

# InfoSight Newsletter

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## League InfoSight Highlight: Consumer Compliance Outlook Article

In the February 2, 2024 newsletter, we provided a link to the most recently published [Consumer Compliance Outlook \(Issue 4\)](#), which is a Federal Reserve Publication that addresses Consumer Compliance Topics. This publication generally focuses on what the Federal Reserve is identifying in the review of banks under their purview. This offers us an opportunity to see some trends (regulatory agencies tend to focus on similar things) and gain expertise on how we can jump start and improve our processes and avoid similar violations.

Issue 4 focused on the top violations in 2022 for Regulation E Error Resolution Requirements, Regulation X Escrow Account Requirements, Fair Credit Reporting Act (FCRA) and the Equal Credit Opportunity Act (ECOA). Do you see a trend here?

Below are highlights from the articles. Note that the “common issues” identified by the Federal Reserve for the violations identified across the board were generally inadequate training, controls, and procedures.

### FCRA and ECOA Violations

- **Adverse Action Notices.** It was identified that financial institutions were not providing notices when required, not including the range of credit scores utilized, and not including required FCRA disclosures. Examiners also cited financial institutions for failing to provide notices in a timely manner (within 30 days of receiving a complete credit application). Procedures should identify when an application is considered “complete.”
- **Spousal Signatures.** Financial institutions cited were requiring individual creditworthy applicants to obtain the signature of their spouse or another person as a condition of their loan. With state law

implications and certain exceptions, procedures need to be in place with proper controls to avoid violations.

- **Copies of Appraisals and Required Disclosures.** Examiners cited financial institutions for not appropriately providing applicants copies of appraisals or valuations on first-lien mortgage applications. Financial institutions also failed to mail or deliver notice in writing of the applicants right to receive a copy of appraisal/valuations, no later than the third business day after the creditor receives an application.

## **Regulation E and Escrow Requirements**

- **Investigating Errors.** Financial institutions were not promptly conducting error resolution investigations after being notified by consumers. Issues were also identified with staff not recognizing when consumers were making error resolution claims, initiating investigations, and not correctly identifying disputed transactions.
- **Provisional Credit.** Financial institutions were not providing provisional credit for the amount of the alleged error within 10 business days of receiving an error notice when the financial institution was not able to complete the investigation within 10 business days and took up to 45 days to investigate. Also identified was failure to provide full access to use of the provisionally credited funds during the investigation.
- **Investigations.** Examiners identified financial institutions not conducting adequate investigation of error claims. When the alleged error is an unauthorized EFT, the burden of proof is on the financial institution to establish the transaction was not authorized. A consumer's claim cannot be denied without conducting a reasonable investigation under the Regulation.
- **Escrow analysis.** Examiners found inaccurately computed and disclosed initial and annual escrow analyses. Incorrect system settings and payment amount issues typically caused the errors identified.
- **Annual Escrow Analysis.** Financial institutions were conducting annual escrow account analyses beyond the 12-month computation year, without issuing short-year statements as required.

This issue also identifies “sound compliance practices” for financial institutions to consider. It should be no surprise that some of those practices include [board and management oversight and increasing oversight](#) (inclusive of [third-party oversight](#)), [internal controls](#), [consumer complaints](#), [training](#), [monitoring and/or audit](#), and [policies and procedures](#). Need help? Please don't hesitate to contact us at [info@leagueinfosight.com](mailto:info@leagueinfosight.com)!

**Glory LeDu**  
CEO, League InfoSight and CU Risk Intelligence

## In Celebration and Recognition of Black History Month

### How to celebrate and support:

Educate  
yourself about  
black history



Find volunteer  
opportunities in  
your community

Engage family  
and friends in  
conversation



Support  
black-owned  
businesses

Learn more by visiting [blackhistorymonth.gov](https://blackhistorymonth.gov)

### News and Alerts!

#### **NCUA Chairman Todd M. Harper's Remarks on Agenda for Review of Credit Union Regulations**

In prepared remarks at the Brookings Institution on February 6th, NCUA Chairman Todd M. Harper stated that the NCUA has plans for reviewing aspects of compliance protection laws and regulations.

"NCUA's fair lending examinations will also increase in number and focus on ensuring policies and practices are fair and not discriminatory. And, examiners will continue to evaluate credit unions' policies and procedures governing compliance with flood insurance rules. The NCUA's other areas of emphasis for 2024 include Bank Secrecy Act compliance and support for small credit unions and minority depository institutions."

[Read More](#)

## **FinCEN Proposes Rule to Combat Money Laundering and Promote Transparency in Residential Real Estate**

The U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) issued a [Notice of Proposed Rulemaking](#) to deter money laundering in the U.S. residential real estate sector by increasing transparency.

The proposed rule would require certain professionals involved in real estate closings and settlements to report information to FinCEN about non-financed transfers of residential real estate to legal entities or trusts. FinCEN's proposal is tailored to target residential real estate transfers considered to be high-risk for money laundering, while minimizing potential business burden, and it would not require reporting of transfers made to individuals.

[Read More](#)

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## **FinCEN Requests Comments on Renewal of the OMB Control Numbers for Bank Secrecy Act Requirements in Connection with Reports of Transactions in Currency Regulations and the Currency Transaction Report**

On February 5, 2024, the Financial Crimes Enforcement Network (FinCEN) published in the Federal Register a 60-day notice to renew the Office of Management and Budget (OMB) control numbers assigned to existing Reports of Transaction in Currency Regulations and FinCEN Form 112 – Currency Transaction Report (CTR). Under the regulations, financial institutions are required to report transactions in currency of more than \$10,000 using the CTR. The notice is required to give the public an opportunity to comment on existing regulatory requirements and burden estimates. The notice requests feedback from industry on or before April 5, 2024. FinCEN encourages the public to review this notice and provide comment.

[Read More](#)

Rather eat your vegetables than try to sort through state-specific laws and regulations?



**InfoSight** has state-specific laws and regs for  
all 50 states!

Questions, Comments, Concerns? We are here to help! Email us at  
[info@leagueinfosight.com](mailto:info@leagueinfosight.com)