics

DOJ and CFPB joint enforcement action

Racial Steering

Reconsideration of Value in Appraisal

DOJ and CFPB Joint Enforcement

Over the last few years specifically, the CFPB and the DOJ have been working together to bring enforcement actions, specifically related to fair lending.

The CFPB is required to refer to the DOJ when the CFPB has reason to believe that a creditor has engaged in a pattern or practice of lending discrimination in relation to ECOA.





Racial Steering

Racial Steering is the act of deliberately guiding loan applicants or potential purchasers toward or away from certain loan products or geographic area because of race.

Mitigation:

- Evaluate different products including nontraditional loan and subprime products;
- Interview personnel to see if options are clear to applicants;
- Carefully review loan policies, procedures, and practices;
- Determine whether personnel follow written policies/procedures;
- Determine how much discretion personnel have in decision making, pricing, etc.

Reconsideration of Value and Appraisal Bias

It is important to note that issues with appraisals can also result in Fair Lending violation(s). This can occur in the cost to value analysis where bias can be reflected in unsupported adjustments.

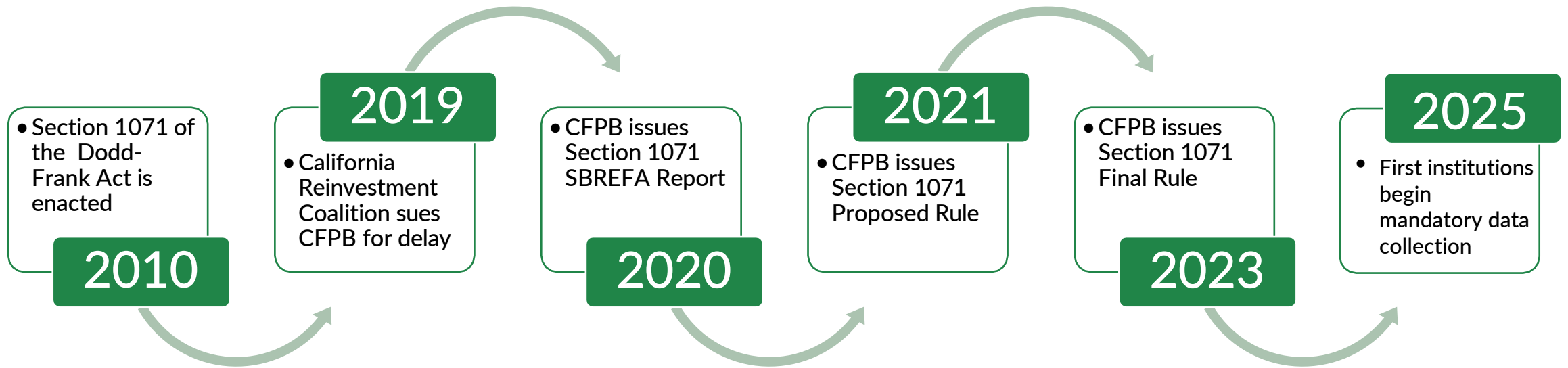
Creditors should ensure that the analysis is done correctly, as a home or neighborhood being over a certain age does not mean it is appropriate to devalue the property.

In addition, in a comparable sales approach, racial bias may cause an appraiser to use incorrect comparables and should be considered during the appraisal review.

Section 1071



Background



Implementation

Compliance Date Tier	Origination Threshold for the Compliance Date Tier	Date that a Covered Institution Begins Data Collection and Otherwise Complying with the Final Rule	Deadline For a Covered Financial Institution to Report First Year of Data to the CFPB
Tier 1	At least 2,500 covered originations in both 2022 and 2023 (or 2023 and 2024)	July 18, 2025*	June 1, 2026*
Tier 2	At least 500 covered originations in both 2022 and 2023 but not 2,500 or more covered originations in both 2022 and 2023 (or 2023 and 2024)	January 16, 2026*	June 1, 2027*
Tier 3	At least 100 covered originations in both 2022 and 2023 but not 500 or more covered originations in both 2022 and 2023 (or 2023 and 2024)	October 18, 2026*	June 1, 2027

Additionally, even if it originated fewer than 100 covered originations in 2022 or 2023 (or 2023 or 2024), a financial institution that originates at least 100 covered originations in 2024 and 2025 must collect data and otherwise comply with the final rule beginning June 1, 2027.



