



COMPLIANCE UPDATE

Consumer Financial Protection Bureau (CFPB) Modifies Regulation B Rules on Obtaining Borrower Information

On September 20, 2017, the CFPB announced a final rule modifying Regulation B, to provide additional flexibility for mortgage lenders in the collection of consumer ethnicity and race information. The changes will provide greater clarity for mortgage lenders regarding their obligations under the law, while promoting compliance with rules intended to ensure consumers are treated fairly. Separately, the CFPB also seeks comment on proposed policy guidance describing the Home Mortgage Disclosure Act (HMDA) data the CFPB proposes to make available to the public beginning in 2019, including modifications to protect consumers' privacy.

Frequently Asked Questions (FAQs) on New Accounting Standards

FDIC FIL-41-2017, OCC Bulletin 2017-34, and Federal Reserve SR Letter 17-8, all announced that the federal financial institution regulatory agencies have issued FAQs on the New Accounting Standard on Financial Instruments – Credit Losses to assist institutions and examiners.

Department of Labor Publishes Proposed Extension of Transition Period for Fiduciary Rule

The Department of Labor published a proposed extension to July 1, 2019, of the special transition period for several exemptions to its fiduciary conflict-of-interest regulations, to give the department time to consider changes and alternatives to sections of the regulations. The proposed amendments to these exemptions would affect participants and beneficiaries of plans, IRA owners, and fiduciaries with respect to such plans and IRAs. Comments on the proposal will be accepted through September 15, 2017.

CFPB Finalizes HMDA Changes

The CFPB announced it has finalized a temporary increase in the HMDA Home Equity Line of Credit (HELOC) reporting threshold for banks and credit unions and made a number of clarifications, technical corrections, and minor changes to the HMDA regulation. Under the HMDA rules becoming effective on January 1, 2018, financial institutions would have been required to report HELOCs if they made 100 such loans in each of the previous two years. The threshold is temporarily being increased to 500 loans during 2018 and 2019, to give the CFPB time to consider whether to make a permanent adjustment.

The other amendments finalized by the CFPB include clarifying certain key terms, such as “temporary financing” and “automated underwriting system.” The changes will also, for example, establish transition rules for reporting certain loans purchased by financial institutions. Another change will facilitate reporting the census tract of a property, using a geocoding tool that will be provided on the CFPB’s website. These changes were initially proposed in April 2017

Financial Conduct Authority (FCA) Announces Phase-Out of LIBOR by 2021 Due to Limited Underlying Market Activity

On July 27, 2017, the FCA announced its decision to transition away from LIBOR by 2021 due to limited activity in the markets used to determine the LIBOR benchmarks and the regulators' failure to see the markets becoming more active in the near future. If your institution originates or services loans indexed to LIBOR, you will need to find a different index to use for these loans.

CFPB Final Rule on Arbitration Agreements

The CFPB issued a final rule on July 10, 2017, regulating arbitration agreements in contracts for specified consumer financial products and services. The rule was developed with the intent for allowing consumers to legally pursue companies in court through class action lawsuits. The rule is set to take effect on September 18, 2017, with mandatory compliance for pre-dispute arbitration agreements on or after March 19, 2018.

CFPB Finalizes TRID Amendments

The CFPB finalized a rule clarifying informal guidance while making additional clarifications and technical amendments. This rule should benefit consumers and lenders by providing greater clarity going forward. Highlights include the following:

- Creates tolerances for the total of payments.
- Adjusts a partial exemption that mainly affects housing finance agencies and nonprofits.
- Provides a uniform rule regarding application of the integrated disclosure requirements to cooperative units.
- Provides guidance on sharing disclosures with various parties involved in the mortgage origination process.

Clarifications and technical corrections address a variety of topics which have been questioned at length since the implementation of the rule, such as calculating the cash-to-close table, construction loans, lenders’ and settlement agents’ responsibilities, payment ranges on the projected payments table, post-consummation fees, simultaneous second lien loans, and the total interest percentage calculation.

The final rule is effective 60 days after publication in the Federal Register, and mandatory compliance is set for October 1, 2018. The CFPB issued an executive summary, which can be found at the following link: https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201707_cfpb_Executive-summary-of-2017-TILA-RESPA-rule.pdf.

QUESTIONS?

If you wish to discuss these matters in detail, please contact Steve Zanardelli, Tim Schofer, or Frank Antiga at (724) 934-0344 or (800) 580-7738, or email szanardelli@srsnodgrass.com, tschofer@srsnodgrass.com, or fantiga@srsnodgrass.com.