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League InfoSight Highlight: Adverse Action Notices Artificial Intelligence

The CFPB's most recent [Circular](#) from September 19, 2023 addresses credit union's increased use of artificial intelligence (AI) and complex credit models.

The CFPB clarifies in Circular 2023-03 that the credit union **CANNOT** rely on the checklist of reasons in the sample forms within Regulation B to satisfy their obligation under the Equal Credit Opportunity Act (ECOA) if those reasons do not specifically and accurately indicate the principal reason(s) for the adverse action. AI or complex algorithms may gather and analyze data outside of the application and credit file that may result in adverse action. Specific reasons must be identified and used within the adverse action notice to comply with Regulation B, and using the example reasons may be overly broad or vague, which is also prohibited if it obscures the specific and accurate reasons the credit union relied upon to take the adverse action.

ECOA provides that when taking adverse action against an applicant the credit union must provide a statement of reasons for the action taken. The reasons must be "specific" and indicate the "principal reason(s) for adverse action." The reasons must also "relate to and accurately describe the factors actually considered or scored by a creditor." The CFPB clarifies that the sample forms merely provide an illustrative and non-exclusive list of the most common reasons used by creditors.

As credit unions continue to explore artificial intelligence and the use of predictive technology, it is critical that adverse action notices are reviewed, and appropriate and accurate reasons for adverse action utilized. Credit unions can access additional information in InfoSight in the Loans and Leasing Channel under the Equal Credit Opportunity Act.

Glory LeDu,
CEO, League InfoSight and CU Risk Intelligence

THANK YOU to Compliance Officers!

This week was the celebration of
National Compliance Officers Day.



To all of the Compliance Officers
out there, we want to say
THANK YOU for all that you do!



News and Alerts!

NCUA Board Approves Final Rule on Financial Innovation

The National Credit Union Administration Board held its eighth open meeting of 2023 and unanimously approved a final rule that amends the NCUA's regulations regarding indirect lending, the purchase of loan participations, and the purchase, sale, and pledge of eligible obligations and notes of liquidating credit unions. In addition, the NCUA's Chief Financial Officer briefed the Board on the performance of the National Credit Union Share Insurance Fund during the second quarter of 2023.

[Read More](#)

CFPB Mortgage Report Finds Jumps in Closing Costs and Denials for Insufficient Income, Growing Proportion of Cash-Out Refinances

The Consumer Financial Protection Bureau (CFPB) released its annual report on residential mortgage lending activity and trends. In 2022, mortgage applications and originations declined markedly from the prior year, while rates, fees, discount points, and other costs increased. Overall affordability declined significantly, with borrowers spending more of their income on mortgage payments and lenders more often denying applications for insufficient income.

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CFPB Kicks Off Rulemaking to Remove Medical Bills from Credit Reports

The Consumer Financial Protection Bureau (CFPB) today announced it is beginning a rulemaking process to remove medical bills from Americans' credit reports. The CFPB outlined proposals under consideration that would help families financially recover from medical crises, stop debt collectors from coercing people into paying bills they may not even owe, and ensure that creditors are not relying on data that is often plagued with inaccuracies and mistakes.

[Read More](#)

Upcoming Events:

DEI Summit 2023 November 1–2

Join your peers in Washington D.C. at the NCUA's 2023 DEI Summit to explore the value proposition of diversity, equity, and inclusion in the credit union

MDI Symposium October 3-4

Join your credit union industry peers at the National Credit Union Administration to participate in a symposium aimed at fostering greater support for minority depository institutions (MDIs). This





industry, share best practices, develop solutions to industry-specific challenges, and network with your fellow leaders.

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event will feature engaging discussions and collaborative working sessions, with the common objective of developing plan to bolster MDIs.

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Things to do this Fall:

-  Visit a Cider Mill
-  Pick Halloween Costumes
-  Eat a caramel apple
-  ~~Haunted house~~ Hayride!
-  save time with **Inf✔Sight** so you can have more fall fun!

Questions, Comments, Concerns? We are here to help! Email us at info@leagueinfosight.com