Responsibilities

- Change management planning and analysis
- Review final rule and CFPB tools
 - Small entity compliance guide
 - Small business lending rule FAQ's
- Create 1071 implementation team
- Initial training of team to ensure understanding of regulation
- Identify covered originations/transactions in bank
- Identify tier for compliance date requirements
- Board/senior management discussions – software, training, and staffing
- Software purchase/updates
- Identify and understand data compilation/tracking & firewall requirements



Section 1033



Section 1033 Personal Financial Data Rights



On October 19, 2023, the CFPB issued a notice of proposed rulemaking related to data privacy rights for consumers. The Rule was included in the Dodd-Frank Act of 2010 but took the CFPB approximately 13 years to implement this provision of law!



On June 5, 2024, the CFPB finalized the provisions of the proposed rule regarding the attributes a standard-setting body must demonstrate in order to be recognized by the CFPB.



On October 22, 2024, the CFPB finalized the remainder of the proposed rule. The October 22, 2024, final rule (final rule) requires data providers to make covered data regarding covered financial products and services available to consumers and authorized third parties in an electronic form, subject to a number of requirements. The final rule also sets forth criteria a third party must satisfy in order to be an authorized third party, including certifying it will satisfy certain obligations regarding the collection, use, and retention of covered data.

Section 1033 Personal Financial Data Rights

Key Takeaways:

- Require banks, credit unions, and other financial service providers to make available to consumers and authorized third-parties certain data relating to consumers' transactions and accounts in a secure and reliable manner;
- Establish obligations for third parties accessing a consumer's data, including certain privacy protections for that data;
- Provide basic standards for data access; and
- Promote fair, open, and inclusive industry standards



Section 1033 Effective and Compliance Dates

Compliance Date	Depository Institution	Nondepository Institution
April 1, 2026	Holds at least \$250 billion in total assets based on an average of its Q3 2023 through Q2 2024 call report submissions	Generated at least \$10 billion in total receipts in calendar year 2023 or calendar year 2024
April 1, 2027	Holds at least \$10 billion in total assets but less than \$250 billion in total assets based on an average of its Q3 2023 through Q2 2024 call report submissions	Did not generate \$10 billion or more in total receipts in both calendar year 2023 and calendar year 2024
April 1, 2028	Holds at least \$3 billion in total assets but less than \$10 billion in total assets based on an average of its Q3 2023 through Q2 2024 call report submissions	Not applicable
April 1, 2029	Holds at least \$1.5 billion in total assets but less than \$3 billion in total assets based on an average of its Q3 2023 through Q2 2024 call report submissions	Not applicable
April 1, 2030	Holds less than \$1.5 billion in total assets but more than \$850 million in total assets based on an average of its Q3 2023 through Q2 2024 call report submissions	Not applicable





C/A COMPLIANCE
ALLIANCE

*Where compliance and
innovation meet.*

Our Story

Over a decade of unprecedented change and an unrivaled vow to bring support and guidance to community banks across the nation

- Compliance Alliance was created in 2011 in response to Dodd-Frank legislation to serve as support and guidance to bankers at every level.
- C/A is almost 100% staffed with people who have real community banking experience.
- Our board of directors is made up of the CEOs of State Bankers Associations from 75% of the states in the U.S.
- The industry leader, C/A has a proven system that works for banks of all types and all kinds of communities/environments.



C/A Divisions



Compliance Hub

Our easy-access system gives you four avenues for better compliance management.

- Access to licensed/certified advisors through hotline chat, email, & phone
- Array of educational offerings, including webinars, huddles, compliance minutes, and tool segments
- Unlimited reviews of policies, advertising, and more
- Open access to our online tools, products, articles, and webinars



Assurance Services

Audits and specialized services for every area, every function & every department.

BSA/AML	Internal Controls
Consumer Lending	BSA/AML Model Validation
Deposit Operations	HMDA Scrubs
NACHA	HMDA LAR Prep
Loan Reviews	Private Flood Insurance Review
Information Technology	CRA Reviews
Director's Exams	Pre-Close TRID Reviews

We offer audits in 21 days from Start to issuance of the Draft Report. We develop an audit or review program to meet your needs with minimal disruption to your staff.



Virtual Partners

Built to get your compliance right - let's look at the highlights:

Shared-service approach	Staff training
Transactional look-backs	Formalized reporting
Ongoing monitoring/reporting	Direct access to VCO Partner
Staff augmentation	Assist with corrective action/monitor results
Complete CMS Oversight	Monthly special projects
Chair compliance committee	Collaborate throughout exam/audit cycle





Questions?

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Virtual Partners

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